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FOREIGN DIRECT INVESTMENT AND ENTRY MODES OF MOBILE TELECOMMUNICATION COMPANIES IN ALBANIA

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Abstract

Foreign Direct Investment, namely, FDI, is a very important economic development factor in a country.As Albania attempts to access the EU, it is implementing policies to be an attractive country for FDI inflows. The purpose of this paper is to identify the determinants and patterns of FDI flows, the host country and the entry modes of foreign firms that have entered the Albanian Mobile Telecommunication Industry. In order to determine the main factors of FDI inflows in the telecommunications sector in Albania, FDI movements and activities of main Mobile Networks operating in the country, Vodafone Albania and Eagle Mobile, have been analysed. A general view of FDI situation in Albania, as well as advantages and disadvantages that a country faces in attracting foreign investors are described. This study offers a new perspective to the most crucial FDI determinants used in Mobile Telecommunications Industry in Albania. It benefits future research with new findings, by taking into consideration new market strategies and alternatives for entry choices.

Keywords: Foreign Direct Investment, Albania, Determinants, Mobile Telecommunication Industry, Mobile Networks, Entry Modes.

Introduction

Foreign Direct Investment is a very important factor for a country's economic growth. Especially its impacts on diffusion of technology and developments in management and marketing strategies. FDI takes place when a firm acquires ownership control of a production unit in a foreign country. There are basically three forms of FDI: establishing new branch, acquiring control share of an existing firm, and participatings jointly in a domestic firm. As Albanian economy has changed from a centrally planned to a market oriented one, FDI is seen as an important component of the transition process toward a market-led economic system, since it contributes to the development of a country through multiple channels (Kukeli, et al., 2006; Kukeli, 2007). In this study, a limited number of successful mobile networks entry cases have been selected for deep investigation of entry models in Albania, to find out the most important and efficient determinants of foreign mobile networks entry into Albania's telecommunication market in the future as well. It provides a successful Albanian business experience for the new comers in mobile telecommunications industry. With its developing market economy, Albania offers many opportunities for investors-property as labor costs are low, the young and educated population is ready to work, and tariffs and other legal restrictions are low in many cases and are being eliminated in some others (Albinvest, 2003). Location of Albania in itself offers a notable trade potential, especially with EU markets, since it shares borders with Greece and Italy. In the last years Albania has entered the free trade agreements with Balkan Countries creating the opportunity for trade throughout the region. As Albanian economy tends to grow, the prospects and opportunities of multinational enterprises (MNEs) to invest in Albania for a long-term period has increased also. However, after the transition to democracy since 1992, the country has taken a long way in terms of economic, political and social life (Ministry of Economy 2004, p. 9-10). Demirel (2008) finds all of these changes to form the strengths of Albania in terms of FDI. In his study Demirel (2008) emphasizes that Albania has one of the most friendly investment environments in the region of the South- Eastern European Countries (SEECs) with her impressive economic performance in the last decade, liberal economic legislation, rapid privatization process and country specific advantages. By taking into account all of these factors, the aim of this study is to offer a new perspective by the case studies of foreign telecommunications companies, which form the majority of MNEs in this field, by finding the most significant determinants before entering into Albania, with a successful entry strategy and crucial consideration of FDI in Albania. It is crucially important to find the determinants and factors that affect multinational firms when deciding on their entry modes, in order to successfully compete in the Albanian mobile telecoms industry. There are four operators in these industry, two of the leading firms expand rapidly in Albania by utilizing successful and aggressive entry strategies, and the other ones are new entries in Albanian market. This study tries to find answers to the following issues: Firstly, the most important determinants of the host country's condition before choosing an entry mode to enter the market. Secondly, to find the most vital factors in firm-specific capabilities that MNEs should take into consideration before entering Albania. Finally, the relationship between entry mode and the specific industry will be analyzed and examined to determine the most significant factors for new telecommunication companies to use an effective model before entering the Albanian market, or to provide existing operators with a list of suggestions to change their entry mode strategy in the current market. Lin (2008) emphasizes that the evaluation of the entry modes' determinants is better to be applied in some main theories and models such as transaction cost theory, eclectic theory and internationalization model, which serve as theoretical foundation in these kind of studies, where host-country condition, political and economic context, and organization capabilities are important factors and require major consideration. Qualitative research will be utilized by collecting primary data by using the case studies, while academic research and other sources will be used to collect the secondary data. The research questions of case studies focus on MNEs' FDI in the mobile telecommunications industry in Albania, to evaluate the significant factors and main determinants that affect the entry model chosen by these MNEs. Questions will be divided into three perspectives, sections, to understand these determinants. The first category is host-country condition, the second will be the investing firm's specific condition, and the final category is cultural difference factors.

1.FDI Industry Distribution in Albania

Only after 1990 Albania started its economic reforms to have a more open policy toward western countries (Kaleshi and Solanki, 2010). During the initial transition period Albania lacked financial resources and needed a heavy infusion of foreign capital for economic development. The progress made by Albania through these years is quite remarkable but it still has a long way to go (Kaleshi and Solanki, 2010). Refering to the same study of Kaleshi and Solanki (2010), the initial foreign investment in Albania were used by the GOA to develop infrastructure in order to attract more foreign investment. Although FDI

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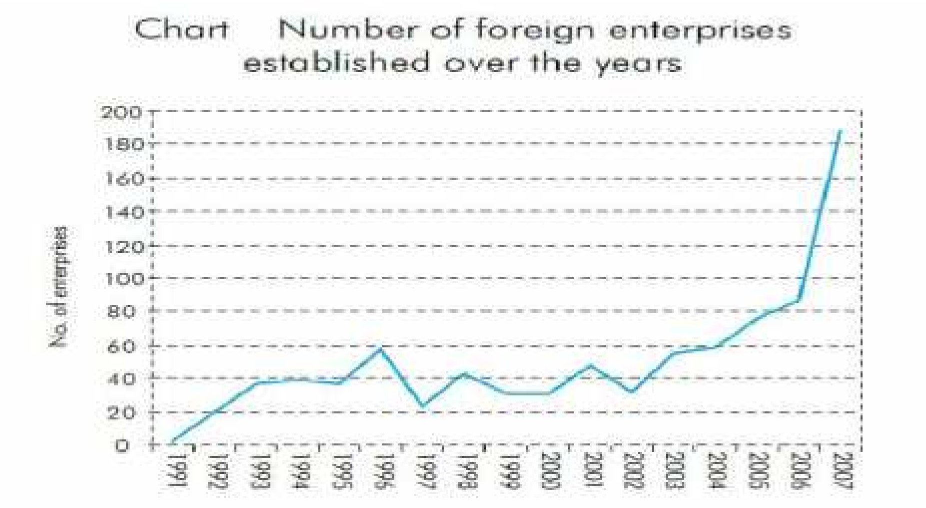
inflows amount in Albania is ranked behind other countries in the region, it still plays an important role in covering the fiscal and current account deficit. The real value and the real nature of FDI underline the need for accurate and detailed data, and it is still a challenge for Albanian economy. Since 1991, the number of foreign companies investing in Albania is increasing constantly and it is seen clearly in Figure 1. This drive the importance to study FDI in Albania as a very important economic factor, since investment promote transfer to technology, increase the opportunities of employment, as well as it helps in integration of domestic markets toward foreign ones.

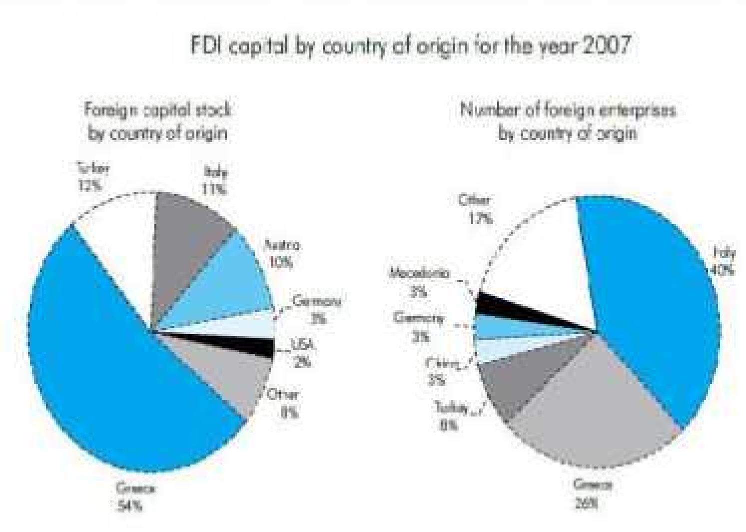
Figure 1: Number of companies in Albania with Foreign Capital from 1991-2007



Source: Bank of Albania, 2008

In addition, in Figure 2 shows FDI capital by country of origin in the year 2007. It is obvious that FDI flows in Albania are mainly driven by European Union (EU) countries. These EU countries make 77% of all companies operating in Albania, with a total number of 1,000 foreign companies. Italy and Greece are the main investors of EU countries, since taking into consideration the number of foreign companies operating in Albania, it is clearly found that 40% of foreign companies are Italian, while 26% of them are Greek.

Figure 2: FDI capital by country of origin for the year 2007



Source: Bank of Albania, 2008

According to Kaleshi and Solanki (2010), Italy and Greece are the main investors due to the fact that both of these countries are bordering Albania on the east and the west. Moreover, these two countries are the main export countries of Albanian products. During the years 1998-2007, Albanian Government has signed mainly trade agreements with some countries to stimulate FDI inflows, such as: Ukraine, Macedonia, Slovenia, USA, Turkey, Austria, Sweden, England, The Netherlands, Malaysia, Romania, Croatia, Bulgaria, Tunisia, Switzerland, etc. On the other hand, the countries in Balkan Region makes 13% of the total number of the investing companies, and they are dominated by Turkey, which makes 8% of the total number of foreign companies operating in Albania. According to Bank of Albania (BOA), these companies operate in different sectors and by end of 2007 they have reported 32,107 employees. Main sector (by number of companies): are trade/retail shops and trade arbitrage, which makes 33% of the total number of companies, but this sector has only 6% of the total number of employees reported. The second sector is industry, with a total number of 306 companies or 32.4% of the total number of companies. Within this sector, the main investment are made mainly by Italian companies in textile and clothing industry. In this sector are employed 54% of the total employees.

The number of foreign companies investing in banking sector is only 2.4% but it has 17.3% of the number of employees. While, telecommunications and transportation has 11.55% of the total number of the employed persons. The main capital investment in Albania is dominated mostly by EU countries since 80% of capital inflows is from these countries. The main sector attracting FDI inflows in Albania is the refined industry with 36% of the stocks of FDI as of the end of 2004, and with 45% of all the foreign enterprises. Within refined industry, more than 65% of FDI is concentrated in textile and clothing industry, food refinement, furniture etc. Refining industries, using technological tools (as medical, and drug, electrical machines and tools, and electronically ones) and those with capital usage (as oil industry, chemical tools act) belong to the remaining part of FDI (BOA, 2007). Communication sector represents around 33% of the foreign capital stock at the end of 2004. Privatization during 2000- 2001 has attracted potential investors in this field. In the Appendix C, there are shown two main foreign investors in mobile networks from Greece until 2007, Albanian Mobile Telecommunications and Vodafone, the latter is the case study of this paper also. After these years, the foreign capital in this sector has had a positive trend with the privatization of Albtelecom and the establishment of a new mobile operator in Albanian mobile networks, Eagle Mobile, in 2008. As a result, according to Kaleshi and Solanki (2010) established capital of the companies; reinvestment of the revenues, as well as investment during financial year affected the foreign direct investment positively. The last reports of BOA in 2009, find out Greece as the main investor with 54% of the total capital investment, shown in first part of Figure 3. An increase of 30% in Greek capital flows is observed by comparing the data of 2006 with that of 2007. The Greek investments in Albania are spread up in the following sectors (Kaleshi and Solanki, 2010):

- 62% in the telecommunication, transportation and depot sector;
- 18% in the banking sector;
- 7% in the industry sector.

In comparing 2006 and 2007, Italian capital has remained at the same percentage level. The survey of the Bank of Albania in 2009 shows that Italian companies have 11% of the capital inflows in Albania. Two main sectors that have great inflows of FDI from Italy are banking sector with 36.4% and industry sector with 31% of the capital. Other sectors are real estate properties, and professional activities with 10% of the investments. An increase in the capital flows is observed by companies from Turkey. There has been privatization of important sectors in the Albanian economy, such as the fixed landlines of telecommunication through the company Albtelekom, and this has made Turkey to be the second country after Greece with 12% of the capital inflows of investment. Another country that has increased its investments in Albania is Austria. It has invested in two main sectors, namely, banking and insurance by reaching the level of the Italian investments with 10.5% of the total capital invested. In Table 1, the FDI distribution by sectors from 2004 to 2006 in millions of dollars is shown. The main sector of investment is the telecommunication, transportation and warehousing sector. Telecommunications sector, although is represented by only 4% of the total number of the companies, represents 41% of the capital. 84% of this sector is represented by post and telecommunication companies. In addition, in Appendix D are shown the last findings of FDI by industry distribution during the last years 2007-2009.

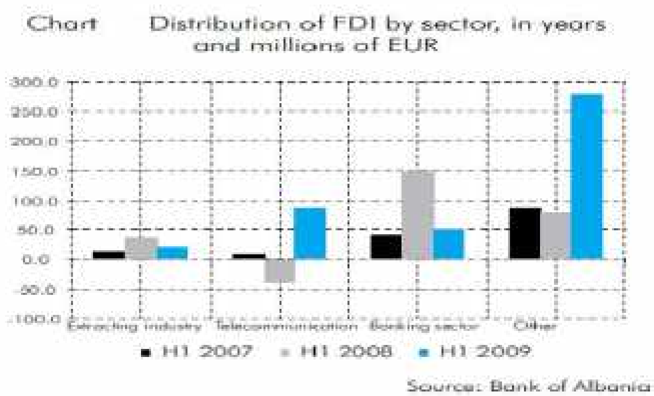
Table 1: FDI distribution in sectors 2004-2006 (in millions USD)

Sectors	2004		2005		2006	
	Value	%	Value	%	Value	%
Industry	35	10.7	70	25.3	130	32.5
Transport	40	12.3	55	20	30	7.5
Telecommunication	100	30.7	40	14.5	140	35.0
Services	135	41.5	40	14.5	47	11.8
Others	15	4.8	71	25.7	53	13.2
Total	**325**	**100.0**	**276**	**100.0**	**400**	**100.0**

Source: Ministry of Economy, Trade and Energy (METE), 2006

Based on the survey conducted by BOA in 2009, the dynamics and trends of some main sectors of investment for the years 2007-2009 are shown in the chart below (Figure 3).

Figure 3: Distribution of FDI by sector, in years and millions of Euro



Source: Bank of Albania, 2009

1.1.FDI in Albanian Mobile Telecommunications Industry

Mobile telecoms sector in Albania is one of the most attractive fields of investment for foreign investors. Since 2001, with the sale of Albanian Mobile Communications to Cosmote Greece, the investment of mobile operator Vodafone, and lastly the investment of Çalik Holding in the third mobile operator Eagle Mobile, Albania is facing with many inflows of this type of FDI. The annual growth in telecoms sector since 2000 is 12-15%, and the first drivers of this investment are in wireless telephony GSM, fixed wireless and fixed-cable based phone. Albanian Government sold old 76% shares of Albtelecom, the biggest landline operator in Albania, in May 2005 to Çalik Group for €120 million and in September 2007, Çalik Holding acquired the stakes of Albtelecom. By 2009 Albtelecom had 234,571 subscribers (INSTAT, 2009). Today, Çalik is the owner of the third, fast-growing GSM operator of Albania, Eagle Mobile. Eagle Mobile network implementation required at the first stage $20 million investment for Çalik Holding to start its operations in Albania. The mobile networks in Albania is completely privatized and dominated by AMC, Vodafone and Eagle Mobile, and in total they have around 4,161,615 subscribers in 2009 (INSTAT) or 40% increase compared to year 2008. In December 2010, a new mobile operator was established in Albania, Mobile 4Al (Plus Communication), as the first domestic mobile operator company and being the fourth in the GSM market. Approximately 80% of the GSM users are prepaid and are compliant with ETSI (European Telecommunications Standards Institute) standards. The geographical coverage of GSM in Albania is around 90%. Communication sector being represented by only five enterprises in 2004, shared about 33% of the foreign capital stock (BOA, 2006). In this economic bulletin it is stated that the wave of privatization in 2000-2001 attracted other potential investors in this industry and an increasing trend is shown in the foreign capital invested in the last years, by raising their share in nominal capital as well as the rate of reinvested earnings and investment over the fiscal year.

2.Determinants and Patterns in the Choice of FDI Entry Mode

Our aim is to bring into attention some central issues and theories for analyzing how do MNEs successfully enter and operate abroad. The selected theories try to explain how the FDI patterns in a foreign country are affected by main theories. Theories will be analyzed as a determinant factor of choice between wholly-owned subsidiary, joint-venture corporation or greenfield investment in a foreign market. Finally, the theory for the choice of FDI entry mode impact on the success of a firm's international operations will be discussed.

2.1.Eclectic Theory

Dunning (1993) aims to explain through eclectic theory the pattern and extent of a country's own firms control in foreign-owned productions, and also foreign firms domination in the domestic market and cross border production in a business field. Furthermore, Dunning

(1993) states that production in a specific business sector may be wholly or partly located in the home country or in a foreign market abroad. On the other hand, production of the home market may be done by a domestic or foreign location somewhere in the world . In addition, this eclectic paradigm tries to explain the extent, form and the pattern of international production that depends on three different sets of advantages (Dunning, 1998). Dunning's eclectic framework, or "OLI Paradigm" (1977,1981) combines the effect of ownership factors (O), location factors (L) and internationalization factors (I), to explain the structural choice of exports, licensing, or investment to enter a foreign host country. According to Dunning, multinational corporations engage in foreign production only when they achieve simultaneously three specific advantages. Ownership (O) advantages address the question of why some firms and not the others go abroad, and suggests that a successful MNE has some firm-specific advantages which allow it to overcome the costs of operating in a foreign country. O-advantages are seen as unique factors to overcome the cost (liability) of foreignness (Matei, 2007). This cost is a competitive disadvantage of a MNE's subsidiary located abroad and is commonly defined as "all additional costs a firm operation in a market overseas incurs that a local firm would not incur" (Zaheer, 1995) and are classified into four types of sources that differ among countries: cost associated with geographic distance (travel, transportation, communication), costs due to unknown local environment, costs due to lack of legitimacy of foreign companies and economic nationalism, and the costs from home country environment. O-advantage is one of the advantages that depends on the ability of MNEs to obtain certain assets, and it includes not only tangible assets like human resources, natural endowments, and capital but also it includes intangible assets such as technical information, business know-how, research and development (R&D), marketing and management skills. According to Matei (2007), MNEs in order to prevail with disadvantages they face when compete with indigenous firms, these MNEs should have some advantages specific to their ownership. This idea was inspired by Bain's (1956) work that saw the costs of foreignness as a barrier to competition in domestic markets (Matei, 2007). Dunning refers to location (L) factors, country-level factor price advantages that determine the choice of production site; and that internalization (transaction cost) factors dictate whether overseas production will be organized through markets (licensing) or hierarchies (FDI). Although Dunning does include certain aspects of the oligopoly power model and of location economics, he relies on internalization arguments to justify the use of one entry mode or another after the product and the market are selected. He also continues to define multinationality by the use of FDI. In CEE the advantages of internalization are determined by market failure (Matei, 2007). The solution of various imperfections, risks and uncertainties that are present in these markets can be avoided only by internalizing them within the firm. As L-advantages are external to firm, Dunning (1977), in order to identify them, proposed to analyze first the network (O-advantages) and then to determine how that precise location facilitates internalization of intermediate products market. The location advantages arise from differences in factor endowment, transport costs and distance, artificial barriers, and infrastructure and incentives existent at different foreign locations. The most important location variables are listed below (Matei, 2007):

- The spatial distribution of natural and created resource endowments and markets
- Input prices
- Quality and productivity
- International transport and communication costs
- Investment incentives and disincentives
- Artificial barriers to trade in goods and services
- Economies of centralization of R&D production and marketing
- Institutional framework for resources allocation and cross country ideologies
- Language, cultural, business, political differences and environmental conditions.

Different literature uses OLI framework offered by Dunning (1977) to explain the location of international business. Location advantages contribute to competitive advantages. By analyzing these variables provided by Dunning (1977), it is observed that advantages may appear at three levels: firm, industry and country level. Internalization (I) advantages, the third strand's of OLI's framework, is often seen as the most important; it explains why some activities are carried on within firms and others through arms-length transactions. In Dunning's theory (1993), MNEs tend to expand business globally to overcome market deficiencies and maximize the net benefits of lower production and transaction costs around the world by using common internal hierarchical governance control of MNEs as their internalization (I) advantage to avoid market failure overseas. Moreover, internalization advantages also represents a MNE's ability to transfer ownership-specific advantages across nations within its corporations, rather than exploiting the company's advantage or knowledge by selling it. Such assets owned by a MNE will benefit from certain specific resources and capabilities when conducting business overseas, as well as protect the firms from economic and political risks in the foreign market. Also, Dunning (1993) emphasizes that MNEs can utilize their resource availability, economic strength, and technological advantages to expand international business rapidly throughout the world. It is significant to engage in multi-activities and internal transfers for MNEs to apply the configuration of the (O) assets of the firms and the (L) assets of the countries; thus MNEs should possess net (I) advantages to organize (O) and (L) assets when doing business in the world (Lin, 2008). According to Kogut (1985), the eclectic paradigm reveals that the greater the MNEs internalize the particular intangible (O) assets, rather than externalizing them, the more likely MNEs are to be involved in foreign investments. As a result, the presence of OLI advantages offers MNEs a powerful tool to analyze the role of FDI, to predict economic consequences in foreign countries, to estimate the circumstances of the host governments and its regulations that are likely to influence or affect FDI activities abroad (Dunning, 1993). In fact, OLI paradigm is a very helpful tool in explaining why MNEs invest in Albania and why Albania attracts FDI. There is a clear evidence that, MNEs that located their investments in Albania, have ownership advantages such as property rights and intangible assets advantages, technological assets, firm specific knowledge-based assets, logistics and distribution advantages. These foreign investors are able to operate and carry out their businesses in a developing country like Albania. As it is an imperfect market there is need of internalization and in order to close the triumvirate the location (L) advantages are considered. The strategic location is the one that has comparative advantage against the home country. Albania can be a strategic location and the potential determinants that give this advantage are explained in the next session. Compared to other theories, such as internationalization (which is going to be discussed below) and transaction costs theory, the OLI paradigm may be too general and may look a static theory of FDI involvement (Axinn and Matthyssens, 2001), but it is stated to be the first that names and specifies the strategic location, and presents an adequate approach for analyzing MNEs that invest in Albania.

2.1.1.Host Country FDI Determinants

Foreign investors take into account many factors when deciding to enter a foreign location/country. These factors are the determinants of the host country in attracting FDI inflows. One of the most important determinants of FDI entry choice is the market size as well as market growth prospects of the country where the FDI is being made. Normally it is assumed that if the country has a big market, it can grow quickly and it is concluded that the investors would be able to make most of their investments in that country (World Economy Report 2010). In Matei (2007) study, it is asserted that market factors are significant locational determinants. Investigations at countries and sectoral levels show that most MNEs, regardless of their industry, invest in CEECs and SEECs to find new market opportunities. Giving the size and growth potential of these markets a positive association with FDI is given. Many studies and literatures are focused in analyzing labor costs as a determinant factor of FDI entry choice in host countries. According to Matei (2007) due to low immobility of employment a significant influence of labor costs implies a change in the production location to regions where the labor is cheaper. Before determining the importance of "labor costs", it is important to define it. ILO (2006) defines it as "remuneration for work performed, payments in respect of time paid for but not worked, bonuses and gratuities, the cost of food, drink and other payments in kind, cost of workers' housing borne by employers, employers' social security expenditures, cost to the employer for vocational training, welfare services and miscellaneous items, such as transport of workers, work clothes and recruitment, together with taxes regarded as labour cost. Due to some analyses done by Culem (1988), Scaperlanda and Mauer (1969), Shmitz and Bieri (1972) and Lunn (1980), who tested the significance of two locational determinants such as unit labour costs and export flows of US investment in EECs, they found that among all the determinants used such as (tariff discrimination, market size, market growth, exports, interest rate and labour costs), the search for low labour costs (expressed by unit labour cost and unit labour cost differential between host and investing country) did not appear to have motivated US FDI in EECs (Matei, 2007). Following other analysis and studies it is concluded that although OLI framework gives a location (L) comparative advantage to EEC by labour cost, mixed results and empirical findings show that inward FDI is negatively influenced by labour costs (Matei, 2007). Trade openness is another important FDI determinant for host country. There are several reasons which show that trade openness attract FDI. Investors know better the market if they have previously trade relations with that location. Knowing better the location means that this particular country has more chance and opportunities in attracting FDI and especially this happen mostly in developing countries, where the information asymmetry is bigger. To conclude, a country that is more trade openness tend to be more competitive at international level. This might indicate the existence of a higher productivity, competitive products and a more liberal trade regime. In developing and transition economies especially, privatization is an important determinant of FDI inflows. Privatization means the transfer of ownership rights of state-owned enterprise to the private sector representing the process through which the privatization of the market is made (Matei, 2007). It was often argued that privatization has a political dimension especially because it is strongly related to the government credibility and its ability of influencing the investors' willingness to pay (Bortolotti *et al.*, 2003). While related to FDI, privatization is a special case of acquisition and has two aspects: FDI-policy and competition-policy dimension. If privatization welcomes foreign investors, it broadens the scope of FDI (UNCTAD, 2003). In CEECs privatization was a key determinant of FDI that offers strong incentives for location of strategic investments (Lanbury, 1996; Holland and Pain, 1998). While taking into consideration our country that is being analyzed, it tries to attract foreign investment through privatization as well. On the other hand despite the absence of meaningful tax, financial or other incentives, privatization intends to encourage foreign investors in many ways including the provision of national treatment (UNCTAD, 2001).

2.2.Transaction Cost Theory

In many developing and transition economies FDI is used to build national competitive advantage in the global economy. Low-cost factors in these countries is the focus of most FDI literature (Sethi *et al.*, 2003). However, in a global economy where low cost factors are available in some countries around the world, transaction costs related to external and internal uncertainty, socio-cultural distance and economic risks of the country are becoming important factors for FDI decision abroad. Factors related to transaction costs affect many industries and thus telecommunications industry as well. These are important factors that should be considered by foreign investors when deciding to undertake FDI abroad. According to Meyer (2001) with the disintegration of the socialist system in the Eastern Europe, economic agents had lack of the knowledge in how to use the market mechanism of both potential partners and competitors in these countries, this was the case of Albania as well. Since in these countries agents had to identify potential types of businesses and the preferences of potential business partners, Meyer (2001) asserts that this has increased the search, negotiation and contracting costs of new business relationships. The lack of market knowledge and functioning of a market economy magnified transaction costs in transition economies. As market-based institutions were established in EECs, it has reduced the costs but has not eliminated the high transaction costs. When Western businesses enter in these countries, they lack the information about the local partners, they must negotiate with agents inexperienced in business field, and they face unclear regulatory frameworks, inexperienced bureaucracies, underdeveloped court systems and corruption (Meyer, 2001). These post-entry investors were concerned about the weak protection of intellectual property, which Oxley (1999) shows that it increases the investor preference for hierarchical modes. However, high costs are subject of internal mode of an organization. In developing and transition economies the costs of developing a wholly-owned enterprise were very high, until in the beginning of 2000s, when acquisitions took part in privatization process, but again these processes required complex negotiations with government authorities, management and work councils. After the acquisitions, investors needed to make considerable investment in restructuring post-socialist firms, changing corporate strategy, organizational structure and culture, and implementing technological modernization and environmental clean-up (Meyer, 2001). On the other hand, Meyer and Estrin (2001) found out Greenfield projects to be too slow to achieve investors' desired strategic objectives, when they pursue first-mover advantages. Establishment costs are considerable due to long-lasting bureaucratic procedures, as approval of real estate acquisition last too much. Greenfield investors may find it harder to integrate into local business networks, which may be vital for success, because networks are extremely useful in places where formal institutions are weak (Peng, 2000). Thus, the costs of establishing a fully-owned local operation in a transition economy are very high. Foreign investors are more likely to establish wholly-owned subsidiaries in economies that have progressed furthest in institutional reforms. Majority of the studies suggests that progress in the institutional reforms of transition economies according to Western countries framework, reduces the psychic distance and facilitates the international business (Johanson and Vahlne, 1977). Lower psychic distance reduces the need to invest in information, to train local staff and to adapt management processes to the local environment. Oxley (1999) emphasizes that this affects all types of businesses but at different degrees. Meyer (2001) points out that the cost of psychic distance arise at least from the institutional setting. So, lack of familiarity with institutions increases establishment costs, and thus discourages complex operations and wholly-owned subsidiaries. EECs in fact are found to have low psychic distance to many EU countries, for example with Germans, which are found to have a history of private and contacts that help businesses to adapt to local institutions. Thus, the lower the distance of entrants with transition economies, the more likely is the establishment of wholly-owned subsidiaries.

2.3.Internationalization Process Model

Theory of internationalization is a widely accepted concept in business field, and is based on Johnson and Vahlne´s Uppsala model that researched the internationalization of MNEs in the world. Johnon and Vahlne (1977) assert that internationalization process can be found everywhere in the establishment of foreign subsidiaries, engaged in through cross-border international joint-ventures or acquisitions and in the international trade and other business activities, which indicates that the international business model can be widely applied to a number of FDI activities abroad. When considering theories about entry mode determinants and FDI, the eclectic paradigm and transaction costs theory are often seen as ideal models to combine economic theories of monopolistic competition, the level of control, location advantages, and the internationalization process knowledge of the firm to lead the research. Since the late 1950s, the interest in the internationalization process of the firm grew, as did the research area (Matei, 2007). The theoretical approach of this theory (Uppsala Model) is more based on behavioral perspectives, which focus more in the internationalization process by firms (Johanson and Vahlne, 2001). These factors are closely related to the determinants of entry mode choice and the motivations of MNEs to enter a foreign market. Aharoni (1966) points out that internationalization theory is based on the behavioral theory of the firm and the internationalization process represents the growth of the firm that increasingly enhances its involvement with international activities. In addition, internationalization processes do not only concern developing knowledge about foreign markets and corporate operations, but also it indicates that there is an increasing trend by MNEs to commit to foreign market resources as well (Johanson and Vahlne, 2001). There are two aspects of internationalization model: market commitment and market knowledge. Decision making of MNEs is affected and affects these two perspectives. Market commitment is the commitment of resources to foreign markets and the current activities performed by MNEs as their internationalization process. Additionally, market knowledge is divided into objective knowledge, which can be taught and experiential knowledge, which can be learned from personal experience (Johanson and Vahlne, 2001). They further state that market knowledge includes the business perceptions of market opportunities and difficulties, obtained from current business activities in the market. On the other hand, firms are expected to make stronger market resource commitments, as they gain experience in the market. The internationalization model (Uppsala Model) can be viewed as a flexible connection system between different departments and different actors in a corporation, who have various ideas and interests concentrated on the development of the firm (Lin, 2008). Generally, MNEs being engaged in foreign markets focus on opportunities and problems in the market and try to find solutions to their problems to foster the internationalization process in order to work more efficiently (Johanson and Vahlne, 2001). Johanson and Wiedersheim-Paul (1975) explain the two patterns of internationalization. The first pattern of internationalization is when the firm has no experience in market experiences in the specific country market development and start with no regular exporting activities in the market. Then, this firm progresses to export through independent representatives and follows by sequence sales subsidiaries and manufacturing in the globe. Through this pattern business activities gain commitment resources and experience in this market. The second pattern of internationalization is by entering a new market through great psychic distance when conducting business abroad. Psychic distance chracteristics are differences in language, culture, business regulations, and political and business system. According to Johanson and Wiedersheim-Paul (1975) these are obstacles faced by MNEs in gaining information flows within the firm and about the market. As a result, MNEs tend to begin their internationalization process in easily understood markets that offer more opportunities and have low market uncertainty in the future. In addition, Johanson and Vahlne (2001) state that the possible indicators of an internationalization process are the relations between market commitment, market knowledge, current business activities, and commitment decisions, as well as psychic distance. However, other patterns are taken into account by firms such as degree of the vertical integration, which represents the strength of connection of a firm with a foreign market. Joint-ventures, acquisitions, franchising and Greenfield investments are four methods of FDI expansion through internationalization.

2.4.Socioeconomic Perspective

2.4.1Key Factors that Influence the Entry Mode Decision

In today's global business environment, it is both attractive and necessary, for firms to sell their goods and services in multiple geographic markets. Foreign investment by all kinds of firms are the words of day. These investment are done through different entry modes. A foreign entry mode is defined by Root (1998) as "an institutional arrangement that makes possible the entry of a company's products, technology, human skills, management or other resources into a foreign country". MNEs that are engaged in FDI, own and control value-adding activities in more than one country. Some types of entry modes are licensing, franchising, exporting, countertrade, strategic alliances, joint-ventures, Greenfield investments and acquisitions. There are three crucial factors that indicate the choice of determining the FDI entry mode in foreign countries: host country-specific factors, investing firm- factors and other strategic motivations (Zhang *et al*., 2004). The first important determinant for MNEs to choose their entry mode is host country-specific factors. It helps in determining to take the appropriate decisions and investment size, depending on the investment conditions and the degrees of openness in different locations of a country (Lin, 2008). It is further stated that MNEs have to carefully prepare when the host country environment is full of political and social interference, and that they should invest slower and refrain from being hasty. Also, MNEs should research the local market knowledge before hand, especially in a country like Albania, it is necessary since it has passed through a communist regime and market needed time to be accustomed to new market strategies and economic policies. Additionally, host country-specific factors include cultural, social, political and economic variables. These determinants consist of multiple factors such as nation, industry, firm and projects (Lin, 2008). All of these factors contain their own variables such as national level contains the cultural distance, social value norms, legal and regulatory context; industry level consists of industry policy, host country structure, various entry barriers within industries and sales growth within in the host country; the firm level consists of capacity of a firm's organizational learning and fully understanding the nature of partner's ownership; and the firm level consists of project nature and size, and its location in host country (Lin, 2008). Secondly, home-based factors are crucial determinants to exploit home-based competitive advantages to enlarge their markets and acquire higher profit levels from foreign investments (Lin, 2008). One of the main factors of MNEs in entering a foreign country is to explore the knowledge base of a firm. Chang and Rosenzweig (2001) assert that earlier entrants tend to choose wholly-owned enterprises during international expansion, whereas the subsequent ones prefer joint-ventures that allow MNEs to gain deeper knowledge exchange between local firms and their own corporations. Consequently, the capacity of the MNEs' organizational learning increases their asset knowledge and it becomes an important factor in enhancing international competitiveness and global expansion in the future. The third factor that has a significant impact on FDI activities are strategic motivations. At early 1990s not too many MNEs were entering in our country mostly due to politic instability that Albania was facing. After one decade of transition many reforms are undertaken and MNEs from different countries of the world are entering in Albania, not just for expanding their locations through entering, but for creating higher profits and using it as a channel to enter other markets.

2.4.2.Three FDI Entry Mode Levels

Delios and Henisz (2003) argue that uncertainties in host countries make it more difficult to collect, interpret, and organize information to achieve a successful FDI entry mode because of political hazards, imperfect industrial structure, and a unique business culture. Furthermore FDI entry mode can be classified into three levels: culture-specific, country-specific and market-specific levels (Zhang *et al*., 2004). Cultural differences are accounted as the primary form of uncertainty in foreign markets, such as MNEs lacking knowledge about the local norms, values and business culture across different countries. Secondly, country-specific uncertainties mainly originate from the host-country political environment. For example, political risks, instability and government interferences are some constraints of host country. Market-specific uncertainties include imperfect property right protections, incomplete industry structure, various customer preferences, and uncertain relationships with customers and suppliers (Delios and Henisz, 2003). Especially, in a developing country like Albania investors take their decision mostly based on country-specific uncertainties, as it is characterized with political hazards and uncertainties. Although a joint-venture entry mode with local partners provide MNEs with market knowledge and avoid environmental uncertainties in foreign countries, in Albania there are not many cases of such entry mode. In Albania wholly-owned subsidiaries, Greenfield investments and acquisitions are the main entry modes used, even though these types of entry modes need more market knowledge and extensive research analysis than joint-ventures. MNEs who apply wholly-owned or Greenfield entry modes have more controlling power and earn more profit in their foreign operations, rather than the joint venture mode that face fewer risks with local partners and steal company know-how better and easier than the former modes.

3.Research Methodology

The qualitative research method has been adopted by using in-depth structured (open-ended questions) interviews. Primary information is gathered through in-depth interview technique, while supplementary information is gathered through existing published and academic journals, professional and official websites, business magazines and online news in order to support the insufficient resources. In this paper, case study will be used as qualitative research method. Robson (1993) states that a case study is regarded as a strategy to empirically investigate a contemporary phenomenon or specific sector in society or business field by using multiple sources of evidence, to develop detailed information, in-depth knowledge and full understanding about a specific case or particular sector to find the most accurate and applicable findings for particular research. Referred to this study, it is sufficient to study in deep and focus on the corporate structure, strategies, overseas development, corporate know-how and local knowledge. These case studies will be helpful in investigating contemporary phenomenon concerning mobile networks entry mode choices in Albania. Lin (2008) arguments that a case study also presenst rational evidence to support suggested theories and models to reveal real world activity. To conclude, Flyvbjerg (2004) states that a case study is a necessary and effective method for certain research in social and business studies.

4.Empirical Findings

Following the methodologies explained through this study, this chapter focuses on analyzing and understanding the key determinants of leading mobile networks in Albania, using Vodafone Albania and Eagle Mobile as case studies.

4.1.Introduction to Corporation Background and History

Since the 2000s, FDI in mobile telecommunications industry in Albania has become a popular trend. Consequently, analyzing the cases of one global leader, a new entrant in this market, and their success in Albania will help us generalize the key determinants when corporations are deciding their FDI strategy.

4.1.1.Company Background: Vodafone

Vodafone made the first ever mobile call on 1 January 1985. Today it accounts more than 343 million customers all around the world. It started as a small mobile operator in Newbury 25 years ago and now it is grown to a global business. It is the seventh most valuable brand in the world, operates in more than 30 countries and partner with networks in more than 40 countries. It is the world's leading mobile telecommunications company, with a 7% share of the global market and with a significant presence in Europe, Asia Pacific, Africa, the Middle East and the US through wholly-owned subsidiaries, joint-ventures, associated undertakings and investment. Moreover, Vodafone has entered into arrangements with network operators in the countries where the group does not hold an equity stake in order to implement services in new territories and to create additional value to their partners' customers and to Vodafone's travelling customers without the need for equity investment in these countries (Vodafone Official Website, 2011). True to their origins, Vodafone has always committed to deliver useful and inspiring innovations. In 1991, they enabled the world's first international mobile roaming call, while in 2002 with Vodafone Live! they set a new standard for mobile communications with internet access on the move. In an increasingly connected world, Vodafone provides people to share images, videos, thoughts and feelings as soon as they create them. As Vodafone do more than just mobile, more customers look at it for greater values in their fixed line and broadband services too. Vodafone thinks not only about its customers and partners but for the employees all around the world as well. It aims to create a working culture that is inclusive to all and believe that having a diverse workforce which reflects their global footprint will help them meet the needs of their global diverse customers. "Power to you" is the slogan of Vodafone, which means to find that spark that empowers people. Some of the most important financial and opertaional highlights for the last year ending 31 March 2010 were a total revenue of €44.5 billion, 8.4% higher than one year before. With improving trends in most market of the world, Vodafone showed a very well performance by increasing revenues, mostly in emerging countries such as India, Turkey and South Africa during this fiscal year. The number of customers is 4.7 billion, and it has increased by 20% in the last three years, where the mojority of these customers are in emerging markets such as China and India. Global mobile penetration is around 70%, it is generally higher in more mature markets such as Europe and US, but is growing more faster in emerging markets such as China, India and South Africa. The last point to be issued in this section, is the competition and regulations in telecommunications industry, since it is a crucial factor for Vodafone and other mobile operators. Consumers are faced with reduction in mobile prices due to the large choice of communication offers from established mobiles as well as fixed line operators. As new competitors are entering into market, converged communications services are being provided and this competitive pressure has contributed in the price reductions for mobiles.In addition, industry regulations has contributed in lower mobile termination rates.

4.1.2.Company Background: Calik Holding-Eagle Mobile

Çalik Holding is located in Istanbul, and is focused on diversified business lines such as construction, energy, textiles, finance, telecom and media. It employs around 19.855 employees in different countries and it is focused on creating more added values for all its stakeholders through its rapid expansion into different geographies and sectors. Çalik Holding, the owner of Eagle Mobile, has undertaken all its telecommunications projects through its subsidiary CETEL. It pursues a strategy of making itself a stronger player. At the focal point of this strategy, Çalik Holding is acquiring companies that come up from privatization by providing added value services by installing and operating broadband infrastructure in metropolitan areas where the company has a presence. In 2005, it joined the privatization of Albtelecom Albania, the biggest landline operator of Albania, and acquired stakes of the company in September 2007 for €120 million. Today, Çalik Holding, is also the owner of the new and the fastest growing mobile operator in Albanian market, Eagle Mobile. After starting its operations in 2008, Eagle Mobile concluded its next fiscal year 2009 with greate success. Despite the global crisis, it sustained its investment in 2009 to €50 million from the beginning of its operations in 2008. It achieved its intended positive levels of EBITDA in 2009 and in 2010 it estimates that this level will increase to €13 million. Moreover, Eagle Mobile aims to incorporate 246,000 new subscribers in 2010, to total 846,000 customers in the ending year 2010.

4.2Market Strategies

4.2.1.Vodafone in Albania

Vodafone Albania started its operation in Albania in August 2001.Vodafone Albania is owned 50% by Vodafone International Holding B.V. (United Kingdom) and 50% by Vodafone Panafone Interational B.V.(Netherlands). It is a joint-venture corporation in Albanian mobile telecommunications industry. It covers more than 91.25% of Albanian territory and has reached about 99.6% of the total Albanian population. The total number of customers as of September 2010 is approximately 1,701.100.To date, as a chain it has 103 shops all over the country. Ranked as one of the first foreign investors in Albania, through its business performance, it is one of the leading companies that contribute significantly to Albanian economy growth. All of these performance and growth is not achieved only by the top management team but from the working force as well, since it has recruited the best employees and expertise in the country, and has trained and professionally promoted these employees. Vodafone Albania has shown a very good performance in revenues and acquisition terms. It has used the right tools, such as tariff plans offered and marketing tools to target the right segment in the Albanian market. Until 2008, Vodafone was operating in a duopoly market and there was no competitiveness. Between 2001-2008 years, Vodafone and AMC were applying the highest prices in the region, 56 leke/min toward off net. Vodafone has still the highest prices in the market, 45 leke/min toward off net, while the lowest prices are provided by Eagle Mobile-25 ALL/min. Vodafone is the provider of the latest mobile electronic communications technology, since in December 2010 it received from AKEP the right to be the first provider of 3G services in Albania. This was a huge investment done by this company, and taking this license took Vodafone € 31 million. After receiving this right, Vodafone will invest approximately €70 million for the implementation of this business plan. 3G application by Vodafone will provide customers with better internet service, 10 times faster than the actual one, not only in their cell phones but in other electronic equipment as well.

4.2.2.Eagle Mobile in Albania

Eagle Mobile is the third mobile network that operate in Albanian mobile telecommunications industry. It started its operation on March 2008, after the privatization of Albtelecom from Çalik Holding in 2007, as an integral part of the fixed telephony operator. Eagle Mobile reached about €20 million of investment from Çalik Holding. Only after 6 months later, it covered the entire territory of the country, in December 2008 it reached 97.8% of the population. Due to the duopoly situation in the market, Albanian population were looking forward for a new "comer". With the entrance of the Eagle Mobile, the market shape changed. The competitiveness increased due to very aggressive penetration strategy in terms of tariff option and a wide ranges of new Value Added Services (VAS) products. Some of the VAS products offerd by Eagle Mobile are Mobile TV service to all eagle users; Eagle Eye, called Vehicle Tracking System offered to better manage the business and expenses; Outlook SMS to send SMS through e-mail toward national and international destinations. These are some of the services offered only by Eagle Mobile in Albanian mobile telecommunications industry. As a result, now, in less than three years after the entrance into the market it accounts approximately 650.000 subscribers. This is a record figure in a very short-time. Moreover, it has achieved at record time the full roaming system as well, since it has Roaming services in more than 220 countries with 420 operators. Through its services and price policies, it is leading the market in terms of tariffs, offers and any other strategic initiative. The other two leaders in the market are following Eagle's price reduction policies, while the customers are using the SIM-s of all operators to benefit from the offers of each of them.

4.3.Strategic Changes to Their Current Position

4.3.1.Vodafone Strategic Changes to Their Current Position

Global economy, competition and regulations are the main concerns of Vodafone and telecommunications industry as a whole. As competition is pressuring all industries and mobile sector as well, the continual entry of new players is driving prices down. Moreover, the maturity of mobile market has led to increased interest of regulatory institutions, which in turn has created various price pressures as well. Vodafone used a generic approach to customers until in the last years, but now the diverging interests of consumers are dictating the strategies that Vodafone should pursue. 5 or 6 years before the customers wanted only one SIM card, but now handset prices, functionality and data connection speed led the market not the SIM card. Moreover, Vodafone approach is to provide not only the best technology but also to cover new operation models, build operational property, provide new services and products, create business transformation and industry collaborations (Vodafone Official Website). Vodafone is aggressively pushing the development of current 3G technology to realize its full potential. 3G technology will offer lots of benefits and advantages in Albanian mobile telecoms. These benefits are listed below (Vodafone Albania Official Website, 2011):

- Integrate the Vodafone Albania subscribers with the new technologies and innovations that are happening across the world.
- Offer to Vodafone Albania customers the possibility to differentiate the services and their applications.
- Increase the access of services, valid for all customers, either business, individual consumers or public institutions, etc.
- Service Oriented Approach – The services offered by using this technology are customizable, easy to get and user-friendly.
- Pricing – By offering bundles, Vodafone Albania enables the consumers to optimize their voice and data plans. Such strategy allows the subscriber to personalize the prices.

All of these advantages that are estimated to be realized through 3G technology will provide Vodafone Albania with a competitive advantage in Albanian mobile telecommunications industry, since Vodafone is the only company licensed for provision of this service. Through these services Vodafone is looking forward in establishing right strategies and policies to be the leader in Albanian mobile telecoms, and to be part of its mother company's international strategies and experiences.

4.3.2.Eagle Mobile's Strategic Changes to Their Current Position

Eagle Mobile has designed the main and crucial tasks to deliver better quality, innovation and services to its customers, and to achieve growth in its own. All of these tasks are achieved through the implementations of customer-focused strategy, which helps in improving the quality of the customer and network experiences, grow the business by expanding Eagle Mobile sales and the high-speed network, and evolve the services and technologies by being part of new communications market generation. Eagle Mobile is expanding its sales stores. In contrast to only 29 shops in business at the end of 2008, this company summed up 60 sales stores by the end of 2009 (Çalik Holding Official Website, 2011). Moreover, there are available 1,800 points of sales for Eagle Mobile's vouchers. The shopping experiences, usability and credit management system tools ensure Eagle Mobile to maximize its potential toward customers. As the focus of Eagle Mobile is oriented toward the customers, its aim is to provide them with the most recent mobile technology and most contemporary services. They offer an unique level of quality and experiences that no other can offer in the market. Besides services explained in other sections of this study, Eagle star is one of the unique services provided only by Eagle Mobile, and it consists of Balance Inquiry, Balance Refill, Credit Transfer and Call me Back, and in the near future the list of services will increase. Even though Eagle Mobile brought for the first time EDGE technology to Albanians, it is ready to be part of 3G technology in the near future, since in November 2010 it was part of the bidding process for 3G licensing performed by AKEP, but among Vodafone and Eagle Mobile, the winner was Vodafone. In this bidding Eagle Mobile offered only €12.5 million, while Vodafone offered €31.4 million. To conclude, Eagle Mobile aims to focus on its business by driving up revenues in growth areas through the investments in network services, in order to get high- margin results.

4.4.Case Analysis and Discussion

The key determinants of FDI entry mode selection can be classified by three levels, which are similarly designed in the interview questions in the paper. The aspects under consideration in this research are host country- specific factors; investing firm–specific capability factors; and socioeconomic perspective factors.

4.4.1.Findings from the interview with Vodafone in Albania

Vodafone Albania is a joint-venture corporation, 50% of shares are owned by Vodafone International Holding B.V. and 50% by Vodafone Panafone Interational B.V. (Subsidiary of Vodafone Group). It is a very valuable brand name in the world, this has provided Vodafone all around the world to gain customer loyalty and establish reputation, and this is the case for Vodafone in Albanian as well. By investigating on other official Vodafone Group sources, it is concluded that Vodafone has used an internationalization process in Albania and has tried to use it in an efficient way, in order to gain market commitment and knowledge in Albania by using local market experiences and knowledge. First of all, concerning the host county condition, the manager of Vodafone states that the political risks of Albania affect the choice of entry mode in Albania, even though GOA, especially in the last years is doing too much in promoting Albania as the best location to invest in.Vodafone Albania asserts that political risk is one of the major factors when deciding for investing, not only in the entry mode as a second step, but in investing in the country or not. On the other hand, Vodafone will not stop investing in Albanian mobile telecommunications industry, in spite of political or regulatory problems, since investing and expanding its activity is part of its corporate international plan. In addition, GDP and sales growth influence the company in their decision to invest in Albania,even though the information published from governmental institutions are not seen as accurate and reliable. The location- specific advantage supported by eclectic paradigm as well, shows that Albanian market is worth investining in. At the beginning, when Vodafone started its operations in Albania, Albanian mobile telecoms market was characterized by un-matured market and lower mobile penetration rate. These were the main dreivers for Vodafone to invest firstly in Albania.While lastly, Vodafone has taken the leader advantage by being the only provider of 3G services in Albanian mobile telecoms market. In addition, regarding the degree of technical development of Albania, Vodafone is not taking into consideration it as an important factor, since they use their international experiences and know-how to build a complete network before opening stores and investing in any country in the world. Vodafone Albania is sharing the best practices with other Vodafone companies and its objective is to create a better future, to never rest and find new ways that help people communicate. Finally, before entering Albanian market, Vodafone obtained local market research before deciding on their entry mode and it was supported by other foreign market concepts. Second, investing firm-specific capabilities is a crucial determinant of FDI in Albanian mobile telecommunications industry. Lin (2008) asserts that the process of FDI is not only minimizing the transaction costs of the company but also finding the most efficient way to explore and exploit the knowledge base and international experience of the MNEs. From the interview with Vodafone Albania's manager, corporate size and capital were not the determinants considered before entering Albania, since Vodafone already had strong financial backing, employee training and international know-how to operate in Albania. Mobile networks meets the ownership-specific advantage of eclectic paradigm, even though corporate and capital were not key determinants in choosing an entry mode because they have strong corporate resources in property rights and intangible assets for international expansions (Dunning, 1993). Additionally, international mobile telecommunication operators have abundant corporate know-how and market commitment and experience, so by utilizing the best practices they achieve the best results. The third determinant is the culture distance, which is mainly psychic distance and includes differences in culture, language, business regulations and systems, or human relationships in a business field that affect entry mode choice (Johanson and Vahlne, 2001). Vodafone's manager states that culture distance exists in every country. Albanian business culture is based on connections, which means that having better relationships with government and other business parties will faster the business and success in Albania. This supports the Uppsala model, the closer the psychic distance between the foreign firms and host countries, the greater the MNEs performance in investing sector.But culture distance fecators are not found to be crucial determinants when deciding on the entry mode of FDI in a host country.

4.4.2.Findings from the interview with Eagle Mobile in Albania

Eagle Mobile is a wholly-owned subsidiary of Çalik Holding. According to the interview with one of the top managers, firstly investigating host-country conditions, the political risks and the political situation of the country, is one of the main determinants of entry choice in that country. Eagle Mobile asserts that Albania has got positive effects from becoming a member of NATO and liberalization of visa with EU countries. These developments will have a very good impact in Albanian investment climate. In addition, GDP and sales growth influence definitely the choice of company to invest in Albania, since it shows the ability and the potential of the country through its direct effect on ROI (Return on Investment). Moreover, Eagle Mobile will expand its activity since Albania is found to be a friendly country, changing very rapidly and with potential growth opportunities for investment. This result is supported by eclectic paradigm in location- advantage, which shows that Albanian market is worth investing since it has huge opportunities. On the other hand, decision of entry mode is one of the difficult steps for Eagle Mobile due to that fact they are taking into consideration not only technical development of Albania, but financial situation, market and sociological perspective as well, since they are also playing a crucial role during this period. Eagle Mobile objective is to serve to Albanian market the latest mobile technology and deliver the highest quality through its services. Before entering into Albanian mobile telecoms market, Eagle Mobile obtained local market research to know better the international competitors operating during those times, in order to set better strategies for this market and read their dynamics to choose the best entry strategy. Consequently, they started offering new choices and offers for the customers in Albanian market, who were fed up with duopoly mobile market. Secondly, investing firm-specific capability gives us an important background about main determinants that affect the entry mode and choice. Eagle Mobile has considered the size of the corporation as a main factor for entry mode. As Eagle Mobile was a new brand and without experience in Albanian Market, it had to take into account this factor for further success. In addition industry policy and the nature of corporation in FDI effects the entry mode since they are important KPIs (Key Performance Indicators) and allow the company to see the future and ROI of the investment done. On the other hand, Eagle Mobile does not think that the capability of the firm's learning ability and corporate will influence the decision of entry mode due to the fact that management can change after the entrance is done. While the knowledge and experiences about local market is very important, since it affects directly the business environment. Finally, the culture distance conditions are seen as an important factor, even though its effects depend on the investments type according to Eagle Mobile. It has crucial effects in entry mode decision, since every company investing in a foreign country at its first entry stage need to take some knowledge in order to learn and understand better that environment. Albania, being part of Balkan region has got some Balkans characteristics. For a foreign investor is very important to be able to learn and understand the behavioral statement of this country, since it will influence directly the success of the investment.

4.5.Results and Research Findings

After the sale of AMC to Cosmote in 2001, Albanian mobile telecommunications industry has increased steadily. Oficial data from AKEP show that year 2009 has been a challenging year in mobile telecommunications industry. Even though AMC and Vodafone have tried to keep their customers through their offers and discount tariffs and trying to attract new customers, Eagle mobile has increased its sales by 133% in 2009 compared to 2008. Vodafone's sales increased by 27% and AMC's sales increased by 25% in 2009 compared to 2008. In the last month of 2010, Vodafone Albania was the only company that received the license of providing 3G services in Albanian telecommunications market. Implementation of this project from Vodafone will take approximately €70 million. This is a huge investment in mobile telecommunication sector for our country. On the other hand, the majority of foreign capital in mobile telecommunications industry is from Germany, as AMC is lastly sold to Deutsche Telecom, Netherlands (Vodafone) and Turkey (Eagle Mobile). These three foreign mobile networks in Albania had in total more than 4,161,000 users by the end of 2009.Thus, there is a 135% mobile penetration, which is a big and attractive figure of this industry for other investors. Albanian Government set objectives to make Albania the most attractive country for foreign investment in the region. GOA is introducing a package of measures to encourage investment by speeding up procedures and offering selective incentives (Albinvest, 2010). GOA's appeal to investors is increasing as the Albanian economy moves quickly towards a more open and liberal model with inward investment playing a key role in overall economic transformation(Albinvest, 2010). This incentives will foster and improve the environment for FDI in telecommunications sector as well. On the other hand, inspite of all incentives implemented by GOA, there are found the main determinants that affect FDI in taking decision to invest in Albania. The most important determinants in Albania, found in Vodafone and Eagle Mobile Case studies and in other academic resources are as listed below:

1. Market size
2. Local competitors
3. National infrastructure
4. International experiences and know-how

5. Local Knowledge
6. Build a good relationship network to narrow down the psychic distance
7. Invest from biggest locations to smaller ones
8. Quality of human capital in the host country
9. Good brand name and values
10. Language barrier
11. Business culture
12. Global market presence
13. Growth of GDP in a country
14. Type of consumers in different provinces
15. Economies of scale
16. Corporate and capital size
17. Enhanced leadership and management skills
18. Motivated organizational structure
19. Other regulations and systems

For a foreign investor to come and invest in telecommunications sector, the above mentioned determinants are very crucial factors.

Conclusion

This paper has attempted to interpret and analyze the findings of FDI determinants and entry mode strategies of foreign mobile operators when deciding to enter Albania, based on interviews held with the managers of leading mobile operators in Albania, Vodafone and Eagle Mobile. The outcome of the key determinants in this research mostly was supported by Dunning's eclectic paradigm, transaction costs theory and the internationalization process of Uppsala model. As a result, according to this research, the key determinants that affect the foreign investors are market size and growth of the country, corporate international experiences and know-how, local knowledge and psychic distance. The second most important determinants are geographical considerations when investing in different provinces; human capital in host country, good brand name and corporate value and global market presence. Finally, other crucial determinants for entering a new market are GDP growth in the country, type of consumers, local competitors, national infrastructure, corporate and capital size, leadership and management skills, organizational structure, and different regulations and systems. These determinants suggest the best mobile networks and entry mode strategies for mobile operators to follow in Albania to enact a FDI plan or when implementing new strategies. The most used entry modes are the wholly-owned subsidiaries and joint-ventures. While the first entrants in mobile telecoms un-matured market used joint-ventures mode, they had advantage of very lower mobile penetration in Albania. The last entrants are wholly-owned enterprises but they are using very aggressive market strategies to exploit opportunities offered by Albanian mobile telecoms industry. This research aimed to explain the main trend of FDI in Albania, the entry modes of foreign investors in Albanian mobile telecommunications industry and the main determinants. Key determinants found in this research can provide the mobile operator followers of FDI in Albania a better view about those key determinants to decrease the social and financial risk and see further investments and expansions in Albanian mobile telecommunications. Future research can investigate and observe the effectiveness of these key determinants in mobile telecommunications market. Moreover, market strategies and local operations used by these mobile networks are still in need to be understand. Also, using an appropriate entry mode to enter Albanian's mobile telecommunications industry in order to allow new mobile operators in Albania and existing mobile operators to undertake more efficient, effective and successful entry mode strategies based on key determinants should be investigated so that better outcomes can be achieved by applying appropriate market strategies when entering Albania.

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