The influence of network relationships in the internationalization of SMEs

Master Thesis within Business Administration

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........................................... ...........................................
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Abstract

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Date: June, 2009

Subject terms: network relationships, internationalization, SMEs, foreign market entry

Background: The world has become globalized, resulting in a rapid increase in international trade. Also many SMEs actively internationalize. At the same time, networks are increasingly replacing traditional markets. In the internationalization process of SMEs it has through research been confirmed that firms are influenced by network relationships in their internationalization process.

Problem: Choice of foreign market and market entry mode are crucial decisions SMEs make in their internationalization process. It has been found that network relationships affect SMEs in these decisions. However, the research within this area has been focusing heavily on knowledge-intensive SMEs. Scholars call for further research in relation to other industries, as well as a more specific investigation of what kind of different network relationships that affect choice of foreign market and of market entry mode.

Purpose: The purpose of this thesis is to investigate how SMEs’ choice of foreign market and market entry mode is influenced by different types of network relationships.

Method: A multiple case study strategy was applied and four SMEs were included in the sample. Data was collected through semi-structured interviews, (three personal and one telephone interview), and complemented with secondary data. The respondents were the CEOs of the case firms. The collected data was categorized and each case firm was analyzed, followed by cross-case comparisons.

Conclusion: The findings in this thesis show that all case firms had been affected by network relationships in the choice of foreign market and/or choice of market entry mode. Generally the findings conformed to a certain degree to previous findings concerning SMEs in knowledge-intensive industries. Further, it was found that network relationships influence was more frequent in the choice of foreign market. In this decision, firms which had taken a proactive approach were mainly influenced by strong and formal relationships. Firms taking a reactive approach were mainly influenced by weak and informal relationships. Concerning entry mode, it was only weak, informal relationships which had influenced the decision.
Definitions

Internationalization “...the process by which firms both increase their awareness of the direct and indirect influences of international transactions on their future, and establish and conduct transactions with other countries.” (Beamish, 1990, cited in Coviello & Munro, 1997, p. 362)

Network In the context of internationalization of SMEs, “a network is the relationships between a firm’s management team and employees with customers, suppliers, competitors, government, distributors, bankers, families, friends, or any other party that enables it to internationalize its business activities.” (Zain & Ng, 2006, p.184)

SME Small and Medium-sized Enterprises. An enterprise is defined to be “any entity engaged in an economic activity, irrespective of its legal form”. Three different categories are defined to include micro, small and medium-sized enterprises. Micro enterprises have less than 10 employees and an annual turnover below €2 million, small enterprises have less than 50 employees and an annual turnover below €10 million, and medium-sized enterprises have less than 250 employees and an annual turnover below €50 million (European Commission, 2005).
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1 Introduction

This chapter introduces the background to why network relationships’ effect on the internationalization process of SMEs is an interesting topic to study. The problem discussion further highlights how the study of this thesis relates to previous studies within the field. Following, the specific focus of this thesis is expressed through research questions, purpose and delimitations. At the end of the chapter the disposition of the thesis is presented.

1.1 Background

A great part of firms choose to operate internationally as the world has become globalized (Zain & Ng, 2006), resulting in a rapid increase in international trade (Albaum, Duerr & Strandskov, 2005). Internationalization does no longer involve only large organizations, also many SMEs actively internationalize (Zain & Ng, 2006) and represent a considerable part of international business (Brouthers & Nakos, 2004). As a consequence, SMEs today more often experience international issues comparable to those of large companies. Most SMEs, particularly within manufacturing and knowledge-intensive industries, needs to consider opportunities and risks from competition on a global level (Ahokangas, 1998).

Firms are also challenged on a managerial level as there is an ongoing change in the competitive environment of companies, where networks are replacing traditional markets in a rapid manner (Möller & Halinen, 1999). Hence, companies are part of complex networks with a higher or lower degree of globalization (Håkansson & Snehota, 1995).

When it comes to the internationalization process of small companies, these firms may not have processes of strategic planning or traditional, formal plans of strategy. However, limited use of formal planning, strategies and goals does not necessarily hinder strategic behavior (Ahokangas, 1998). There are several important decisions included in the internationalization process, and the choice of entering a new foreign market might be the most vital (Reid & Rosson, 1987). Still, it is not clearly understood how SMEs make decisions concerning international entry mode (Brouthers & Nakon, 2004).

In the process of foreign market entry, choice of market and entry mode are vital decisions. One way to choose market can be through a reactive approach, in which the company responds to appearing opportunities into new markets. In this case, the firm acts passively and informally in the decision process. A passive approach has been more connected to SMEs. On the other hand, the choice can also be handled proactively, when the firm more actively chooses markets in a formal way (Albaum et al., 2005).

There are several strategies to choose from in the important decision of entry mode to a foreign market, for example export, licensing, establishing a sales or production subsidiary in the selected country, by own capacity or through a joint venture. The traditional approach has been to start with export, but companies also start with other strategies. SMEs more commonly first go to geographically close markets, compared to large corporations which often enter several markets more rapidly. However, niche companies, small as well as divisions of large ones might rapidly distribute on a global level in order to keep away from competitors (Albaum et al., 2005).

In the internationalization process of SMEs it has through research been confirmed that firms are influenced by network relationships, encouraged and motivated to internationalize (Ellis, 2000). It has also been found that SMEs are influenced by network relationships in the choice of foreign market and entry mode (Ojala, 2009; Zain & Ng, 2006; Coviello & Munro, 1997; Bell, 1995).
1.2 Problem discussion

Previous research has focused on SMEs within the software industry and applied a network perspective to understand their internationalization process (e.g. Ojala, 2009; Zain & Ng, 2006; Coviello & Munro, 1997). The mentioned authors have found that network relationships affect choice of foreign market and choice of entry mode. These two choices, being part of the same decision process (Koch, 2001a), are among the most crucial that a company makes in relation to international operations (Douglas & Craig, 1992).

Even though the effects of network relationships in SMEs’ internationalization have been previously studied, still scholars such as Ojala (2009), Zain and Ng (2006), Ellis (2000), Coviello and Munro (1997) and Bell (1995) call for more research within the field. Ojala (2009) and Coviello and Munro (1997), more precisely suggest further research in relation to other industries than software, as well as more specifically investigate what kind of different network relationships that affect choice of foreign market and of market entry mode.

It has not been explicitly studied (to the authors knowledge) if and how the effect of a specific network relationship on the mentioned parts of the internationalization process can be related to or explained by the characteristics of the network relationship in question.

These are reasons that make the study of this thesis interesting and valuable. The interest of this thesis is therefore to more in detail see how different types of network relationships separately have affected the important choices of foreign market and of market entry mode.

Based on the previous discussion this thesis focus on the following research questions;

- How do different types of network relationships affect Swedish SMEs in their foreign market selection when entering new markets?

- How do different types of network relationships affect Swedish SMEs in the choice of entry mode when entering new markets?

1.3 Purpose

The purpose of this thesis is to investigate how SMEs’ choice of foreign market and market entry mode is influenced by different types of network relationships.

1.4 Delimitations

The study of this thesis was focused on one industry in particular, the cleantech industry (see section 3.3), which is relatively different from the software industry. More specifically, case studies were conducted on four SMEs within the cleantech industry segment Air Pollution Control, all having their headquarters in the south-western part of Sweden.
1.5 Disposition

This chapter introduces the background to why network relationships’ effect on the internationalization process of SMEs is an interesting topic to study. The problem discussion further highlights how the study of this thesis relates to previous studies within the field. Following, the specific focus of this thesis is expressed through research questions, purpose and delimitations. At the end of the chapter the disposition of the thesis is presented.

In this chapter the theoretical framework for the study is presented. The chapter introduces the reader to the research fields of internationalization and network theory and within these fields the concepts and theories central to this specific study are presented. Further, a review of the findings from previous studies is given and additional factors to consider are pointed out. The chapter ends with a summary and conceptual framework.

This chapter starts by presenting the research approach and strategy the authors have chosen, and the multiple case strategy is argued for. The choice of the cleantech industry and selected case firms is then discussed, followed by a description of the procedure of collecting primary data through interviews. The chapter ends with a presentation of the analysis process and finally trustworthiness of the thesis is taken into consideration.

This chapter presents the empirical findings from the case studies, one case at a time. First, the reader is introduced to the companies and their top management by some general information. Following, overviews of the internationalization process of the case firms are presented. The interviewees’ stories about the entering of the Chinese/Russian market are emphasized and thereafter the network relationships that influenced the choices of market and market entry mode are described.

In this chapter the empirical findings presented are analyzed and connected to the theoretical framework. This is followed by an analysis of the additional factors. Finally, a general analytical discussion of the findings from the case firms is presented. The chapter ends with a cross-case analytical discussion and a graphical representation of the most significant connections found.

This chapter summarizes the most important findings based on the analysis concerning different network relationships influence on choice of foreign market and entry mode. The presented conclusions concerns case specific and general findings and relates back to the purpose of the thesis.

In this chapter further reasoning and the authors personal reflections around the findings from the cases are presented. The implications of the study is touched upon and a discussion regarding limitations of the study and about what was done to overcome these follows. The thesis ends with some suggestions for future studies.
2 Theoretical framework

In this chapter the theoretical framework for the study is presented. The chapter introduces the reader to the research fields of internationalization and network theory and within these fields the concepts and theories central to this specific study are presented. Further, a review of the findings from previous studies is given and additional factors to consider are pointed out. The chapter ends with a summary and conceptual framework.

To facilitate for the reader, considering that the theoretical framework is relatively extensive with a structure that might be difficult to grasp, below (see figure 1) is presented a graphical representation of the structure of the chapter. The chapter is divided into five sections and a general outline for each section is presented in the figure. Further introductions are given at the beginning of each section.

![Figure 1. Disposition of the theoretical framework chapter.](image_url)

2.1 The development of internationalization research

Since the area of interest of this thesis has its theoretical base originating from internationalization research, this section starts from a broad view of internationalization to introduce the reader briefly to this field. Further this first section leads into the more specific field of network approach to internationalization. The last two parts introduce previous studies within the field of network approach to internationalization especially relevant to this study and the importance of choice of foreign market and of market entry mode is discussed.

The concept of internationalization has been subject of intensive research, including aspects of for example international and strategic management, organization theory, marketing and SMEs. The literature has partly focused on large firms’ operations, for example global strategies, strategic international alliances and issues based on control and diversification, while smaller companies have been subject to research primarily concerning models of internationalization based on stage or export development (Bell, 1995; Ahokangas, 1998).

Previous research concerning the process of internationalization is comprehensive. Ahokangas (1998), presents it divided into three approaches; traditional approaches, network perspectives and resource-based perspectives. The traditional approaches can further be subcategorized as eclectic decision making models and learning and innovation adoption models. The eclectic models focus on multinationals, of which Dunning’s OLI model of internationalization has got a lot of attention (Dunning, 1988). This model focuses on specific advantages for multinationals in the internationalization process regarding; Ownership, Location and Internalization. The innovation
adoption models focus more on SMEs, and the Uppsala model (Johanson & Vahlne, 1977, 1990) which describes the internationalization process as incremental, where the firm proceeds through stages, can be seen as the base for this category (Ahokangas, 1998). Established relationships in the internationalization process are seen as vital (Johanson & Vahlne, 1990). Resource-based approaches to internationalization focus on how the perspective of resources within the firm can lead to competitive advantage, often with a focus on multinationals (Ahokangas, 1998). Research on network approaches to internationalization has been focusing on SMEs, influenced by the Uppsala model (Johanson & Vahlne 1990; Bell, 1995). Even though somewhat supported empirically, the Uppsala model has also been criticized for being deterministic, and firms today cannot be said to generally follow the example of gradual internationalization according to the stage theories (Ruzzier, Hirsch, & Antonec, 2006). Hence, the network approaches have been developed from the Uppsala model, and the network approach is highly relevant for this thesis and will be further elaborated on in the next section.

2.1.1 Network approaches to internationalization

In order to guide the reader to the most current research within this specific field of internationalization studies, the journey will start from the Uppsala model (Johanson & Vahlne, 1977), which implies incremental learning and increase in international presence. In the 1980s, research confirmed that a majority of firms made use of different networks in order to smooth the progress of internationalization activities, hence giving rise to the network model (Johanson & Mattsson, 1988). Johanson and Mattson (1988) argued that companies are dependent on resources that other firms control, and through a position within a network they can get the right of entry to these resources. A focus on learning gradually as well as acquiring knowledge of the market through interaction within networks is the base in Johanson and Mattson’s model (1988), however not necessarily captured by an incremental process. In order to get shared benefits, companies have joint interest to create and maintain relationships within the networks (Johanson & Mattson, 1988; Johanson & Vahlne, 2003). The model of Johanson and Mattson (1988) was further developed by Johansson and Vahlne (1990, 1992, 2003). The view of internationalization in the model by Johanson and Mattson (1988) focus solely on relationships, where firms develop new foreign network relationships in the internationalization process. Four situations of internationalization were recognized, the early starter, the late starter, the lonely international and the international among others. This can be compared to Johanson & Vahlne (1990), who developed the Uppsala model from a network perspective, describing internationalization as a continuous process, where companies are seen as embedded in a network of actors. The network could then influence the internationalization of the focal firm.

Johanson and Vahlne (2003), argued for the need of models which better describe the internationalization process, and pointed out that the incremental models were out of date. Further, new streams of research within the categories of born globals, high technology firms, service firms and also small businesses have also reached this conclusion. Johanson and Vahlne (2003) emphasized that a focus on network and network relationships is often taken within this research (e.g. Bell, 1995; Coviello & Munro, 1997; Zain & Ng, 2006; Ojala, 2009) to be able to grasp the rapid internationalization of companies. The studies of Coviello and Munro (1997), Zain and Ng (2006) and Ojala (2009) act as springboard for the research conducted in this thesis. Extensive research has been conducted in the field of SME’s internationalization process from the perspective of networks (Zain & Ng, 2006). Network relationships have through previous research been found to influence several issues related to internationalization (Ruzzier et al., 2006), of which the ones of interest for this thesis is foreign market selection and choice of entry mode. The authors of this thesis have chosen not only to see what types of network relationships that influence these two decisions, but also how. The most relevant studies of Coviello and Munro (1997), Zain and Ng (2006) and Ojala (2009) are more in-depth described in the next section.
### 2.1.2 Network relationships effects on the internationalization of knowledge-intensive firms

Johanson and Vahlne (1990) described that firms, for example in service industries, had been identified as not taking the traditional incremental process in their internationalization process. Bell (1995), focusing on small software firms, further acknowledged the inconsistency in the incremental stage models and suggested network approaches to internationalization as more appropriate, though none of them could explain the internationalization process completely. Still, it was found that the relationships of the firm seemed to influence choice of foreign market and entry mode for small companies. The choice to focus on small software firms made by Bell (1995), as opposed to the traditional research on manufacturing firms, was followed up by other scholars. Coviello and Munro (1997) found that foreign market selection and choice of entry mode were influenced by network relationships, which also influenced the rapid internationalization process in general for small software companies. Coviello and Munro (1997) argued that by integrating the incremental models with the network approach, the internationalization process of small businesses could be more properly understood.

Network relationships have been viewed as determinants of the internationalization of SMEs in knowledge-intensive industries to psychically close markets (Zain & Ng, 2006; Coviello & Munro, 1997). The research made by Zain and Ng (2006) as well as Coviello and Munro (1997), concerning SMEs in knowledge-intensive industries, have questioned the old incremental models to internationalization and instead shed light on the connections to the network model by Johanson and Mattson (1988). The network relationships were seen as the most important factor in the internationalization process as they highly influenced the choice of market and entry mode, which again can be related to the model by Johanson and Mattson (1988). Also Ojala (2009), found that knowledge-intensive SMEs, expanding to psychically distant markets, were influenced by networks relationships, although to a more limited extent than Coviello and Munro (1997) as well as Zain and Ng (2006) found on companies entering close markets. However, once the firm actually achieves the entry, network relationships had more influence on the actions taken by the firm. The conclusion of Ojala (2009) was that entry to a psychically distant market and the choice of entry mode can be said to depend more on strategic decisions than network relationships.

Before moving on, the following section will introduce the reader to the concepts of foreign market selection and choice of entry mode since these are, as previously mentioned, concepts central to the specific focus of this thesis.

### 2.1.3 Foreign market selection and choice of market entry mode

The choice of a target market and of an entry mode to penetrate the chosen market constitutes parts of what covers a company’s market entry strategy in the definition used by Root (1998). The other parts are: the goals and objectives in the target market, the marketing plan and the control system to monitor the company’s performance (Root, 1998). The market entry strategy is of high importance for any company’s international strategy (Koch, 2001a).

The internationalization of the firm involves many decisions, but out of them all, possibly not any is more important than the decision to enter a new foreign market (Reid & Rosson, 1987). The extensive attention dedicated to the subject by scholars further attests to its importance (cf. Bell, 1995; Coviello & Munro, 1997; Chen & Chen, 1998; Coviello & Martin, 1999; Ellis, 2000; Ellis & Pecotich, 2001; Koch, 2001a-b; Andersen & Buvik, 2002; Zain & Ng, 2006; Ojala & Tyrväinen, 2008; Ojala, 2009). According to Douglas and Craig (1992), relative to international markets, market entry decisions are among the most crucial that a company makes. The choice of foreign market later on serves as the springboard for the company’s future international expansion and to a certain degree ties the company’s operations to a certain geographical area. Main
competitors receive a notion about the company’s objectives and this possibly influences what competitive actions they further take (Douglas & Craig, 1992).

The mode of entry, as mentioned previously, is what is used to penetrate a target market. The choice of entry mode is important since it determines to what degree a company controls the marketing mix, and to an extent it determines the degree of commitment in the target market (Albaum et al., 2005).

Entry and mode of operation choices are referred to as fundamental parts for companies in developing an effective competitive strategy in order to achieve objectives in foreign markets (Douglas & Craig, 1992). Since it has been suggested that foreign market selection and market entry selection should be regarded as parts of the same decision process (Koch, 2001a), the choice in this study was to focus on these two decisions.

Foreign market entry decisions, according to the normative literature, are considered to result as a rational response to conditions in the market. The decisions are believed to be made on the basis of systematically gathered objective information (Root, 1998). However, Ellis (2000) emphasizes that there exists significant evidence contradicting the claim that the traditional approach to market selection is the most commonly used approach (Ellis, 2000). The effects of network relationships on the decisions and the use of a network approach could possibly, at least in part, provide some explanations to these types of findings.

In the following section, network theory in general will be touched upon to familiarize the reader with the field of study and the concept network relationship will be defined. Thereafter examples of ways to divide network relationships in different types based on characteristics will be described.

### 2.2 Network theory

Before presenting three alternative ways in which network relationships can be divided into different types, this section begins with a brief introduction of network theory in business studies.

Networks, in the context of business studies, have in general received an increasing amount of attention in the literature (e.g. Möller & Halinen, 1999; Carson, Gilmore & Rocks, 2004; Håkansson & Snehota, 2006). One reason for the increased interest, Axelsson (1992) claims to be, is that networks provide a view of the world that is close to the ‘real world’ that observers perceive (Axelsson, 1992). Despite the interest in networks and networking activities, a certain amount of confusion exists regarding what networks are and how they operate (Charan, 1991, cited in Carson et al., 2004). There exist several definitions of what constitutes a network in the business context. Scholars have also developed theories focusing on specific sub-types of business networks, for example strategic SME networks (Vincent, 2005a-b) and industrial networks (Axelsson & Easton, 1992). The definition chosen (to what a network is) delimitates what relationships are to be seen as included as parts of the network. The authors of this thesis have chosen to use the definition used by Zain and Ng (2006, p. 184); “A network is the relationships between a firm’s management team and employees with customers, suppliers, competitors, government, distributors, bankers, families, friends, or any other party that enables it to internationalize its business activities”.

#### 2.2.1 Types of network relationships

“The literature related to types of network relationships is somewhat confusing.” (Ojala, 2009, p. 52). This statement pinpoints a common problem within network studies. Below are presented three ways of differentiating network relationships into different types or categories (see figure 2).
Figure 2. Three ways of differentiating network relationships into different types or categories

2.2.1.1 Strength of relationship

Carson et al. (2004) developed a model for examining SMEs’ marketing networks. They identified three different types of dimensions of the SMEs’ network: structural, relational and usage dimension. In the light of the study in this specific thesis only one of these three dimensions was useful, the relational dimension, since the aim of this study was not to examine a whole network but rather evaluate the importance of a selected number of the network linkages (relationships) of the case firms. Even though Carson et al. (2004) focused their study on the social network of a single person – the SME owner-manager – the authors of this thesis would argue that the model is applicable also in the context of the SME network. This since it has been shown that the networks of SMEs are bounded individual and strongly influenced by the characteristics of the key players (Birkley, Cromie & Myers, 1991). Also, in small companies, the network relationships of the owner-manager is reasonably (at least close to) also the network relationships of the firm, and vice versa.

The relational dimension considered the actual network linkages between an SME owner-manager and his or her network sources, developing the idea of linkage strength by identifying from literature, key relational elements that determine the strength of network linkages. The elements found in the framework of Carson et al. (2004) to principally determine this linkage strength were trust, commitment and co-operation.

- “Trust is defined as ‘a willingness to rely on an exchange partner in whom one has confidence’ (Moorman et al., 1993, p. 82). Trust is measured in terms of the nature of the information shared and the confidence in advice received.

- […] Commitment is defined as the time and effort in maintaining network linkages. It is measured in terms of the frequency of communication between the SME owner-manager and each network member.

- Co-operation is defined as the level of interdependence between a SME owner-manager and each marketing network member. It is measured in terms of the level of co-ordinated market activities and the level of reciprocity and mutual compatibility regarding goals between a SME owner-manager and his or her linkage partners” (Carson et al., 2004, p. 374).

This framework acknowledges the existence of weak and strong network linkages and studies these from the viewpoint of a focal firm. In their study, Carson et al. (2004) found that the strong
network relationships (in terms of relational elements) were identified in network linkages also identified as stable over time. The linkages found most stable (also the once found to be the strongest linkages) were those utilized most in making decisions by SME owner-managers (Carson et al., 2004).

2.2.1.2 Position in the focal firm’s network context

A relatively straightforward way of categorizing a firm’s network relationships is presented by Möller and Halinen (1999). In their article, they depict the different business relationships forming the network context of a focal firm in a model (see figure 3), dividing the business network of the firm into vertical and horizontal relationships. However, these are to be seen as most often interrelated and as forming complex networks (Möller & Halinen, 1999).

Figure 3. Horizontal and vertical business network relationships (based on Möller & Halinen, 1999).

Horizontal relationships include competitors, competitor alliances, universities and research institutions, non-governmental organizations (NGOs), and governmental organizations (GOs). The vertical relationships include suppliers, supplier partners, customers, and customer partners (Möller & Halinen, 1999).

Within the context of the network of SMEs the importance of the owner/manager is often highlighted (e.g. Carson et al., 2004). Previous studies analyzing how network relationships influence SMEs in their choice of foreign market to enter and of market entry mode (e.g. Coviello & Munro, 1997; Zain & Ng, 2006) have chosen to include the manager/decision-makers social network, that is family members and friends (see figure 4). For this reason, these social network relationships are also included in this study.
2.2.1.3 Formality of relationship

The different types of network relationships for entering foreign markets have in many studies been referred to as formal and informal (e.g. Coviello & Munro, 1995, 1997; Coviello & Martin, 1999; Ojala, 2009). A common agreement in the literature is seemingly that formal relationships are related to business activities between two or more actors in the network, while informal relationships are related to personal relationships such as those with family and friends (Coviello & Munro, 1995, 1997; Coviello & Martin, 1999; Ojala, 2009).

In addition to the formal and informal relationships, the importance of intermediary relationships has been indicated (e.g. by Ellis & Pecotich, 2001). This type of relationship is characterized by the fact that no direct contact exist between the buyer and the seller but a third party comes in and facilitates the establishment of a contact between the two (Ojala, 2009).

Figure 5 depicts a graphical representation of the division into different types of network relationships based on formality of the relationship.
2.3 A review of the findings in previous studies

The most relevant findings from previous research for this thesis have been found in Coviello (1997), Zain and Ng (2006) and Ojala (2009). The findings from these studies, in terms of how they relate to the study of this specific thesis, are presented in this section.

To fulfill the purpose of the thesis especially two aspects of the findings in these previous studies are of relevance; findings regarding the different types of network relationships that have been found to influence the choice of foreign market selection and of market entry mode, and how these have influenced the choices.

2.3.1 The different types of network relationships

The general conclusion of Coviello and Munro (1997) was that formal and informal network relationships influenced foreign market selection and mode of entry of the small software firms studied. They found that, among these informal and formal relationships, it was often major partners (a distributor in one case, an initial product development relationship in another) that guided foreign market selection and provided the mechanism for market entry. They further noted that each case firm’s choice of foreign market and entry mode was clearly influenced by early partners (which were often large international corporations) and the large international network they provided the case firms with (Coviello & Munro, 1997).

Zain and Ng (2006) did not really present any conclusions from their findings using any type of categorization of network relationships. They found that the small software firms in their sample often relied on network relationships in their internationalization processes, for example for market selection and mode of entry. Types of networks mentioned in their findings were relatives, an ex-employer, friends and contacts. In one of their cases a network member whom the case firm trusted and had confidence in partly drove the case firm to expand to a new market (Zain & Ng, 2006).

In the study by Ojala (2009), it was concluded that market entry among the case firms had been influenced by formal relationships, by for example using distributors operating in markets outside their own. Companies that had no relationships, formal or informal, which could be helpful in the market entry found mediated relationships more important than the other case firms. Among the firms using informal relationships, friends known from previous jobs and managements’ friends in the foreign market affected the entry. Generally, the influence of network relationships in choice of market was limited when companies were active in the market entry. The reason was partly that the foreign market was important for the companies’ niche products. For the firms taking a more passive approach, network relationships were more important and the firms used existing informal relationships. Also choice of entry mode had limited impact by network relationships (Ojala, 2009).

2.3.2 How network relationships affect the selection process

There has previously been practically no theorizing or categorization of how network relationships might influence a focal firm in its choice of a new foreign market or of a market entry mode. Zain and Ng (2006) presented an overview of what impacts network relationships have been found to have on firms’ internationalization process in previous research. However, none of the studies, categorized as discussing the impact of network relationships as influencing market-selection decisions and entry mode decisions (Bell, 1995; Coviello & Munro, 1997) further distinguish between different ways in which the relationships might have influenced these decisions. The same holds for the study of Zain and Ng (2006) and also for Ojala (2009). Ellis and Pecotich (2001), in their study on how social ties effect the establishing of contacts with new foreign buyers for exporting firms, provide a framework possibly applicable to the context of interest for this study. In their study, the observed influences of existing social ties were estimated on a four point
scale depending on whether the social tie had had a strong influence (for example led to the actual identification of a foreign buyer), weak influence or moderate influence (for example pushing the decision maker towards a particular market, respectively a specific distribution channel) (Ellis & Pecotich, 2001).

2.4 Additional factors to consider

As clearly stated previously, network relationships have been empirically proven to affect the internationalization process of SMEs in general and in terms of choice of foreign market and entry mode. However, of course also additional factors influence the process in question. These are often divided into internal and external factors (Koch, 2001b). Chetty and Holm (2000) found that internal factors, such as firm and decision-maker characteristics influence how the firm will respond to initiatives from its network relationships.

By reviewing earlier research on internal factors affecting the internationalization behavior of a firm and factors influencing their foreign market and entry mode choices, the authors identified a limited number of factors that reasonably should be taken into consideration in the context of this study. To take into consideration all possible factors that could have had an impact would not have been practically possible, and would neither have been desirable since the specific focus of the study would have been lost.

Below the selected factors are presented (see figure 6). They represent the internal factors that the authors believe to be the most significant in setting the foundation for how network relationships might affect the internationalization process. The factors are: proactive versus reactive approach in foreign market selection; international experience of manager/decision maker; and professional experience of the manager/decision maker.

![Figure 6. Significant internal factors that reasonably affect how network relationships might influence the internationalization process of an SME.](image)

2.4.1 Reactive versus proactive approaches to foreign market selection

Something important to consider when discussing foreign market selection is what approach the company use in this process – a reactive or proactive one (Albaum et al., 2005).

Various firms expand their business internationally in a gradual and unplanned manner. A reactive market selection approach like this characterizes a situation where the focal firm passively chooses markets, for example by filling unsolicited orders or awaiting initiatives by foreign buyers or rep-
representatives. The firm is responding to a situation that has appeared when using the reactive approach (Albaum, et al., 2005).

As opposed to the reactive approach, the proactive market selection approach is marketing oriented. The firm actively initiates the selection of foreign markets and selection is systematic and formalized. The process of proactive market selection is formal. However, there exists another approach to finding new international markets which is more or less formal, for example when the decision maker chooses a market based on recommendations from business acquaintances or is presented an opportunity while travelling (Albaum, et al., 2005).

2.4.2 Decision-maker characteristics

Decision-maker characteristics affect how a firm will react to initiatives from its network relationships. Especially in SMEs the manager plays an important role in identifying the opportunities for internationalization (Chetty & Holm, 2000).

2.4.2.1 International experience

There are two parts to the relevance of international experience of the manager in the context of this study. On the one hand it relates to the fact that the firm’s/owner-manager’s direct experience of an international market adds to the probability of companies dedicating resources to foreign markets (Hollensen, 2004). The perceived risk and uncertainty of the manager to enter a foreign market will influence the choice of which market to enter (Koch, 2001b).

On the other hand, international experience of the manager/decision-maker reasonably influences the extent to which her/his personal social network is international. Zain and Ng (2006) found that the cases in their sample which held staff with significant international experience and networking used their expertise and network and were stimulated to expand internationally earlier than those case firms that did not have personnel with this type of experience (Zain & Ng, 2006).

2.4.2.2 Professional experience

Many managers, especially owner/managers, are at the heart of their own network, which among other things provide them with information. They make extensive use of personal contacts to gather business information (Birkley et al., 1991). The tendency to exploit entrepreneurial opportunities will be limited by the specific benefit of information from each actor’s network. However, individual social networks take time to develop and increase with personal experience (Björkman & Kock, 1995; Ellis, 2000).
2.5 Conceptual framework

To summarize the most important concepts from the theoretical framework a conceptual framework was developed and this is presented in this section.

As previously emphasized, the purpose of this thesis is to investigate how choice of foreign market and of market entry mode has been influenced by different types of network relationships.

The central parts of the purpose are expressed in the words *how* and *different types*. The parts will below be dealt with in reversed order.

In order to differentiate between different types of network relationships, three alternative aspects to be used were presented; strength of relationship, formality of relationship, and the position in the focal firm’s network context (see figure 7).

![Figure 7. Three different aspects in which network relationships can be divided into different types and categories.](image)

As discussed previously, the literature provides little or no theorizing or categorization on *how* the network relationships influence the decisions of foreign market and of market entry mode. The methodology used by Ellis and Pecotich (2001) provide some guidance. According to them the network relationships influence could be divided into; *strong*, *moderate* and *slight influence* respectively.

By reviewing earlier studies, three internal factors to consider when assessing how network relationships influence the internationalization process of firms where identified and presented; *proactive versus reactive approach in foreign market selection; international experience of manager/decision maker; and professional experience of the manager/decision maker* (see figure 6).
3 Methodology

This chapter starts by presenting the research approach and strategy the authors have chosen, and the multiple case strategy is argued for. The choice of the cleantech industry and selection of the four Swedish case firms is then discussed, followed by a description of the procedure of collecting primary data through interviews. The chapter ends with a presentation of the analysis process and finally the trustworthiness of the thesis is taken into consideration.

The method applied in this thesis is qualitative by the use of a multiple case strategy including four case firms. Semi-structured interviews have been conducted. Detailed information and discussion regarding how the authors went about the research process is provided under each subsection.

3.1 Research approach

The research approach of this thesis is a combination of a deductive and inductive approach. The deductive part of the approach can be argued for as extensive previous research has been conducted within the field of network relationships’ effects on internationalization. The research in this thesis is influenced by and builds on earlier studies, mainly Ojala (2009), Zain and Ng (2006) and Coviello and Munro (1997). The reliance on concepts from relevant theory in the design and data collection processes is also emphasized by Yin (2003a) as a vital strategy to do high quality case studies.

It was an interest of the authors to investigate if certain characteristics of network relationships had an effect on the level of influence these posed on foreign market selection and choice of entry mode. This had not been directly studied previously and therefore this part can be argued for as inductive, since this is an exploratory part of the research which cannot be fully described by earlier research, as mentioned. The qualitative nature of the research is more connected with an inductive approach (Saunders et al., 2007). Other aspects which can be connected to an inductive approach are that the objective was not to make broad generalizations from the findings, but rather to gain a deeper understanding of the problem studied.

A qualitative approach was preferred in this thesis in order to get the best possible understanding of the case firms, and the concepts included in the investigation were comprehensive which can be highly associated with qualitative data (Robson, 2002). Further, a characteristic of qualitative research is the focus on words, hence leaving the focus on quantitative data collection or quantitative analysis aside (Bryman & Bell, 2007).

A conceptual framework was constructed, using the most important concepts to the study, in accordance with Miles and Huberman (1994). The most relevant variables and relationships for the study were selected and the framework created served as guidance in the collection of the data necessary to answer the research questions. The research involved, as mentioned, a certain degree of influence from previous studies (Ojala, 2009; Zain & Ng, 2006; Coviello & Munro, 1997). More specifically, the narrow research topic within this thesis is highly related to what was tested in these studies, and can be seen as an extension from these. The earlier studies were based on the network approach (Coviello and Munro, in their study from 1997, combined the incremental and network models), and a network perspective on internationalization has been applied in this study as well. The choice of using a multiple case study to understand the internationalization process is another influence from the earlier studies.

3.2 Research design and strategy

The research design of this thesis is partly descriptive as a coherent understanding of the case firms’ internationalization process was called for. The research is also of exploratory character, as
the cleantech industry is emerging and has to the authors’ knowledge not been included in re-
search of this type when the thesis was written. Further, the aspect of investigating how characte-
ristics of network relationships, that is if a strong or weak relationship and the functions of it have influenced what effect the relationship had on the foreign market selection and mode of en-
try, can also be argued as exploratory.

The case study approach implies an interest from the researchers to get a comprehensive view of a single case, and the case in itself is of interest to understand the dynamics in that specific setting (Bryman & Bell, 2007; Eisenhardt, 1989). In this thesis, four case firms were included in the research, which makes it a multiple case study, and can be seen as an extension to the design of the case study. This strategy makes it possible to compare the different case companies and for the investigators to understand a complex subject (Bryman & Bell, 2007; Zikmund, 2000). If the circum-
cstances allows for it, a multiple case study may be chosen, as the results more likely will be more vigorous compared to a single case study depending on the purpose of the study (Yin, 2003a). Since this all conformed to the objective of this thesis, and since it had been the research strategy used by the previous scholars within the specific research area (Coviello & Munro, 1997; Zain & Ng, 2006; Ojala, 2009), it was found to be the most suitable research strategy to fulfill the purpose of this thesis.

The case firms in this study shared the similar characteristics of for example industry, but also differences concerning for example development in the internationalization process. Hence, the authors did not only sought for similarities but also differences in the analysis, and the findings could be discussed in connection to theory.

When there is an interest to answer research questions based on “how” concerning procedures where the researcher has limited control, there are clear advantages of a case study design (Yin, 2003b), which can be highly connected to this study. Possible disadvantages of this approach can be the limited opportunities to generalize and the possibility of bias as the quality relies heavily on the researcher in the data collection. However, it should be considered that there is always a possibility for bias no matter what design. When it comes to generalization from a case study, it can focus on analytic generalization, where the aim is to find generalization and expansion of theory, compared to statistical generalization focusing on frequency (Yin, 2003b). Even though generali-
ization is not an objective in this thesis, the findings can give indications if there are commonali-
ties between the cases.

Primary data was collected through semi-structured interviews which make it possible to analyze the data in a qualitative manner and it is suitable when applying a case study strategy, and will be further discussed in section 3.5. This structure was chosen to have the possibility of asking additional questions. However, the interviews were kept as structured as possible, in order to avoid bias. Further, the choice of semi-structured interviews was appropriate as the study was of explora-
tive nature (Saunders et al., 2007).

3.3 Selection of industry

The case firms were chosen from the Swedish cleantech industry, more specifically the industry segment Air Pollution Control. As the case firms operate within the same industry segment, comparisons were possible to make. Still, it needs to be considered that the companies were in different stages of their internationalization process and differed in for example number of em-
ployees and how they operated.

Cleantech can be defined as: “Any technology whose use is less environmentally harmful than rele-
vant alternatives. Examples include: renewable energies such as wind turbines, solar panels or wave power; water-treatment and waste-management systems; recycling - including collection, separation and treatment for re-use; clean transport making use of fuel cells, hybrid engines or
biofuels; sustainable construction - from passive houses to environmentally-friendly materials; and exploitation of information and communications technology to improve energy use or reduce pollution from industrial processes” (European Union, 2009a).

The previous studies of Ojala (2009), Zain and Ng (2006), Coviello and Munro (1997) and Bell (1995), as mentioned previously, focused on the software industry, and Ojala (2009) and Coviello and Munro (1997) called for research in other industries. Several reasons for choosing the software industry have been mentioned in the studies, for example that it is service-focused, knowledge-intensive and high technology based, also often highly specialized as the firm offers niche products. Bell (1995), described that the rapid expansion of the industry on a global level made it interesting to study, compared to traditional manufacturing.

The cleantech industry is different compared to the software industry in aspects of for example production of tangible products. However, several connections and similarities can be seen from the previous discussion. The cleantech industry is rapidly growing and this trend is expected to continue. A great part of companies in the industry offers new and niche products, which also have been confirmed from the case firms in this study.

The world market for environmental techniques is growing steadily. 2008 resulted in a record year for venture investments in clean technology. Figures presented in the US demonstrated global investments within the area of €6.3 billion in 2008. Worth to mention is the considerable increase from 2007 of 38%, when the investment reached €4.7 billion. In Europe, the venture investment of clean technology reached €1.4 billion in 2008, an increase with 43% from 2007 and represented 21% of global investments in the cleantech industry (European Union, 2009b).

Statistics from SCB, provided by Swentec (Swedish Environmental Technology Council) (2009a), shows that the turnover in the Swedish cleantech sector 2007 reached 114 billion SEK, an increase of 13% from 2006. The export increased from 29 billion SEK in 2006, to 33 billion SEK in 2007, an increase with 15% (Swentec, 2009a). The cleantech companies in the western part of Sweden, and mainly the Gothenburg region where most operations are located, jointly showed the largest turnover in 2006, compared to the other geographical areas and the region has been described as the strongest area within cleantech in Sweden in terms of turnover and employment (Swentec, 2007b).

Swentec describes Air Pollution Control, Waste Management & Recycling and Bioenergy as the segments where export of Swedish cleantech companies has increased the most, between 22% and 29% in 2007. (Swentec, 2009a) The majority of Swedish cleantech companies have less than 50 employees (Nutek, 2006), more specifically, 80% of Swedish cleantech companies have a maximum of ten employees (Swentec, 2007b).

Based on the discussion above, the authors found the cleantech industry interesting and well worth studying in the context of international expansion, this since it will contribute to a deeper understanding of a fast-growing industry which is receiving increased attention.

3.4 Selection of case firms

In order to select the most appropriate firms to include in the study, non-probability sampling was utilized. This choice was made to be able to answer the research questions and was also suitable as the subject required in-depth research with a specific purpose that were based on comprehensive information from the data collection (Saunders et al., 2007). The choice of non-probability sampling was also made as generalization based on statistics was not required. It is of importance to have some criteria for the cases to match in order to get appropriate case firms (Yin, 2003a). The purpose, research questions and the theoretical base acted as a starting point in this process.
Table 1. Key information on the case firms.

<table>
<thead>
<tr>
<th>Case Firm</th>
<th>No. of employees</th>
<th>Year of establishment</th>
<th>Market entry studied (year of entry)</th>
<th>Interviewee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolent AB</td>
<td>28</td>
<td>1993</td>
<td>China (2007)</td>
<td>Tony Landh, CEO</td>
</tr>
<tr>
<td>ELFI Elektrofilter AB</td>
<td>12</td>
<td>1970</td>
<td>China (2007)</td>
<td>Jan-Olof Wallin, CEO</td>
</tr>
<tr>
<td>Specialkemi Väst AB</td>
<td>10.5</td>
<td>1998</td>
<td>China (2007)</td>
<td>Eva-Lena Aronsson, CEO</td>
</tr>
<tr>
<td>EHC Teknik AB</td>
<td>18</td>
<td>1983</td>
<td>Russia (2008)</td>
<td>Christina J. Granberg, CEO</td>
</tr>
</tbody>
</table>

The case study firms were selected from Swentec’s list of cleantech companies within Air Pollution Control, provided on their website (see table 1). The companies that matched the criteria in the list were contacted and out of these four firms chose to participate in the study. The chosen firms had to fall within the definition of small and medium-sized enterprises (SMEs), and be located in the western part of Sweden. Further, the investigation of foreign market selection and entry mode was concentrated to the entry of one distant market for each case. The foreign market entry of focus had to have taken place within the last two years, and the relative recentness of the event was of importance in the sample selection since this influence the interviewee’s detail memories of the event.

One might argue that the ideal scenario would have been that all case firms had entered the same market, for reasons of comparability, which was the initial intention. Entry to the Chinese market was chosen, as it had shown to be a common and emerging market to entry within the sample. Further, Swentec highlighted the enormous environmental challenges that face China which consequently create opportunities for the Swedish cleantech SMEs (Swentec, 2007a). Venture capital investment in cleantech was expected to reach $720 million in 2008 and further move towards $1 billion by 2010 (Kim & Jones, 2008). Therefore China was chosen as a common denominator for the sample of cases. Three of the companies selected had entered China. The fourth had not and for this reason the authors decided to investigate their recent entry Russia. Even if this was not the initial intention, including this Russia-case made it possible to reflect on if possibly the specific market entered per se should be considered a factor influencing how different network relationships affect the decision process of foreign market selection and choice of entry mode. In this sense, the firm entering Russia served as a control firm. Support for using this approach was found in Zain and Ng (2006), who also had included a control firm in their sample. When assessing network relationships affect on internationalization of small software firms they chose to include a manufacturing firm as a control firm.

In this specific study the criteria for being defined as a foreign market entry, the case firm had to have initiated trade with an actor in the market entered. In three of the cases the case firms were already present on the market entered but in an indirect manner, that is their customers in other countries were in their turn either selling the products to the new market or taking the products with them to use in their own facilities. In this thesis the scenarios just mentioned are not considered a foreign market entry into that market.
3.5 Method for data collection

The purpose of this thesis was to investigate how choice of foreign market and market entry mode has been influenced by different types of network relationships. To be able to fulfill the purpose key executives were selected as respondents, as in the cases of Ojala (2009), Zain and Ng (2006) and Covello and Munro (1997), with comprehensive insight in the company and the ones who had the major responsibility for the foreign market entry decision. In all four cases the CEO of the firm was interviewed, three using personal interviews and one using a telephone interview, which gave access to the important information aimed for. Managers have shown to prefer being interviewed compared to answer through a survey, in particular when the subject the interview concerns is highly connected to their work, as was the case in this study. Interviews are one of the most vital methods to collect data for a case study (Yin, 2003b) and qualitative interviews make it possible to collect valuable and detailed information (Saunders et al., 2007).

The interviews conducted were semi-structured, which implies that the interviewers had a list of questions of the actual topics to cover, and the possibility to ask additional questions and change the order of the questions when necessary (Bryman & Bell, 2007). This approach was chosen due to the partly exploratory nature of the research and for the reason to be able to use open-ended questions. Semi-structured interviews also make it possible to analyze the data in a qualitative manner and it is suitable when applying a case study strategy (Saunders et al., 2007). However, the interviews were kept as structured as possible, in order to avoid bias and facilitate comparisons between the cases. Especially when conducting a multiple case study, a certain degree of structure is necessary to have the possibility of comparison (Bryman & Bell, 2007). Further, when there is limited time for the interview sessions, for example an hour which was the time frame for each of these interviews, a higher structure is called for (Yin, 2003b).

Yin (2003b) recommends multiple sources of data to be collected, but it depends on the authors’ identification of the problem what sources are most suitable. The interviews, which have already been described as very important, acted as the major important source of information in this study. However, in order to get a comprehensive view of the case firms, also secondary data was collected, for example from the firms’ websites, brochures, annual reports and the business data base Affärsdata.

3.6 Design of interview

An e-mail was sent out to the respondents in advance of the interview to confirm their participation and the settings for the interview. The respondents were also asked to prepare short facts about the internationalization process, including year, market (country) and entry mode for each international establishment. Alternatives of international entry modes were listed in accordance to Albaum et.al (2005), in order to facilitate the process for the respondents (see Appendix 7). The international establishments were then discussed and confirmed at the interview sessions through one of the questions (see Appendix 1-2).

The theoretical framework was the base for a greater part of the interview and the questions were designed to be clear and straightforward. The first questions were closed and concerned the managers’ experience in the business and industry. This was followed up by open questions regarding the manager’s international experience. These questions were based on the theory connected to the manager, for example Chetty & Holm (2000), Koch, (2001b) and Zain & Ng (2006), presented in section 2.4.2. If more than one manager were highly involved in the decision-process, the authors also asked the interviewee about the other manager(s) in terms of experience in the business and industry.

Next step included open questions about the internationalization process of the firm and if the company had taken a proactive or reactive approach in their internationalization. Also the deci-
sion process of the foreign market entry was included in this part. These questions were impor-
tant to get a comprehensive view of the case firms.

Due to the limited time frame of this thesis, a complete mapping of the entire network of each
case firm was not possible, neither was it the purpose of the research. To still get a comprehen-
sive view of how different network relationships had affected the foreign market entry, and
which had not, the authors of this thesis found Möller and Halinen’s (1999) model of business re-
lationships and networks suitable as a base for mapping the networks of the case firms. The
model could be applied to divide different network relationships into categories (see figure 3 in
section 2.2.1.2). Questions were asked to see which specific network relationships had affected
the foreign market selection and choice of entry mode. The network categories which had influ-
enced the process were followed up by questions that the authors could utilize to evaluate the re-
lationship more specifically with the theoretical concepts summarized in figure 7. Even though
the majority of these questions were influenced by the theoretical framework, they were unique in
the sense that they were set into this specific context of network relationships’ effect on foreign
market entry.

3.7 Conducting the interviews

The three personal interviews were conducted 2009-04-17 in the Gothenburg region and both
authors were present. In order to reduce bias, the authors had practiced beforehand to make sure
the questions were easy to follow and understandable as well as not asking any leading questions,
as recommended by Yin (2003b). The interviews lasted between 36– 63 minutes, all interviewees
agreed to digital recording and notes were taken by one of the authors. It is highly common to
record qualitative interviews as it facilitates analysis of the detailed material and the respondents
own terms are not lost (Bryman & Bell, 2007). Other advantages are: the possibility to re-listen to
the interview; get a correct and unbiased record; the possibility to quote the respondents; and the
interviewer can be highly focused. There are also disadvantages, for example the reliability can be
questioned if the interviewee answers differently because of the recording; there might be a focus
on the recorder, affecting the conversation between the participants; possible technical issues;
and the time-consuming effort of transcription (Saunders et al., 2007). One of the authors was
taking notes in case of lost data. Consequently, the other one of the authors could fully focus on
the questioning. To avoid bias, the same author at all interviews handled the questioning and the
other took notes. As the subject did not involve sensitive or secret information the authors argue
that the presence of a recorder did not affect the interviewees’ answers. By recording the inter-
views the authors argue for having limited the negative effect on reliability.

The interviews took place in quiet areas at the facilities of each firm, which can be considered a
strength of the interview as there were no outside noise or distractions and the interviewees were
in comfortable environments (Saunders et al., 2007). Among the advantages of personal inter-
views can be mentioned the possibility to clarify uncertainties and provide the interviewee with
additional information if needed; possibility to be flexible in the questioning; and it is a larger
possibility that the interviewee does not leave out information compared to for example a survey.
However, possible disadvantages and interviewer and interviewee biases need to mentioned: the
interviewee is not anonymous; the interviewer technique; the appearance of the interviewer; and
way of formulating and expressing the questions (Zikmund, 2000), and the possibility of the re-
spondent trying to present an overly positive description of their organization (Saunders, 2007).

Due to the limited time frame for the study, one interview (with Absolent AB) was conducted
through telephone 2009-04-20, and it lasted 22 minutes. This interview followed the same
process as the personal interviews in order to keep the reliability of the findings as high as possi-
ble. Interviews conducted through telephone can be compared to personal interviews concerning
quality of the data collected (Zikmund, 2000). As with personal interviews there are advantages
and disadvantages with this approach. Among the advantages can be mentioned, compared to personal interviews: it is more convenient as there is no travelling involved; it is easier to control and there is less possibility of bias resulting from the interviewer’s characteristics or appearance as there is no physical meeting. However, the interviewer is not able to observe the interviewee’s behavior (Bryman & Bell, 2007); it might be harder to build trust from the respondent; it is difficult to take notes; and difficulties appear when asking complex questions (Saunders et al., 2007).

As there was limited sensitiveness and complexity to the questions, the reliability was arguably still kept high. Both authors participated, of which one took notes, and the interview was recorded.

In order to overcome the disadvantages and possible biases discussed above, the authors tried to keep the interviews as structured as possible, prepare beforehand and to a large extent as possible follow the planned interview schedule. However, it is always a possibility that the interviewees could have perceived a question differently from the authors or that other biases affected in the interview process. Still, by considering these different biases before the interview, hence focusing to conduct the interview accurately, biases could be limited and valuable data collected.

3.8 Analysis method

The arrangements for the analysis included data sampling, where the parts of relevance for the analysis were transcribed as suggested by Saunders et al. (2007). In order to avoid any transcription errors, only the parts which directly could be interpreted as irrelevant were left out, accounting for a limited part of the interviews. The transcriptions were then carefully interpreted and the most relevant parts to include in the thesis were summarized in the empirical findings section, combined with secondary data with information about the case firms (also see Appendix 3-6). To make sure that there were no misinterpreted parts, the summarizations of the data concerning each case were sent to the respondents.

Many different approaches exist on how to analyze qualitative data and these can be highly structured and formal or kept more informal and lower structured (Saunders et al., 2007). Further, case study analysis is particularly complex as there are limited clear definitions for the techniques. Consequently the researcher's ability of critical thinking, clear presentation of findings as well as reflection over alternative explanations become important. However, a general strategy for how to go about the analysis process already in the beginning of the research facilitates the analysis (Yin, 2003b). In the study of this thesis no theoretical propositions to test were stated, instead the authors conducted the analysis guided by the purpose and conceptual framework developed, and organized the data in order to fulfill the purpose in a proper manner. This can facilitate the process of choosing what data should be included in the analysis and be very valuable when conducting analysis in a case study (Yin, 2003b).

When designing the interview, the questions were placed in categories which could then be developed in the analytical process. As the transcribed data was interpreted it could be arranged in a matrix according to these categories, based on the conceptual framework. The analysis is deductive in the sense that existing theoretical concept are applied to evaluate the characteristics of the network relationships that had an impact and the additional factors were also taken into consideration. However, how different network relationships, and the characteristics of these affected the choice of foreign market and entry mode was exploratory, accounting for the inductive analysis as there are no clear theoretical base for it.

The analytical process (see figure 8) started by stating which, and to what extent the network relationships had influenced foreign market choice and entry mode. In accordance with Ellis and Pecotich (2001), the influence was estimated on a scale. In this thesis the influence was assessed to have been strong, moderate or slight.
The next step was to analyze the characteristics of the network relationships that had influenced choice of foreign market and/or entry mode. Since relationships are dynamic and constantly changing (Carson et al., 2004), it is important to point out that for the purpose of this thesis the characteristics of the relationships were assessed as of the time of the decision process concerning choice of foreign market and market entry mode. Strength of relationship was based on a contexture of the factors trust, commitment and co-operation (Carson et al., 2004) and the relationships were categorized as being strong or weak. The network relationships which had influenced the decision process were then assessed in regard to where they were positioned in the focal firms’ network contexts, (see figure 3-4). Further, level of formality of these network relationships was determined as formal, informal or intermediated.

There were also additional factors considered, the first one assessing whether the company had been proactive or reactive in the choice of foreign market. Also manager characteristics were observed. Professional experience was judged by number of years in the industry, and also the international experience of the manager was included in the analysis. The authors also took rival explanations into consideration.

In figure 8, an overview of how the analysis was conducted is presented. It was no obvious need to analyze the data in a certain order. However, the authors found the below presented analytical steps suitable.

Figure 8. Structure of analysis process
3.9 Trustworthiness

3.9.1 Validity

Validity deals with the matter of whether the investigators have been able to measure what was intended to be measured (Zikmund, 2000). Some researchers have given the concern of validity regarding case studies limited attention, while others have given it more consideration such as Yin (2003b). In order to assess accurately, in this case to see how different network relationships affected the foreign market entry and also evaluate the strength of relationships, the authors relied on theoretical concepts which make it possible to argue for high validity. To avoid errors in the interpretation of the data, the interviews were transcribed and sent back to the respondents to assure accurate summarization.

External validity, which refers to representativeness, is generally a problem in case study research due to the limited number of cases included (Gerring, 2007; Yin, 2003a). Even though this thesis is a multiple case study, the problem of generalizability needs to be mentioned. However, the objective was not to make generalizations outside the cases involved in the research. It was rather to draw conclusions from the new aspects of the specific research area, and further to see if any connections could be found to earlier research.

3.9.2 Reliability

Reliability concerns the question if someone who would try to repeat the procedure from a case study on the same case would end up with unchanged results (Zikmund, 2000). The aim when conducting a case study is to keep biases and errors to a minimum (Yin, 2003b). Reliability can be argued as a more relevant problem in quantitative research, as it can be considered the stability of a measure (Bryman & Bell, 2007). However, the authors of this thesis still found it important to discuss how reliability has been taken into consideration. A qualitative, flexible study is very hard to replicate due to the complexity, which makes it hard to achieve high reliability (Saunders, 2007).

In this research process, some actions have been taken which can facilitate replication. The interview guide was almost entirely followed, except the order of questioning which to a smaller extent differed. The answers from the respondents concerned recent events and the authors therefore argue that reasonably similar findings would be the result if conducting the same interviews again, however the possibility of differences cannot be ignored. Biases and errors that could question the reliability of the interviews and how these have been overcome was discussed in section 3.7. The authors have carefully described and documented the research process, as suggested by Yin (2003b) to keep the reliability high. The interviews were held in Swedish and then translated into English. To make sure biases were avoided, from this aspect as well as biases resulting from the interpretation of the answers, the empirical findings were sent to the respondents for verification. As the analysis was subjective to some extent, one might question its reliability. However, the authors have clearly described the analytical procedure. Finally, having clear connections between the different chapters in the thesis can be argued as keeping reliability high.
4 Empirical findings

In this chapter the empirical findings from the four case studies will be presented, one case at a time. First, the reader is introduced to the companies and their top management by some general information. Following, overviews of the internationalization process of the case firms are presented. The interviewees’ stories about the entering of the Chinese/Russian market are emphasized and thereafter the network relationships that influenced the choices of market and market entry mode are described.

4.1 Absolent AB

Absolent (see Appendix 3) was founded in 1993 (T. Landh, personal communication, 2009-04-20; Affärsdata, 2009b) and the company is since 2006 part of the Mexab Holding Group (Mexab Industri, 2007). They develop, manufacture and sell air filtration equipment for industrial applications where the pollutant mainly consists of oil mist, oil smoke or dust. The company also offers expertise in the total application of such equipment (Swentec, 2009b).

Landh, CEO at Absolent since 2000, has significant international experience from previous education and work. When starting his employment at Absolent he had no prior experience of this specific industry (T. Landh, personal communication, 2009-04-20).

4.1.1 International activities

Table 2. Chronological overview of the internationalization of Absolent AB

<table>
<thead>
<tr>
<th>Year</th>
<th>Country Entered</th>
<th>Mode of Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>Germany</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td>1998-2000</td>
<td>Norway, Finland</td>
<td>Foreign-based distributor, Foreign-based distributor</td>
</tr>
<tr>
<td>1999</td>
<td>Great Britain, Netherlands, USA</td>
<td>Foreign-based distributor, Foreign-based distributor, Foreign-based distributor (\rightarrow) Foreign trade council (\rightarrow) Foreign sales subsidiary</td>
</tr>
<tr>
<td>2000-09</td>
<td>Rest of Europe</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td>2007</td>
<td>Mexico, Canada, China</td>
<td>Foreign-based distributor, Foreign-based distributor, Foreign-based distributor (\rightarrow) Foreign based sales branch</td>
</tr>
</tbody>
</table>

The company has had a clear strategic plan directing the development of the company a certain way. Extensive internationalization has been part of this strategic plan. Absolent began their internationalization in 1997 when they started to export and sell their products on the German market through a distributor. The following years their international expansion continued to Norway, Finland, Great Britain, Netherlands and the US (see table 2). Since the beginning of the
new millennium, Absolent has further expanded their presence on the European market and also entered Mexico, Canada, and China (T. Landh, personal communication, 2009-04-20). In year 2000 Absolent set up a sales subsidiary in the US, Absolent Inc., which handles the sales on the American market (Absolent, 2008). In 90% of the cases the company has proactively entered the new foreign market (T. Landh, personal communication, 2009-04-20).

4.1.2 China

Entering the Chinese market came as a step in following their strategic plan for Absolent. After establishing the company on the European and North American market, entering the Asian market came next in the plan. When the time came, according to this strategic plan, they did not need to analyze the Asian countries much to establish which country markets that had growth potential. However, Absolent began this initiative a bit earlier than planned due to an opportunity presented to them by IVL ( Swedish Environmental Research Institute). IVL had decided to set up a joint-venture with an opponent in China and through this start a corporation in China representing, as an agency, eight Swedish companies. Absolent were asked to participate and accepted the invite. (T. Landh, personal communication, 2009-04-20).

After this initial entry through IVL, Absolent has slowly started to phase out their sales through this corporation and to start up their own operations. They found it not to be sufficient having only one distributor in the Chinese market. For this reason a year ago (in 2008) Absolent hired a Chinese woman, who they found through the Swedish Trade Council (T. Landh, personal communication, 2009-04-20).

A note to make is that even before entering the Chinese market, Absolent was selling their products to this market indirectly through its Swedish customers who brought Absolent’s products to their production facilities in China. This meant Absolent already had a small customer base when entering the Chinese market. One of their larger customers present in China was SKF (T. Landh, personal communication, 2009-04-29).

4.1.2.1 The influence of network relationships

Even if it was in Absolent’s strategic plan to enter an Asian market, and China was a most likely choice, the opportunity presented by IVL made the company take this step earlier than planned. The joint-venture of IVL, established by an IVL-representative, became the initial distributor of Absolent in the Chinese market (T. Landh, personal communication, 2009-04-20).

Absolent’s relationship with IVL goes back, at least, to 2004. However, IVL has not in general influenced the operations of Absolent during the years. The relationship has changed over time. At the time of the entry into China they were frequently (each week) in contact with IVL, most so with the IVL-representative setting up the joint-venture. Today the communication is much less frequent (T. Landh, personal communication, 2009-04-20).

In terms of the customer present on the Chinese market, making up an already existing customer base in China for Absolent, these influenced the company to take the step as well. Landh concluded; “It was an important ingredient in the decision to take the step” (T. Landh, personal communication, 2009-04-20).

One of their major customers present in China was SKF. The relationship to this customer goes back to 1994 and they are and have been a large customer in Sweden and in the other markets where they are present. SKF has historically been a significant customer and so far it has been the largest customer in China. SKF has however not in general influenced Absolent in decisions about their operations, even if the relationship has been stable (T. Landh, personal communication, 2009-04-20).
4.2 ELFI Elektrofilter AB

ELFI Elektrofilter AB (see Appendix 4) was founded in 1970 but it was first in 1987 the current owner bought the company from the founder and it became a family business (J-O. Wallin, personal communication, 2009-04-17). ELFI develop and manufacture electrostatic air purifiers for offices, households, hospitals, daycare centers, schools, ventilation systems and smoking rooms (ELFI Elektrofilter, 2009; Swentec, 2009b).

Wallin, in charge of the international activities of ELFI, has extensive international experience from working abroad and travelling significantly in business (J-O. Wallin, personal communication, 2009-04-17).

4.2.1 International activities

Table 3. Chronological overview of the internationalization of ELFI Elektrofilter AB

<table>
<thead>
<tr>
<th>Year</th>
<th>Country Entered</th>
<th>Mode of Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987</td>
<td>Norway</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td></td>
<td>Denmark</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td>2000</td>
<td>USA</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td>2003</td>
<td>Germany</td>
<td>Export through built-in department</td>
</tr>
<tr>
<td></td>
<td>Great Britain</td>
<td>Export through built-in department</td>
</tr>
<tr>
<td>2007</td>
<td>China</td>
<td>Strategic Alliance</td>
</tr>
</tbody>
</table>

ELFI has since year 2000 been working in collaboration with a company named Blue Air. Within the collaboration ELFI contributes with the technological knowhow and Blue Air, being a sales and marketing company, contributes with these types of skills. Wallin early on decided to initiate such a collaboration to be able to “reach somewhere”. This collaboration has led to large parts of the international expansion of ELFI’s products. Since Blue Air has a subsidiary in the US, this was the initial foreign market entered after the start of the collaboration (see table 3)(J-O. Wallin, personal communication, 2009-04-17).

Apart from the collaboration together with Blue Air, ELFI has some exports to Germany and Great Britain. Wallin explains; “In these cases it is the customers that have found us.” Further, on their own initiative ELFI in 2006-07 started a collaboration with a Chinese competitor (J-O. Wallin, personal communication, 2009-04-17).

4.2.2 China

ELFI decided, four years ago (2005), to start searching for a possible collaboration partner on the Chinese market. The competition from Chinese producers was at the time increasing in Sweden and Europe and ELFI could not compete with the low prices. With the initial plan to start importing from China, Wallin himself started to travel there and attended trade fairs in Hong Kong and China to identify suitable candidates. He developed contacts with a large number of companies within the industry, with whom he stayed in contact regularly. However, after testing the products of the identified candidates he recognized that, although the design of the products was
nice, the quality was too low for import. Instead Wallin started to explore the idea of initiating a collaboration with a producer in China and together develop products using the technology of ELFI but producing them in China. He travelled several times to China just to visit the candidates, which eventually decreased in numbers. To avoid the exhaustive bureaucracy, Wallin chose to focus on smaller firms. After several travels to China, visiting the final companies he decided on, in Chinese measures, a very small company with 200 employees. In 2007 ELFI and the Chinese partner signed a contract (J-O. Wallin, personal communication, 2009-04-17).

4.2.2.1 The influence of network relationships

Before beginning the China-initiative, ELFI had two connections to the Chinese market.

The previously mentioned customer of ELFI, Blue Air, played a role in ELFI’s decision to enter the Chinese market. Blue Air had earlier entered the Chinese market and was selling the “Swedish quality” products of ELFI there since 2003. The relationship between ELFI and Blue Air was close and had been of great importance. However, the relationship had somewhat changed since ELFI recognized that Blue Air was making up a too large part of their revenue. Today Blue Air is less significant as a customer but still the collaboration is important (J-O. Wallin, personal communication, 2009-04-17).

Since 2003 the company was importing parts to the production of their existing products from a Chinese supplier. The relationship could be characterized as stable and with frequent contact between the two. Wallin emphasized the importance of stable long-term relationships with suppliers; “One does not switch for as little as a 5-10% lower prices, it takes more.” The Chinese supplier had, according to Wallin, also in general influenced decisions within their organization (J-O. Wallin, personal communication, 2009-04-17).

These two relationships made ELFI aware of the dual potential of the Chinese market; cheap production due to the possibility of mass production, and great consumer interest combined with strong purchasing power of consumers favoring sales of “Swedish quality technology” (J-O. Wallin, personal communication, 2009-04-17).

4.3 Specialkemi Väst AB

Specialkemi Väst (see Appendix 5), in the form it exists now, was founded in 1998 (E-L. Aronsson, personal communication, 2009-04-17). They market chemicals and expertise for Nordic producers of energy and the Swedish industry sector. Specialkemi’s key products include expertise on emission reduction to air, sodium bicarbonate for neutralization, and SCR-catalysts (Sventec, 2009b).

One of the two managers involved in the decision-making concerning the company’s operations, Aronsson, has extensive international experience from previous jobs and studies. The other, Bengtsson, has limited international experience. Both of them have been in the industry since the beginning-middle of the 1990s and are together the founders of Specialkemi (E-L. Aronsson, personal communication, 2009-04-17).
4.3.1 International activities

Table 4. Chronological overview of the internationalization of Specialkemi Väst AB

<table>
<thead>
<tr>
<th>Year</th>
<th>Country Entered</th>
<th>Mode of Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>Norway</td>
<td>Export through built-in department</td>
</tr>
<tr>
<td></td>
<td>Denmark</td>
<td>Export through built-in department</td>
</tr>
<tr>
<td>2001</td>
<td>Iceland</td>
<td>Export through built-in department</td>
</tr>
<tr>
<td>2007</td>
<td>China</td>
<td>Joint venture → Local manufacturing subsidiary</td>
</tr>
<tr>
<td>(2010</td>
<td>Estonia</td>
<td>Export through built-in department</td>
</tr>
</tbody>
</table>

Since the start in 1998, Specialkemi has been exporting to customers in the Nordic countries (see table 4). Today they have established markets in Sweden, Norway, Denmark and Iceland. Aronsson explains that reasonably rational and well-considered decisions lay behind their establishing on the Nordic markets (E-L. Aronsson, personal communication, 2009-04-17).

In 2007 Specialkemi together with a partner set up a business and a production facility in China. In 2008 they acquired all of the shares in the company which is now their subsidiary in China, Ningbo Expurgo Environmental Engineers Co Ltd, which holds licenses to both import and export (Specialkemi Väst, 2009a; E-L. Åronsson, personal communication, 2009-04-17).

In 2010 Specialkemi will further increase their presence on international markets by starting to export to a new customer in Estonia. This will be their first customer east of the Baltic Sea and the future customer is at the moment constructing new facilities which will be built on the concept which requires the use of a product such as that of Specialkemi (E-L. Aronsson, personal communication, 2009-04-17).

4.3.2 China

Specialkemi are present, since March 2007, on the Chinese market. What initiated this whole part of Specialkemi’s operations was the encounter with a man, from here on referred to as Mr. A, sourcing traditional products from China to Sweden. They met at a series of events hosted by a regional networking organization, Business Region Göteborg (BRG). The two parties started talking and decided that they together would start a company in China, using the existing business contacts of Mr. A. As Aronsson herself explains it; “If we had not started talking to that guy, and through him been introduced to the Chinese man who still works with us, then we obviously had never been where we are right now.” “[This decision about entering] China, is a clear example of the short ways of decision in a small company.” Specialkemi had been observing the development of, and increasing interest in, the Chinese market but this event was critical for the start of what is now their Chinese subsidiary (E-L. Aronsson, personal communication, 2009-04-17).

Due to the fact that they found a traditional market research would prove very costly, and that they felt they could better use those resources as the initial capital investment for initiating the business, they made a fast decision to seize the opportunity presented to them. They knew they were taking a risk but believed in the concept. They were aware of the time-frame and did not
expect the investment to give a positive result in the short term. This relates back to the nature of
the industry and the need for long-term presence. The project was initiated in November-
December 2006 and Specialkemi thought it would be sufficient if the Chinese company could
reach break-even in two-three years (E-L. Aronsson, personal communication, 2009-04-17).

They deliberately chose to not locate the new business in Beijing or Shanghai for reasons of cost
of labor. Instead, a company was founded in Ningbo, a small city located south of Shanghai (E-L.
Aronsson, personal communication, 2009-04-17).

Aronsson and her business partner thought of the opportunity as something fun and interesting,
which was an important factor. Also, she claims, the timing influenced the decision since the
company was in a position in which they could afford such an investment. It was not a decision
discussed with their traditional cooperation partners. However, the increasing demand from
their customers that Specialkemi were facing called for increased amounts of raw material for
their production. This also had an impact on the choice to enter China, where a new production
facility was set up using Chinese raw material. Nevertheless, their product is very dependent on
freight and the long term ambition is to use the production in Ningbo, not for imports to the
Nordic countries, but to supply the Chinese market. China is believed to be the market of the fu-
ture. The basic idea of Specialkemi with entering the Chinese market was, according to Aronsson,
to practice reversed sourcing, introducing products to the Chinese market. China is in need of
various types of products, environmentally friendly solutions are just one area (E-L. Aronsson,
personal communication, 2009-04-17).

Due to different opinions about the time-frame for how soon the Chinese company should start
producing a profit, Specialkemi and their partner, A, ended up separating. Specialkemi bought all
shares in the company and now it is run as their subsidiary (E-L. Aronsson, personal communica-
tion, 2009-04-17).

Specialkemi got in touch with the Swedish Trade Council once they were already active in the
Chinese market. “We established the contact with the Trade Council when we [already] had set
up our corporation” (E-L. Aronsson, personal communication, 2009-04-17).

Today, they use the experience they have gained by helping other Swedish companies that want
to establish their business in the city of Ningbo. “They say China is difficult, yes it is difficult. But
if you are Chinese and comes to Sweden, Sweden is difficult as well.”(E-L. Aronsson, personal
communication, 2009-04-17).

4.3.2.1 The influence of network relationships

Mr. A influenced Specialkemi in their decision to enter the Chinese market significantly. Their re-
lationship at the time when the decision was made can be described as newly established. Mr. A
was representing another small company and he had no general influence on decisions within
Specialkemi’s organization. Before meeting at the events hosted by BRG during the late summer/fall of 2006 the two parties did not know of each other. During the setting up of the company
the two had frequent contact. About a year after the start up in March 2007, that is March
2008, the partners separated and now they have no contact (E-L. Aronsson, personal communi-
cation, 2009-04-17).

4.4 EHC Teknik ab

EHC (see Appendix 6) was founded in 1983 by one of the current owners, Rolf Johnson (EHC
Teknik, 2009; C.J. Granberg, personal communication, 2009-04-17). The company develops and
manufactures its own filter system, EHC Filter System. Their key products are exhaust cleaners and
particle filters (EHC Teknik, 2009).
Since EHC is a family business, all top managers, Granberg, Ohrankämmen and Johnson, have been in the company since the start of the business. None of them had worked within the industry before (C.J. Granberg, personal communication, 2009-04-17).

Out of the three, Johnson is the one with more extensive international experience since he from the beginning has been the one in charge of the exporting and international operations parts of the company’s business (C.J. Granberg, personal communication, 2009-04-17).

### 4.4.1 International activities

Table 5. Chronological overview of the internationalization of EHC Teknik ab (missing years are due to requested anonymity).

<table>
<thead>
<tr>
<th>Year</th>
<th>Country Entered</th>
<th>Mode of Entry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986</td>
<td>Spain</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td></td>
<td>Germany</td>
<td>Foreign-based distributor → Foreign sales subsidiary</td>
</tr>
<tr>
<td></td>
<td>Belgium</td>
<td>Foreign-based distributor → Foreign sales subsidiary</td>
</tr>
<tr>
<td></td>
<td>Great Britain</td>
<td>Foreign-based distributor → Foreign sales subsidiary</td>
</tr>
<tr>
<td></td>
<td>Finland</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td></td>
<td>Canada</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td></td>
<td>USA</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td></td>
<td>Japan</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td></td>
<td>South Korea</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td></td>
<td>Denmark</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td></td>
<td>France</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td></td>
<td>Italy</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td></td>
<td>Norway</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td></td>
<td>Switzerland</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td></td>
<td>Austria</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td></td>
<td>Netherlands</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td></td>
<td>Czech Republic</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td></td>
<td>Poland</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td></td>
<td>Turkey</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td></td>
<td>Mexico</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td></td>
<td>Australia</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td></td>
<td>New Zealand</td>
<td>Foreign-based distributor</td>
</tr>
<tr>
<td></td>
<td>Portugal</td>
<td>Export through built-in department</td>
</tr>
<tr>
<td>2008</td>
<td>Russia</td>
<td>Foreign-based distributor</td>
</tr>
</tbody>
</table>

EHC expanded to their first foreign market, Spain, in 1986 (see table 5). However, it was first after the entry to the German market in 1988 that the company’s internationalization started significantly. Germany has since then been a very important market for EHC and the entry was the start for their international networking and after this they started to attend trade fairs. Granberg explained; “We were first with our type of products and because of this did not have anyone opening doors for us, rather people were wondering what it was that we were bringing” (C.J. Granberg, personal communication, 2009-04-17).
From the beginning EHC actively chose what markets to enter but after some time they changed strategy on how to enter markets. They soon came to the conclusion that it made no sense trying to enter a market when the customers were not ready for the company’s products. The new strategy meant marketing through trade fairs and requests from new markets was what initiated further expansion through finding new distributors in the new country (C.J. Granberg, personal communication, 2009-04-17). The company is today present on the markets of 23 different countries outside Sweden and they have sales subsidiaries in the UK, Germany and Belgium (EHC Teknik, 2009).

4.4.2 Russia

A Russian distributor, working with other Swedish companies, contacted EHC. They saw EHC’s products as complementary to the ones they were already distributing and they had been requested by customers to find a solution to the problem that EHC’s products solve. The Russian distributor had found them via internet and their homepage (C.J. Granberg, personal communication, 2009-04-17).

EHC had been selling to the Russian market previously but then in an indirect fashion through distributors in for example Germany but they had no direct contacts in the market. Before the request came from the potential Russian distributor EHC actually had no interests in entering the Russian market. However, once they got the request and no major obstacles were apparent, EHC accepted. Before deciding on whether or not to act on the request from the Russian distributor EHC contacted the other Swedish companies which had worked with the distributor to get some background information on the Russian actor (C.J. Granberg, personal communication, 2009-04-17).

4.4.2.1 The influence of network relationships

As a new customer the Russian distributor-to-be of EHC obviously had significant impact on the fact that EHC entered the Russian market. There had, however, not been any previous contact between the two and because of this the relationship cannot be evaluated in terms of being stable or not (C.J. Granberg, personal communication, 2009-04-17).

The other Swedish firms that were already working with the Russian distributor also influenced EHC in their decisions. As Granberg expressed it herself; “If we had gotten negative responses from them we would not have continued, if that had been the case we would have stayed open for requests from other distributors”. The other Swedish firms are, as previously mentioned, producers of products which complement the products of EHC. EHC knew of these companies before and they have been in contact some times, but not regularly. They are not actors that in general have or had influence on EHC in their decisions (C.J. Granberg, personal communication, 2009-04-17).

Another network relationship that influenced EHC in their decision was their ex-distributor, now competitor, which had copied their product. This competitor was already active on the Russian market and by knowing this EHC could see that there existed an interest for the product in this market. This had obviously had a positive effect on what possibilities EHC saw in the Russian market. The relationship to this ex-distributor obviously changed significantly once they went from being customer-supplier to competitors. As a supplier EHC had a very close relationship to the distributor and shared a lot of information during the twelve years they worked together. They did impact decisions of EHC when they were their distributors, but only in accordance with what their customers in turn demanded from them. Since they became competitors they have not been in contact. (C.J. Granberg, personal communication, 2009-04-17).
5 Analysis

In this chapter the empirical findings presented in the previous chapter are analyzed and connected to the theoretical framework. First, the focus is on which relationships, and to what extent these relationships affected foreign market entry and entry mode. Secondly, the characteristics of the network relationships that affected the decision process are analyzed. This is followed by an analysis of the additional factors. The chapter ends with a cross-case analytical discussion and a graphical representation of the most significant connections found.

The analysis of the empirical findings follow below according to the process structure of the analysis described in section 3.8 (see figure 8). In all of the sections the findings from each case is first elaborated on.

5.1 How network relationships affected foreign market entry

This section handles the matter of how network relationships influenced the choices of foreign market and market entry mode. The highlighted part of table 6 shows an overview of the empirical findings related to which network relationships affected the case firms’ decision process and how these influenced the process.

Table 6. Overview of the case findings, categorized according to the concepts from the theoretical framework.

Explanations:
B.v. – Business network vertical, B.h. – Business network horizontal, S. – Social network
• - slight influence •• - moderate influence ••• - strong influence.

<table>
<thead>
<tr>
<th>Absolent</th>
<th>ELFI</th>
<th>Specialkemi</th>
<th>EHC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market entry</td>
<td>China</td>
<td>China</td>
<td>China</td>
</tr>
<tr>
<td>Proactive vs. Reactive</td>
<td>Proactive</td>
<td>Proactive</td>
<td>Reactive</td>
</tr>
<tr>
<td>Manager professional experience</td>
<td>Since 2000</td>
<td>Since 1987</td>
<td>Since 1980</td>
</tr>
<tr>
<td>Manager international experience</td>
<td>EXTENSIVE</td>
<td>EXTENSIVE</td>
<td>EXTENSIVE</td>
</tr>
<tr>
<td>Relationship affecting FME</td>
<td>IVL</td>
<td>SKF</td>
<td>Blue Air</td>
</tr>
<tr>
<td>FMC</td>
<td>-</td>
<td>•</td>
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</tr>
<tr>
<td>MEMC</td>
<td>••</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Position</td>
<td>Research institute</td>
<td>Customer</td>
<td>Customer</td>
</tr>
<tr>
<td>Strength</td>
<td>Weak</td>
<td>Strong</td>
<td>Strong</td>
</tr>
<tr>
<td>Formality</td>
<td>Informal</td>
<td>Formal</td>
<td>Formal</td>
</tr>
</tbody>
</table>
5.1.1 Absolent

In the case of Absolent two network relationships were identified as having influenced the decision process about the Chinese market entry (see table 6). One of their largest customers, SKF, was one of these. Since this customer, and some other smaller ones, were already present on the Chinese market it meant that Absolent already had a small customer base in the country. SKF was therefore considered as having had a slight influence in the choice of the Chinese market, this since Absolent would probably had entered the Chinese market anyway as a step to follow their existing strategic plan. However, as Landh himself expressed it; “it [still] was an important ingredient in the decision to take the step”.

IVL, as the other network relationship of Absolent influencing the decision process, did so in the way of presenting an opportunity to enter the Chinese market earlier than Absolent had planned for. In this way IVL did not influence the choice of market, rather they moderately influenced the choice of entry mode. This degree of influence was assigned since the mode of entry opportunity presented by IVL did highly conform to the entry method which Absolent previously had used for foreign market entry. As Landh expressed it; “Their organization became the ones representing us in China. [However,] it conformed well to our other […] we almost only work with distributors.”

5.1.2 ELFI

In ELFI Elektrofilter’s entry to the Chinese market also two network relationships influenced their decision process. Blue Air, their customer handling marketing activities, influenced them in a slight way in the choice of foreign market. This interpretation can be based on that ELFI’s previous indirect sales to the Chinese market through Blue Air had shown that there existed significant customer interest (combined with strong purchasing power of customers) favoring sales of “Swedish quality technology”.

The other relationship affecting ELFI in their choice of market was their Chinese supplier. This supplier served as an example for the potential of cheap production in China and that the low cost of production not necessarily had to mean low quality. The influence the supplier had on the choice of foreign market can be characterized as slight based on the fact that the supplier-relationship only made ELFI aware of the production potential of the new foreign market.

Neither one of the network relationships discussed above influenced the choice of entry mode used by ELFI to enter China, neither did any other network relationship according to the findings from this study.

5.1.3 Specialkemi

In the case of Specialkemi, the network relationship to Mr. A was found to have posed a strong effect on Specialkemi’s choice of foreign market, China. As Mr. A was already operating in China and already had a network of business contacts in the country, he provided Specialkemi with a direct opportunity of entry to this new foreign market. Interpreting Mr. A’s influence of market choice as strong is further supported by Aronsson’s statement “If we had not started talking to that guy […] then we obviously had never been where we are right now.”

Seemingly, Mr. A also strongly influenced the type of entry mode that was used to enter the Chinese market, since a joint-venture might not have been the choice of Specialkemi if they had decided to enter the Chinese market under other circumstances. A factor indicating this is the fact that the market entry method previously used by Specialkemi (to other international markets) had been export through their Swedish organization.
5.1.4 EHC

EHC’s decision process of entry to the Russian market was in this study found to have been influenced by three network relationships. The Russian distributor-to-be seemingly had a strong influence on the choice of market. Since EHC had the strategy to only enter markets upon requests from customers, they would according to Granberg not have entered the Russian market (at this time) if the distributor-to-be had not contacted them. This is why the influence assigned to the distributor-to-be on the choice of foreign market was strong.

The second network relationship found in the study as having influenced EHC’s choice of the Russian market, even if in a slight way, was their former-distributor-now-competitor. Since this actor was present on the Russian market, EHC knew that there existed a market for this type of product in Russia. Still, it only made EHC aware of the potential of the new market which is why the influence was estimated as slight.

The last relationship that was found to have influenced EHC in the decision process was the other Swedish firms already working with the Russian distributor. These can be said to have influenced the choice of entry mode slightly since their positive attitude towards the Russian actor was according to Granberg crucial for that they continued and closed the deal.

5.2 Different types of network relationships

This section handles the matter of the different types of network relationships. The relationships were differentiated according to three different aspects presented in the conceptual framework (see section 2.5); the position in the focal firm’s network context, the strength of the relationship, and the formality of the relationship. The highlighted part of table 7 shows an overview of the case findings related to the different types of networks.

Table 7. Overview of the case findings, categorized according to the concepts from the theoretical framework.


<table>
<thead>
<tr>
<th>Market entry</th>
<th>Absolent</th>
<th>ELFI</th>
<th>Specialkemi</th>
<th>EHC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proactive vs. Reactive</td>
<td>Proactive</td>
<td>Proactive</td>
<td>Reactive</td>
<td>Reactive</td>
</tr>
<tr>
<td>Manager professional experience</td>
<td>Since 2000</td>
<td>Since 1987</td>
<td>Since 1980</td>
<td>Since 1983</td>
</tr>
<tr>
<td>Manager international experience</td>
<td>EXTENSIVE</td>
<td>EXTENSIVE</td>
<td>EXTENSIVE</td>
<td>EXTENSIVE</td>
</tr>
<tr>
<td>Relationship affecting FME</td>
<td>IVL</td>
<td>SKF</td>
<td>Blue Air</td>
<td>Chinese supplier</td>
</tr>
<tr>
<td>FMC</td>
<td>-</td>
<td>•</td>
<td>*</td>
<td>*</td>
</tr>
<tr>
<td>MEMC</td>
<td>••</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Position</td>
<td>Research institute</td>
<td>Customer</td>
<td>Customer</td>
<td>Supplier</td>
</tr>
<tr>
<td>type</td>
<td>Strength</td>
<td>Formality</td>
<td></td>
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<tr>
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<tr>
<td>Strength</td>
<td>Weak</td>
<td>Informal</td>
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<tr>
<td>Strong</td>
<td>Formal</td>
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<tr>
<td>Strong</td>
<td>Weak</td>
<td>Informal</td>
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</tr>
</tbody>
</table>

5.2.1 Absolent

The network relationship found to have influenced the market entry mode choice of Absolent was the research institute IVL. As a research institute, IVL was considered to be positioned in the case firm’s horizontal business network (see table 7). Since the relationship between the two parties was not based on business activities before the start of the China project, it was considered an informal relationship. According to Landh, IVL had not in general affected decisions in Absolent’s organization, thus one might conclude that there had been no or very limited co-ordinated activities between the two, which implies that the co-operation was limited. The relationship had changed significantly over time, only becoming more intense and with frequent contact after the initiation of the Chinese market entry. This implies that the level of commitment in the relationship before the China project was not very high. In terms of trust one might argue that Absolent, by agreeing to take part in IVL’s China project, showed confidence in them and very likely shared sensitive information with IVL during the entry. Based on this discussion the relationship between the two parties could be considered to be weak.

SKF, which affected Absolent’s choice of market was one of the company’s historically most important customers, which places SKF in the vertical business network context of Absolent. Since their customer-seller relationship implied business activities, the relationship was considered formal. Due to the historical importance of the relationship and the continuous contact between the two parties one might argue for a high level of commitment and co-operation in the relationship. This and the stable nature of the relationship made the authors consider the relationship as strong.

5.2.2 ELFI

Blue Air, one of the network relationships found to have influenced ELFI in their choice of foreign market, falls into the category of customer in ELFI’s network context as part of their vertical business network. Blue Air had been working with ELFI since year 2000 and Wallin described the relationship as close and as one that had been of great importance for the company. As the relationship had even led to that ELFI recognized that too large part of their revenue was coming from Blue Air, one might argue that there was a high level of interdependence (or rather dependence from ELFI’s side) between them. The two parties had mutual goals of selling the products of ELFI and their activities were co-ordinated, both aspects indicating a high level of co-operation. For these reasons the relationship was by the authors considered strong. Based on the business activities between the two parties, the relationship was categorized as formal.

ELFI’s network relationship with the Chinese supplier influenced their choice of the Chinese market. It can be stated that this was one of ELFI’s suppliers, which means it was also part of the case firm’s vertical business network. The authors considered it a formal network relationship since there existed business activities between the two parties. The relationship goes back to 2003 and has according to Wallin been stable with frequent contact. The frequent contact indicate a high level of commitment. The statements made by Wallin that “one does not switch [supplier] for as little as 5-10% lower prices, it takes more” supports the stability of the relationship. Since Wallin stated that the Chinese supplier had influenced decisions also in general within the organization of ELFI, the level of interdependence might be considered high. These factors makes the authors consider the relationship strong.
5.2.3 Specialkemi

The network relationship found to have affected Specialkemi both in choice of foreign market and choice of entry mode, Mr. A, was considered a new acquaintance of the case firm’s managers. They had only known each other for a short period of time before deciding to together begin the China-initiative and start a joint-venture. As an acquaintance, Mr. A was part of the social network of Specialkemi’s managers. Further the relationship could be seen as weak, this since the two parties had not known each other for a very long time and stability over time is important for a relationship to be considered strong. Aronsson stated that this was not an actor that had affected decisions within Specialkemi in general, therefore the interdependency (and thus cooperation) was estimated as low. Evaluating the frequency of contact in the relationship brings forward the fact that there had been no contact between the actors before they met at the events arranged by Business Region Göteborg, which implies a low level of commitment. These factors further strengthened the reason for categorizing the relationship as weak. Mr. A was an informal relationship of Specialkemi, this due to the fact that before the joint-venture was set up, there had been no business activities between the two parties.

5.2.4 EHC

The distributor-to-be which was found to have influenced EHC’s choice of the Russian market was as a customer, or rather customer-to-be, positioned in the vertical business network in EHC’s network context. Since contact between the two parties was initiated for the reason of future business activities, even if such had not previous occurred, the relationship might be considered as of formal character. Due to the novelty of the relationship between EHC and the Russian distributor-to-be the relationship cannot be evaluated in terms of stability over time. The same goes for assessing level of commitment and co-operation, which must be considered low since there had been no prior contact between the two parties. EHC decided to take advice from others to get some background information about the Russian actor, the authors would claim this suggests a low level of trust in the relationship. The previous discussion support that the relationship should be regarded as weak.

The Swedish firms, which were found to have affected the choice of market entry mode of EHC, were by the authors considered acquaintances of EHC and (even if business related) as positioned in the case firms social network. The fact that there had previously only been limited contact between the other Swedish firms and EHC indicates that the relationship had a low level of commitment. These were not actors which in general influenced EHC in their decisions, thus the level of interdependence and co-operation could be considered low. The fact that EHC asked for their advice and partly based their decision on the response in the case of the Russian distributor-to-be indicates a high level of trust. As Granberg stated; “If we had gotten negative response from them we would not have continued […]” However, the relationship probably is better described, based on the previously mentioned factors, as weak. It should also be considered an informal relationship since there were close to no business activities between the two parties.

Evaluating the relationship between EHC and their former-distributor-now-competitor needs some additional consideration and the fact that the relationship had changed significantly over the years needed to be taken into account. What had been a relationship positioned in EHC’s vertical business network was at the time of the entry to Russia a relationship in their horizontal business network. During their supplier-seller period the relationship was very close, but since they became competitors they had no contact. The lack of communication indicates a low level of commitment in the relationship. One could reasonably argue that, even though the two parties according to Granberg shared a lot of information during the time they worked together, that the level of confidence from EHC’s side at least would be low. Having a close relationship and then experiencing the betrayal of your close distributor copying your products and starting their own
business reasonably would have affected the future trust in the relationship in a negative way. This all suggests that at the time of the entry to Russia the relationship between EHC and their former-distributor-now-competitor could be considered weak. Another aspect where the change in the relationship changed the categorization of the relationship in this thesis is that the relationship, which was of formal nature, should now be considered informal.

### 5.3 Additional factors

This section handles the matter of the additional factors possibly affecting how different types of network relationships influenced foreign market choice and market entry mode choice. The additional factors assessed were; proactive versus reactive approach to foreign market selection, manager professional experience, and manager international experience. The highlighted part of table 8 shows an overview of the case findings related to these additional factors.

Table 8. Overview of the case findings, categorized according to the concepts from the theoretical frame work.

**Explanations:**
- B.v. – Business network vertical, B.h. – Business network horizontal, S. – Social network
- • - slight influence •• - moderate influence ••• - strong influence.

<table>
<thead>
<tr>
<th>Market entry</th>
<th>Absolent</th>
<th>ELFI</th>
<th>Specialkemi</th>
<th>EHC</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>China</td>
<td>China</td>
<td>China</td>
<td>Russia</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Proactive vs. Reactive</th>
<th>Proactive</th>
<th>Proactive</th>
<th>Reactive</th>
<th>Reactive</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Manager professional experience</th>
<th>EXTENSIVE</th>
<th>EXTENSIVE</th>
<th>EXTENSIVE</th>
<th>EXTENSIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager international experience</td>
<td>EXTENSIVE</td>
<td>EXTENSIVE</td>
<td>EXTENSIVE</td>
<td>EXTENSIVE</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Relationship affecting FME</th>
<th>IVL</th>
<th>SKF</th>
<th>Blue Air</th>
<th>Chinese supplier</th>
<th>Mr. A</th>
<th>Distributor-to-be</th>
<th>Swedish firms</th>
<th>Former-distributor-now-competitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>FMC</td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•</td>
<td>•••</td>
<td>••</td>
<td>•</td>
</tr>
<tr>
<td>MEMC</td>
<td>••</td>
<td>••</td>
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<td>•••</td>
<td>•••</td>
<td>•••</td>
<td>•••</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Position</th>
<th>Research institute</th>
<th>Custom-er</th>
<th>Supplier</th>
<th>Acquain-tance</th>
<th>Custom-er</th>
<th>Acquain-tances</th>
<th>Distributor</th>
<th>Competitor</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Network type</th>
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<th>Strong</th>
<th>Strong</th>
<th>Strong</th>
<th>Weak</th>
<th>Weak</th>
<th>Strong</th>
<th>weak</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Formality</th>
<th>Informal</th>
<th>Formal</th>
<th>Formal</th>
<th>Informal</th>
<th>Formal</th>
<th>Informal</th>
<th>Formal</th>
</tr>
</thead>
</table>

### 5.3.1 Absolent

Absolent applied a proactive approach in their selection of the Chinese market. Even if an opportunity aroused from IVL to enter this market, this just brought forward Absolent’s decision of when to enter, the selection of market had already been made through their strategic plan. The proactive approach to market selection in this market entry conforms to the previous market entries of Absolent. The CEO, Landh, had been in the industry (and the company) since 2000 and
can be said to possess extensive international experience from studies and work abroad (see Appendix 3). Through previous work Landh had experience of the Asia-Pacific region.

5.3.2 ELFI
ELFI’s choice of China as a new market to enter was, without a doubt, the product of a proactive approach to market selection. On their own initiative, ELFI started exploring the possibilities in this market. This approach was not in line with ELFI’s previous market entries, which had in general resulted from customer requests from new markets, for example Germany and Great Britain. Wallin had been in the industry (and the company) since 1987 and had from work and business travelling extensive international experience (see Appendix 4). Through the collaboration with the customer Blue Air, Wallin had some previous experience of the Chinese market.

5.3.3 Specialkemi
Specialkemi’s selection of the Chinese market can be seen as reactive since it was an opportunity arising, and not a customer request, that made them take the step to enter this market, that is Specialkemi responded to a situation that appeared. Compared to their previous market entries this differs in approach to market selection since, according to Aronsson, the entries to the previous markets had been the product of relatively rational decisions. One out of the two managers/owners had extensive international experience, both from exchange studies and work. Further can be mentioned that Aronsson specifically had previous experience from the Chinese market (see Appendix 5). Aronsson has previous experience from the industry since 1980 and Bengtsson since 1995. However, they founded Specialkemi 1998.

5.3.4 EHC
EHC used a reactive approach in their selection of the Russian market. The unsolicited order from the Russian distributor-to-be made EHC consider this market, which they before had perceived as uninteresting. This approach to foreign market selection agreed with EHC’s previous market entries, except for the first years when the company was unsuccessfully applying a proactive approach to market selection. Two of the managers involved in the decision have professional experience from being active in the industry since the start of the company in 1983 (see Appendix 6). The third manager had been active within the industry (and the company) since 1984. The international experience of Granberg is moderate and that of Johnson could be considered extensive. This since Johnson had been the one in charge of the exporting part of EHC’s operations, which had involved significant amounts of travelling taking parts in several trade fairs. Granberg had visited most of the distributors abroad of the company.

5.4 Cross-case analytical discussion

5.4.1 How network relationships affected foreign market entry
In all four case firms evidence was found that supported the concept of a network approach to internationalization. As in the research of Coviello and Munro (1997), Zain and Ng (2006) and Ojala (2009), different types of network relationships were found to have influenced the choice
of foreign market and choice of market entry mode. In more than one of the cases, evidence was found which also could be said to support the view of the internationalization process as incremental, that is initiating internationalization by first expanding to geographically close markets and to later gradually enter more distant markets.

However, in general the findings from this study suggest, in contrast to the findings of Coviello and Munro (1997) and Zain and Ng (2006), that the network relationships were not to a high extent determinants of the internationalization in the cases of this study. This might be explained by the difference of industry setting. Another possible explanation is that, in accordance with the findings of Ojala (2009), it is due to the fact that the market entries under study all represent entries to, what might be considered, psychically distant markets.

In terms of the control firm entering the Russian market, no significant deviances from the findings of the other cases were found. This might indicate that it made no significant difference what foreign market (out of China or Russia) that was entered in terms of how network relationships influenced the choice of foreign market and foreign market entry mode. However, the findings of this thesis are not sufficient to prove this and it might also be that the findings were case specific in this sense.

Out of the network relationships found to have affected the decision process of the case firms, more often it was found that these had influenced the choice of foreign market than the choice of market entry mode. This might be due to that the firms in general, as can be seen in the empirical findings, had developed what could be considered a routine for how to enter foreign markets, that is they had previously at multiple times applied one similar mode to enter new markets. It seemingly took more to influence the firm to change this pattern than it did to influence them in the choice of a new market.

5.4.2 Different types of network relationships

The tables presented above (see table 6-8) provide a good overview of the frequency of the different categories in the network relationship aspects of formality and strength of the relationship (since there are only two and three possible types in these). To clearly show the distribution of the different categories in the aspect of position in the focal firm’s network context, figure 9 below was added.
Table 9. Overview of how different types of network relationships, in terms of position in the focal firm’s network context, affected the internationalization of the case firms.

**Explanations:** FMC – Foreign Market Choice, and MEMC – Market Entry Mode Choice

<table>
<thead>
<tr>
<th>CUSTOMERS</th>
<th>Absolut</th>
<th>ELFI</th>
<th>Specialkemi</th>
<th>EHC</th>
</tr>
</thead>
<tbody>
<tr>
<td>CUSTOMER PARTNERS</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>SUPPLIERS</td>
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<td></td>
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</tr>
<tr>
<td>SUPPLIER PARTNERS</td>
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<tr>
<td>COMPETITORS</td>
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</tr>
<tr>
<td>COMPETITOR ALLIANCES</td>
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<tr>
<td>GOs</td>
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<tr>
<td>NGOs</td>
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</tr>
<tr>
<td>UNIVERSITIES &amp; RESEARCH INSTITUTES</td>
<td></td>
<td>MEMC</td>
<td></td>
<td></td>
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<tr>
<td>OTHER</td>
<td></td>
<td></td>
<td>FMC + MEMC</td>
<td>MEMC</td>
</tr>
<tr>
<td>FRIENDS</td>
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<td></td>
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<tr>
<td>FAMILY</td>
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</tbody>
</table>

In three of the cases, vertical business network relationships had influenced either the choice of foreign market or the choice of market entry mode. Even if these were not official partners of the case firms, they still in a majority of the cases were considered strong and important relationships. For this reason the findings of this study are relatively well in line with the findings of Covello and Munro (1997) who found that major partners influenced the decision process of market entry of the New Zealand based small software firms. It also conforms to the findings of Ojala (2009), who concluded that market entry had been influenced by formal relationships.

No influence from friends or family was detected in the case firms of this study (see table 9), which is contrary to what was found by Zain and Ng (2006) and Ojala (2009). However, this should not be interpreted as if friends and family relationships in general are irrelevant as to influencing these choices. Rather the case might be that the firms of this study did not have family or friends with connections to China/Russia.

GOs and NGOs were not found to have influenced the decision process of any of the case firms, however it was interesting to note that two of the case firms emphasized that the Swedish Trade Council had affected their operations in a so called “second phase”. A reason for this might be that these type of organizations more often serve as advisors to the SMEs which have already decided to enter or have already entered a new foreign market.

In all cases where the case firm had been affected in their choice of market entry mode, informal and weak network relationships had been providing the source of influence. In two of these cases
the informal and weak network relationship actor provided the case firm with a specific mode of entry.

Seemingly, among the cases, relationships going further back in time more often were the ones influencing the case firms, even if so most often in a slight way. In the cases where “new” relationships influenced the choices the influence was significant, often in the way of providing the case firm with a direct opportunity for market entry.

### 5.4.3 Additional factors

In general among the cases of this study the distribution of proactiveness versus reactivity in the approach to foreign market choice was relatively large. Landh talked about how Absolent was operating and internationalizing in accordance with a clear strategic plan, while Granberg emphasized that EHC today only enters new markets as a reaction to customer requests.

The findings of the cases in this study supports the findings of Ojala (2009) that influence of network relationships in choice of market is limited (only slight influences were detected in the cases of this study) when companies are active in the market entry, in the terms used in this study; when the companies used a proactive approach to internationalization. The slight influence in all of these implied that the network relationship demonstrated market potential to the case firm.

The findings of this study thus also support the findings of Ojala (2009) that for the firms taking a more passive approach, network relationships proved more important. In the cases of this study, EHC and Specialkemi, which were the case firms found to have adapted a reactive (passive) approach to their market selections were also the ones which showed the strongest influence of network relationships on their foreign market choice. The strong influences in both of these cases implied that the network relationship provided the case firm with a direct opportunity to enter the new foreign market.

It is possible to further develop the discussion on the difference of network relationships’ influence between the case firms applying a reactive and those applying a proactive approach. The findings of this study reveal that foreign market selection of firms applying a proactive approach were only affected by network relationships of strong and formal character. On the contrary, the case firms applying a reactive approach were influenced almost exclusively by weak and informal relationships.

In terms of the possible effects of the managers’ international experience, one can relate back to the discussion of influence of social network relationships. This by assessing that even if the managers of all case firms were categorized as having extensive international experience (and three out of four were found to have previous experience in the new market entered), this did not seem to have led to any social connections that influenced them in the entry into China/Russia. This might be considered surprising due to the importance of international and professional experience, both making the social network of a manager larger according to the literature.

As discussed previously, in most of the cases, business network relationships were found to have influenced either foreign market choice or market entry mode choice. A parallel could possibly be drawn between the frequency of this and not the years of professional experience of the manager but the age of the company. The only case in which no influence from business network relationships were found was in the case of Specialkemi, the “youngest” company among the case firms. Another aspect which suggests that the age of the company and the influence of network relationships might be interrelated is that the “oldest” case firm, EHC, was also the case in which the most (in numbers) network relationships were found to have influenced the decision process.
5.4.4 Significant connections among the findings

Before moving on to the conclusions the authors wanted to recap this chapter and provide the reader with an overview of the most significant connections found when analyzing the cases. For this reason a graphical representation of these was constructed (see figure 9).

![Diagram](image_url)

Figure 9. Graphical representation of the main findings in the analysis, which to a high degree conforms to the findings in the previous studies of knowledge-intensive SMEs.

(FMC – Foreign Market Choice, MEMC – Market Entry Mode Choice). In figure 9 the decision process concerning choice of foreign market and choice of foreign market entry mode is presented. The two choices do not necessarily need to come in the order presented above, that is the order could be reversed.
6 Conclusion

This chapter summarizes the most important findings based on the analysis concerning network relationships influence on choice of foreign market and entry mode. The presented conclusions concerns case specific and general findings and relates back to the purpose of the thesis.

The purpose of this thesis was to investigate how choice of foreign market and market entry mode is influenced by different types of network relationships. The central parts of the purpose were expressed in the words how and different types. By collecting qualitative data and conducting in-depth analysis, the authors of this thesis were able to fulfill the purpose.

All the investigated case firms, to a different extent, were influenced by network relationships in the choice of foreign market and/or choice of entry mode, which give support to the concept of a network approach to internationalization. Among the case firms, choice of foreign market was generally more influenced by network relationships than the choice of entry mode.

A significant difference in question of proactive versus reactive approach to market selection was found (see figure 9). Two of the case firms applied a proactive approach in their foreign market entry while the other two applied a reactive approach. Limited influence of network relationships was found among the firms applying a proactive approach, which was also the case in the study of Ojala (2009). Further in line with Ojala (2009), network relationships were more important when taking a reactive approach.

The firms applying a reactive approach to market selection were almost exclusively influenced by network relationships of weak and informal character in their choice of new foreign market. Two out of three specific relationships in these cases influenced the firm in the way of providing a direct opportunity to enter the new market.

The firms applying a proactive approach were all only influenced by network relationships of strong and formal character. These relationships influenced the firms only slightly and in the way of demonstrating the beneficial market potential.

In all cases where the case firm had been affected in their choice of market entry mode, informal and weak network relationships had been providing source of influence. In two of these cases the informal and weak network relationship actors provided the case firm with a specific mode of entry.

Vertical, business relationships were seemingly important in this context and influenced at least one of the two choices in three of the cases, which to a large degree is in line with findings of Coviello and Munro (1997). This can further be related to the findings of Ojala (2009), which showed that formal relationships had influenced the decision process. It was interesting to see that three out of four formal relationships which had affected the firms in their decision process could be considered strong. The importance of vertical, business relationships is also indicated by the finding that the youngest company was also the one which had not been influenced by business relationships, and the oldest firm was the one which had been affected by most network relationships.

Based on the findings it could be concluded that friends or family had no influence in the decisions of the case firms of this study, contradictory to the findings of Zain & Ng (2006) and Ojala (2009). The same accounts for GOs and NGOs which were not found to have influenced the decisions of foreign market entry and entry mode. The network relationships going further back
in time had more often influenced the case firm. New relationships which had influenced often provided the firms with a direct opportunity for market entry.

All managers had extensive international experience, but no social connections were found to have influenced the choice of foreign market. This could be argued as somewhat surprising, since literature has emphasized the importance of international and professional experience, making the social network of the manager larger.

No clear deviation of the findings of the firm entering Russia was found, hence no conclusions could be drawn which could indicate differences according to what market was entered.

Finally, it needs to be expressed that each case firm was found to be very unique in terms of how to enter new markets, and also how the operations were handled in general, why the comparisons between the cases should be and was considered with some caution. However, strong indications were found of various connections between the different types of network relationship, the way or degree of influence, and the approach to market selection applied by the case firms.
7 Discussion

In this chapter further reasoning and the authors’ personal reflections about the findings from the cases are presented. The implications of the study is touched upon and a discussion regarding limitations of the study and concerning what was done to overcome these follows. The thesis ends with some suggestions for future studies.

During the research process of this thesis, the authors made interesting observations and acquired new knowledge outside the specific research area of interest. A number of observations were discussed during the process, of which those the authors found most relevant to include will be presented.

When assessing how manager characteristics had affected how network relationships had influenced the decisions in the foreign market entry, it seemed to the authors that manager characteristics were more relevant when the owner/founder of the company also was manager. Further, the authors found that the level of risk-taking among the managers differed significantly. Some of the managers seemed more willing to, and also described practical examples, where opportunities were acted upon which involved a high level of risk, compared to other examples involving a lower level of risk. These findings could also be connected to entrepreneurial orientation of the manager and the willingness to go for opportunities, and also to actively search for opportunities, which in turn might be presented through network relationships.

From the interviews conducted it was found that foreign market choice and market entry mode selection were decisions not affected by network relationships with governmental organizations (GOs). However, this same type of network relationship was in two of the cases found as important later on in the process, in a so called “second phase” of the foreign market entry.

7.1 Implications

This thesis has to some extent contributed to the research area of how network relationships affect choice of foreign market and entry mode. The specifically narrow focus of this thesis was an extension of the previous studies (based on software firms) within the area and support have been found from this study to the findings of the previous studies. The study of this thesis shed light on the need for more research within the topic, and contributed to insight into the specific research area. However, even though there were interesting findings from this study, by conducting the research in a new industry with a different focus, it needs to be taken into consideration that only four case firms were included in the research. The authors were able to show how characteristics of the network relationships could affect SMEs foreign market choice and choice of entry mode, but the results of this thesis needs to be tested further by future studies in order to see if the findings could be applicable outside the case firms in this thesis.

The findings of this thesis could be valuable for governmental organizations, as an interesting finding was that the case firms were not influenced by these network relationships in their initial decisions concerning market entry, however some of the managers emphasized the importance of the organizations later in the process of market entry. These findings could indicate in which part of the process that could be focused on, and in which stages resources could be allocated.

Further, this thesis could be interesting for SME managers in the choices of internationalization and also indicate that network relationships can be actively used in the internationalization process.
7.2 Limitations

The research conducted in this thesis, although carefully carried out, involved certain limitations. The most significant might be the limited possibility to make generalizations from the findings, due to the chosen case study strategy. The authors were aware of this issue from the beginning, and the objective of the thesis was not to generalize from the findings outside the cases. However, four cases were involved in the research, which made it possible to analyze across the cases, all operating in the same industry. To include only one industry was part of the research strategy, but limited the findings to be applicable only to this industry. Further, this was also the case for the markets included, three of the four case firms had entered China and the fourth Russia. Even though comparisons were made across the cases, also these needs to be considered with caution, due to the uniqueness of each case firm and each market entry.

The research area can be argued as somewhat complex and previous research had shown that many internal and external factors could influence the decisions involved in entering a new foreign market (Koch, 2001b). This study focused solely on influences from network relationships. This could be seen as a limitation, due to the possibility of other, rival explanations for what affected the foreign market selection and the market entry mode chosen. To overcome this issue, the authors clearly stated what specific areas that were included in the research, and took rival explanations into consideration in the analysis chapter. Also the concept of network has been interpreted differently in earlier studies. With the mentioned matters in mind, the authors selected a focus of the study where certain concepts where included. One might question if these concepts were the most relevant. The authors chose to include the concepts found most suitable to be able to answer the research questions, relying on earlier research in the decision. This can be related to subjectivity in the research process. In the interpretation of the interviewees’ answers the data could possibly have been misinterpreted, which was dealt with by letting the respondents verify the empirical material included in the thesis. Also the applied and interpreted theoretical framework involved a certain degree of subjectivity which could result in bias.

When measuring the strength of the network relationships, they were determined as either strong or weak. One might argue that more alternatives had given a more specific view of the strength of the relationships. It was not a straightforward concept to measure, but it was necessary to differentiate between the relationships. The authors argued that this way of dividing the relationships was suitable and the reasons for why a relationship was determined as strong or weak were clearly described. Further, by relying on theory the authors were able to divide the relationships appropriately. The level of influence on the foreign market choice and market entry mode was estimated according to a three point scale as having slight, moderate or strong influence on the decisions. Also in this case it could be questioned if more alternatives should have been included. However, these three alternatives were argued by the authors to provide a clear view of the influence why no other alternatives were added.

One could argue that a complete mapping of the case firms’ entire networks would have given an even more precise picture, than was the case in this study. This was not possible due to the limited time frame of the study and the authors still found that the data collected was satisfactory in order to answer the research questions. Further, a complete mapping was not necessary to fulfill the specific purpose of this thesis. In connection to this, the relatively low number of case firms and interviews can be seen as limitations. However, the authors have been able to get a comprehensive view of the case firms by in-depth research, visiting three out of the four case firms and complementing the interviews with secondary data.

Bias from the interviews which could have affected the reliability and validity was discussed previously in the thesis (see section 3.7 and 3.9) and needed to be taken into consideration also in
the discussion of limitations. Even though the authors followed methodological literature and were well prepared, one cannot foresee the risk of possible interviewer and/or interviewee bias. The fact that one of the interviews was conducted through telephone could question reliability. In order to keep reliability high, this interview was, apart from the telephone aspect, conducted in the same manner as the others.

An aspect increasing the reliability and validity of this study was the fact that the interviewees were key actors in the decision making about the international expansion of the case firms. Thus, possessing firsthand knowledge of the decision processes under study in this thesis.

7.3 Future research

During the research process of this thesis some areas which deserves more attention has been identified and discussed by the authors. Generally, the area of how network relationships affect foreign market entry deserves more attention. One direction could be to apply the research settings in this study to other markets and industries. Although the specific research area in this thesis is somewhat complex, the research could be quantitatively studied and statistically tested in order to see to what extent the influence of different types of network relationships is experienced among SMEs.

Another interesting research topic would be to see if SMEs from different national or industry cultures, or companies with different business cultures differ in the way that they have been affected by network relationships in their internationalization process in terms of foreign market and of market entry mode.

At least two of the respondents emphasized that even if some network relationships had not affected the initial decision of foreign market or entry mode, these network relationships had a significant influence on the firms operations on the new foreign market in a so called “second phase”. This implies that further studies could evaluate how and in what phases of the foreign market entry different networks relationships affect SMEs, other than choice of foreign market and entry mode. It could also be worth studying if some specific type of network relationships affect more depending on what phase in the internationalization process and foreign market entry process the company is in.

Another interesting aspect would be to investigate if companies in different phases of the decision process of the foreign market entry are influenced differently depending on to what extent the companies use formally structured strategies for their operations, compared to firms which do not use these kinds of strategies.
References


Appendix 1 – Interview guide

1. About the decision-maker:
   - For how long have you been active within this company? Function(s)?
   - For how long have you been active within this industry?
   - Educational background and age?
   - Personal international experience? (For example through work, studies, significant travels)

2. The same information about the other decision-makers (when applicable)

3. About the internationalization process of the company:
   - In short, state in chronological order; year, country/market, entry mode (list)?
   - In general, have you as a company been driving this process or has demand led you to new foreign markets?

4. About the decision to enter the Chinese/Russian market:
   - What made you enter the Chinese/Russian market? Events, persons, firms, and/or organizations that played a role in this decision?

5. About how the different types of network relationships influenced the choice to enter China/Russia:

   A. COMPETITORS:
      - At the time when you were considering to enter the Chinese/Russian market, did any of your competitors influence you in this decision? How? (if it in anyway did, continue and ask question a-d for each individual competitor which had an influence)

      - How did this/these influence your choice of entry mode used for this market? (if it in anyway did, continue and ask question a-d for each individual competitor which had an influence)

   a. In short, describe your relationship to this contact.
   b. Is this a contact that also in general has/had an influence in decisions in your organization? If yes, why/how so?
   c. How often are you in contact?
   d. How far back in time does your relationship go? How has it been during these years? Stable/changing?
B. COMPETITOR ALLIANCES
- At the time when you were considering to enter the Chinese/Russian market, were you working in an alliance(s) with any of your competitors? How did this/these influence your decision to enter the Chinese/Russian market? (if it in anyway did, continue and ask question a-d for each individual competitor alliance which had an influence)
- How did this/these influence your choice of entry mode used for this market? (if it in anyway did, continue and ask question a-d for each individual competitor alliance which had an influence)

a. In short, describe your relationship to this contact.
b. Is this a contact that also in general has/had an influence in decisions in your organization? If yes, why/how so?
c. How often are you in contact?
d. How far back in time does your relationship go? How has it been during these years? Stable/changing?

C. NON-GOVERNMENTAL ORGANIZATIONS (NGOs)
- At the time when you were considering to enter the Chinese/Russian market, did any non-governmental organization(s) influence you in this decision? How? (if it in anyway did, continue and ask question a-d for each individual organization which had an influence)
- How did this/these organization(s) influence your choice of entry mode used for this market? (if it in anyway did, continue and ask question a-d for each individual organization which had an influence)

a. In short, describe your relationship to this contact.
b. Is this a contact that also in general has/had an influence in decisions in your organization? If yes, why/how so?
c. How often are you in contact?
d. How far back in time does your relationship go? How has it been during these years? Stable/changing?

D. GOVERNMENTAL ORGANIZATIONS (GOs)
- At the time when you were considering to enter the Chinese/Russian market, were you influenced by any governmental organization(s) in this decision? How? (if it in anyway did, continue and ask question a-d for each individual organization which had an influence)
- How did this/these organization(s) influence your choice of entry mode used for this market? (if it in anyway did, continue and ask question a-d for each individual organization which had an influence)

a. In short, describe your relationship to this contact.
b. Is this a contact that also in general has/had an influence in decisions in your organization? If yes, why/how so?
c. How often are you in contact?
d. How far back in time does your relationship go? How has it been during these years? Stable/changing?

**E. UNIVERSITIES AND RESEARCH INSTITUTES**

- At the time when you were considering to enter the Chinese/Russian market, were you influenced by contact(s) with any universities or research institutes in this decision? How? (if it in anyway did, continue and ask question a-d for each individual contact which had an influence)

- How did this/these contact(s) influence your choice of entry mode used for this market? (if it in anyway did, continue and ask question a-d for each individual contact which had an influence)

a. In short, describe your relationship to this contact.
b. Is this a contact that also in general has/had an influence in decisions in your organization? If yes, why/how so?
c. How often are you in contact?
d. How far back in time does your relationship go? How has it been during these years? Stable/changing?

**F. SUPPLIERS**

- At the time when you were considering to enter the Chinese/Russian market, were you influenced by any of your suppliers in this decision? How? (if it in anyway did, continue and ask question a-d for each individual contact which had an influence)

- How did this/these contact(s) influence your choice of entry mode used for this market? (if it in anyway did, continue and ask question a-d for each individual contact which had an influence)

a. In short, describe your relationship to this contact.
b. Is this a contact that also in general has/had an influence in decisions in your organization? If yes, why/how so?
c. How often are you in contact?
d. How far back in time does your relationship go? How has it been during these years? Stable/changing?
G. SUPPLIER PARTNERS
- At the time when you were considering to enter the Chinese/Russian market, were you working in any partnership together with a supplier(s)? How did this/these partnership(s) influence your decision to enter this market? (if it in anyway did, continue and ask question a-d for each individual contact which had an influence)

- How did this/these contact(s) influence your choice of entry mode used for this market? (if it in anyway did, continue and ask question a-d for each individual contact which had an influence)

a. In short, describe your relationship to this contact.
b. Is this a contact that also in general has/had an influence in decisions in your organization? If yes, why/how so?
c. How often are you in contact?
d. How far back in time does your relationship go? How has it been during these years? Stable/changing?

H. CUSTOMERS
- At the time when you were considering to enter the Chinese/Russian market, were you influenced by any of your customer(s) in the decision to enter this market? How? (if it in anyway did, continue and ask question a-d for each individual contact which had an influence)

- How did this/these contact(s) influence your choice of entry mode used for this market? (if it in anyway did, continue and ask question a-d for each individual contact which had an influence)

a. In short, describe your relationship to this contact.
b. Is this a contact that also in general has/had an influence in decisions in your organization? If yes, why/how so?
c. How often are you in contact?
d. How far back in time does your relationship go? How has it been during these years? Stable/changing?

I. PARTNER CUSTOMER
- At the time when you were considering to enter the Chinese/Russian market, were you working in any partnership together with a customer(s)? How did this/these partnership(s) influence your decision to enter this market? (if it in anyway did, continue and ask question a-d for each individual contact which had an influence)
- How did this/these contact(s) influence your choice of entry mode used for this market? (if it in anyway did, continue and ask question a-d for each individual contact which had an influence)

a. In short, describe your relationship to this contact.
b. Is this a contact that also in general has/had an influence in decisions in your organization? If yes, why/how so?
c. How often are you in contact?
d. How far back in time does your relationship go? How has it been during these years? Stable/changing?

J. OTHER
- At the time when you were considering to enter the Chinese/Russian market, how did other types of network relationships influence (which do not fall under any of the other categories, for example business acquaintances, friends) your decision to enter this market? (if it in anyway did, continue and ask question a-d for each individual contact which had an influence)

- How did this/these contact(s) influence your choice of entry mode used for this market? (if it in anyway did, continue and ask question a-d for each individual contact which had an influence)

a. In short, describe your relationship to this contact.
b. Is this a contact that also in general has/had an influence in decisions in your organization? If yes, why/how so?
c. How often are you in contact?
d. How far back in time does your relationship go? How has it been during these years? Stable/changing?
Appendix 2 – Interview guide

1. Om beslutsfattaren:
   - Hur länge har du varit aktiv inom detta företag? Funktion(er)?
   - Hur länge har du varit aktiv inom denna bransch?
   - Utbildningsbakgrund och ålder?
   - Personlig internationell erfarenhet? (Ex. arbete, studier, omfattande resor)

2. Samma om övriga beslutsfattare (när tillämpningsbart)

3. Om internationaliseringsprocessen:
   - Klargör kortfattat och i kronologisk ordning; år, land/marknad, etableringsmetod (lista)?
   - Övergripande, har ni själva drivit processen eller har efterfrågan fört er till nya internationella marknader?

4. Om beslutet att gå till Kina/Ryssland:
   - Vad låg bakom inträdet på den kinesiska/ryska marknaden? Händelser, personer, företag och/eller organisationer som spelade in?

5. Om hur de olika typerna av nätverksrelationer influerade valet att gå in i Kina/Ryssland:

   A. KONKURRENTER:
      - Vid tiden då ni övervägde att gå in i Kina/Ryssland, influerade någon/några av era konkurrenter ert beslut att gå till denna marknad? Om ja, hur? (om det på något sätt influerat ställ fråga a-d för varje enskild konkurrent som influerat)

      - Hur influerade denna/dessa valet av etableringsmetod på marknaden? (om det på något sätt influerat ställ fråga a-d för varje enskild konkurrent som influerat)

      a. Beskriv er relation till denna kontakt kortfattat.
      b. Är detta en kontakt som även generellt influerar/influerat beslut i er verksamhet?
         - Om ja, hur kommer detta sig?
      c. Hur ofta är ni i kontakt?
      d. Hur långt tillbaka går er relation? Hur har den sett ut under åren? Stabil/förändrats?

   B. KONKURRENT-ALLIANSER
      - Vid tiden då ni övervägde att gå in i Kina/Ryssland, arbetade ni i allians(er) med någon/några av era konkurrenter? Hur influerade denna/dessa ert beslut att gå till Kina/Ryssland? (om det på något sätt influerat ställ fråga a-d för varje enskild konkurrent allians som influerat)
- Hur influerade denna/dessa _valet av etableringsmetod på marknaden?_ (om det på något sätt influerat ställ fråga a-d för varje enskild konkurrent allians som influerat)

  a. Beskriv er relation till denna kontakt kortfattat.
  b. Är detta en kontakt som även generellt influerar/influverat beslut i er verksamhet? Om ja, hur kommer detta sig?
  c. Hur ofta är ni i kontakt?
  d. Hur långt tillbaka går er relation? Hur har den sett ut under åren? Stabil/förändrats?

C. **INTRESSE/BRANCHORGANISATIONER**

- Vid tiden då ni övervägde att gå in i Kina/Ryssland, influerades ni av någon/några intresse- och/eller branschorganisation i ert beslut _att gå till_ denna marknad? Om ja, hur? (om det på något sätt influerat ställ fråga a-d för varje enskild organisation som influerat)

- Hur influerade denna/dessa organisationer _valet av etableringsmetod på marknaden?_ (om det på något sätt influerat ställ fråga a-d för varje enskild organisation som influerat)

  a. Beskriv er relation till denna kontakt kortfattat.
  b. Är detta en kontakt som även generellt influerar/influverat beslut i er verksamhet? Om ja, hur kommer detta sig?
  c. Hur ofta är ni i kontakt?
  d. Hur långt tillbaka går er relation? Hur har den sett ut under åren? Stabil/förändrats?

D. **STATLIGA ORGANISATIONER**

- Vid tiden då ni övervägde att gå in i Kina/Ryssland, influerades ni av någon/några statliga organisation(er) i ert beslut _att gå till_ denna marknad? Om ja, hur? (om det på något sätt influerat ställ fråga a-d för varje enskild organisation som influerat)

- Hur influerade denna/dessa organisationer _valet av etableringsmetod på marknaden?_ (om det på något sätt influerat ställ fråga a-d för varje enskild organisation som influerat)

  a. Beskriv er relation till denna kontakt kortfattat.
  b. Är detta en kontakt som även generellt influerar/influerat beslut i er verksamhet? Om ja, hur kommer detta sig?
  c. Hur ofta är ni i kontakt?
  d. Hur långt tillbaka går er relation? Hur har den sett ut under åren? Stabil/förändrats?
E. UNIVERSITET OCH FORSKNINGSINSTITUT
- Vid tiden då ni övervägde att gå in i Kina/Ryssland, influerades ni av kontakt(er) med något/några universitet eller forskningsinstitut i ert beslut att gå till denna marknad? Om ja, hur? (om det på något sätt influerat ställ fråga a-d för varje enskild kontakt influerat)

- Hur influerade denna/dessa organisationer *valet av etableringsmetod på marknaden?* (om det på något sätt influerat ställ fråga a-d för varje enskild kontakt influerat)

a. Beskriv er relation till denna kontakt kortfattat.
b. Är detta en kontakt som även generellt influerar/influerat beslut i er verksamhet? Om ja, hur kommer detta sig?
c. Hur ofta är ni i kontakt?
d. Hur långt tillbaka går er relation? Hur har den sett ut under åren? Stabil/förändrats?

F. UNDERLEVERANTÖRER
- Vid tiden då ni övervägde att gå in i Kina/Ryssland, influerades ni av någon/några av era underleverantörer i ert beslut att gå till denna marknad? Om ja, hur? (om det på något sätt influerat ställ fråga a-d för varje enskild kontakt som influerat)

- Hur influerade denna/dessa kontakter *valet av etableringsmetod på marknaden?* (om det på något sätt influerat ställ fråga a-d för varje enskild kontakt som influerat)

a. Beskriv er relation till denna kontakt kortfattat.
b. Är detta en kontakt som även generellt influerar/influerat beslut i er verksamhet? Om ja, hur kommer detta sig?
c. Hur ofta är ni i kontakt?
d. Hur långt tillbaka går er relation? Hur har den sett ut under åren? Stabil/förändrats?

G. SAMARBETSPARTNERS-LEVERANTÖRER
- Vid tiden då ni övervägde att gå in i Kina/Ryssland, arbetade ni med någon/några leverantörer som samarbetspartners? Hur influerades ni av detta/dessa samarbetet(n) i ert beslut att gå till denna marknad? (om det på något sätt influerat ställ fråga a-d för varje enskild kontakt som influerat)

- Hur influerade detta/dessa kontakter *valet av etableringsmetod på marknaden?* (om det på något sätt influerat ställ fråga a-d för varje enskild kontakt som influerat)
a. Beskriv er relation till denna kontakt kortfattat.

b. Är detta en kontakt som även generellt influerar/influerat beslut i er verksamhet?
   Om ja, hur kommer detta sig?

c. Hur ofta är ni i kontakt?

d. Hur långt tillbaka går er relation? Hur har den sett ut under åren? Stabil/förändrats?

H. KUNDER
- Vid tiden då ni övervägde att gå in i Kina/Ryssland, influerades ni av någon/några av era kunder i ert beslut att gå till denna marknad? Om ja, hur? (om det på något sätt influerat ställ fråga a-d för varje enskild kontakt som influerat)

- Hur influerade denna/dessa kontakter valet av etableringsmetod på marknaden? (om det på något sätt influerat ställ fråga a-d för varje enskild kontakt som influerat)

I. SAMARBETSPARTNERS-KUNDER
- Vid tiden då ni övervägde att gå in i Kina/Ryssland, arbetade ni med någon/några kunder som samarbetspartners? Hur influerades ni av detta/dessa samarbete(n) i ert beslut att gå till denna marknad? (om det på något sätt influerat ställ fråga a-d för varje enskild kontakt som influerat)

- Hur influerade denna/dessa kontakter valet av etableringsmetod på marknaden? (om det på något sätt influerat ställ fråga a-d för varje enskild kontakt som influerat)

J. ANDRA TYPER AV KONTAKTER
- Vid tiden då ni övervägde att gå in i Kina/Ryssland, hur influerade andra typer av kontakter (som inte faller in under de kategorier vi tagit upp hittills, t.ex. yrkesmäss-
siga bekanta, vänner) ert beslut att gå till Kina/Ryssland? (om det på något sätt influerat ställ fråga a-d för varje enskild kontakt som influerat)

- Hur influerade denna/dessa kontakter valet av etableringsmetod på marknaden? (om det på något sätt influerat ställ fråga a-d för varje enskild kontakt som influerat)

a. Beskriv er relation till denna kontakt kortfattat.
b. Är detta en kontakt som även generellt influerar/influert beslut i er verksamhet?
   Om ja, hur kommer detta sig?
c. Hur ofta är ni i kontakt?
d. Hur långt tillbaka går er relation? Hur har den sett ut under åren? Stabil/förändrats?
Appendix 3 – Absolent AB

Absolent was founded in 1993 (T. Landh, personal communication, 2009-04-20; Affärsdata, 2009b) and the company is since 2006 part of the Mexab Holding Group (Mexab Industri, 2007).

They develop, manufacture and sell air filtration equipment for industrial applications where the pollutant mainly consists of oil mist, oil smoke or dust. The company as well offers expertise in the total application of such equipment (Swentec, 2009b).

Absolent’s vision is to be number one in the world in process-air cleaning equipment for industrial applications and to have a brand that represents a guarantee for environmental responsibility. They have a clear focus on innovation and customized complete solutions (Absolent, 2009).

The company is located in Lidköping, Sweden and is represented by distributors in Europe, North America and Asia. The majority of their customers are industrial based and include leading manufacturers (Absolent, 2009). In general their customer relationships are very stable and long term oriented (T. Landh, personal communication, 2009-04-20).

For fiscal year 2007 the company had a turnover of 82.3 MSEK and reported a profit of 11 MSEK (Absolent, 2008). Absolent currently employ 28 people (T. Landh, personal communication, 2009-04-20).

Tony Landh, CEO

Landh, 49 years old, has been the CEO of Absolent since the fall 2000 and active within the industry since then. He has a Bachelor degree in mechanical engineering and has studied technology in the US. He has lived and served abroad. As an exchange student he spent one year in the US. Before coming to work for Absolent, Landh was working for Saab Automobil, for whom he worked two years in the US. The last years at Saab he was responsible for the Asia-Pacific region and then travelled a lot to Asia and Australia. In this sense he had previous experience of China (T. Landh, personal communication, 2009-04-20).
Appendix 4 – ELFI Elektrofilter AB

ELFI Elektrofilter AB was founded in 1970 but it was first in 1987 the current owner bought the company of the founder and it became a family business (J-O. Wallin, personal communication, 2009-04-17). The vision of ELFI is to create better indoor air with the lowest possible cost of energy, and the air daily breathe in should be good enough not to cause illness due to poor air (ELFI Elektrofilter, 2009).

The operations of ELFI primarily consists of developing and producing electrostatic air purifiers for households, workplaces, hospitals, daycare centers, systems of ventilation, schools and smoking rooms. Also air purifiers are developed for heat exchangers and other areas. The most important products that ELFI offers are air purifiers, channel filters and room filters, all electrostatic (ELFI Elektrofilter, 2009; Swentec, 2009b).

ELFI has a large focus on research and development, which have resulted in patented products with characteristics such as maximum level of cleaning, minimum maintenance, low sound, practical design and low running costs. At the same time ELFI continuously strive for having the best price, performance and quality on the market (ELFI Elektrofilter, 2009).

Today, the production is located in Alingsås, as well as the subsidiary Stanstek AB and the family still runs the company (ELFI Elektrofilter, 2009). A cooperation and license agreement was signed with a company in China in 2007 and they are working on developing projects in cooperation with other companies (ELFI Elektrofilter, 2008).

For 2007, ELFI showed a net turnover of 9.5 MSEK and reported a profit of 252 kSEK (ELFI Elektrofilter, 2008). Currently, the number of employees within ELFI is 12 (J-O. Wallin, personal communication, 2009-04-17).

Jan Olof Wallin, Manager of international affairs and owner/CEO

Wallin, 67 years old, is the owner of ELFI since 1987 and he has been active within the industry since then. His educational background is as a toolmaker. He later continued his education to become an engineer. In terms of international experience, Wallin has previously lived and worked in Germany (as CEO for an American company) and Norway (as production manager). He has travelled in business significantly. He also had previous experience of China, since he had been travelling together with the company’s customer, Blue Air, in the Asia region to market their products (J-O. Wallin, personal communication, 2009-04-17).
Specialkemi Väst AB

Specialkemi Väst, in the form it exists now, was founded in 1998 (Affärssdata, 2009a; E-L. Aronsson, personal communication, 2009-04-17).

They market chemicals and expertise for Nordic producers of energy and Swedish industry sector. Their focus lies on "green" alternatives to standard solutions to reduce emissions of for example SOx, HCl, NOx, dioxins and particles. Specialkemi's key products include expertise on emission reduction to air, sodium bicarbonate for neutralization, and SCR-catalysts (Swentec, 2009b). They are the largest actor in Sweden concerning their particular emission reduction system involving sodium bicarbonate (E-L. Aronsson, personal communication, 2009-04-17).

Part of their business idea is to through “green thinking” reduce the total emission pressure on air and water by introducing their own gas purifying concept. They want to continuously develop and improve their product and influence collaborating partners and suppliers to follow in the same direction (Specialkemi Väst, 2009b).

Specialkemi has one production unit, in Västra Frölunda, where different particle distributions of sodium bicarbonate can be grinded. The company both handles bicarbonate that will be grinded on-site at mill installations and provide ready-grinded products. Another product group that has been established is mixtures with active coal. One of their specialties is the knowledge to produce repeatable homogenous mixtures (Specialkemi Väst, 2009b). In the area of emission reduction to air Specialkemi Väst has collaborations with Solvay SA and CRI (subsidiary of Shell) (Specialkemi Väst, 2009b).

For 2007/08, Specialkemi reported a net turnover of 21.8 MSEK and a profit of 284 kSEK (Specialkemi Väst, 2009a). They employ 10.5 persons, 3.5 in Sweden and 7 in China. Specialkemi is, even in this time of general economic downturn, experiencing growth and for year 2009 they expect an increase in turnover of around 30%. The reason for this is explained by the nature of their industry. It has its foundation in long term presence and long term relationships. Actions taken today might give return in a couple of years or even more and contracts are set up on a yearly basis (E-L. Aronsson, personal communication, 2009-04-17).

Eva-Lena Aronsson, Managing Director

Aronsson is one of the founders of the company and she has been active within the industry since 1980. Her educational background is as a high school engineer and she is 52 years old. Aronsson has extensive international experience, for example from exchange studies and travelling in business. She also had previous experience of China, as a company she was working for in the late 1980s actually was just about to enter the Chinese market in 1988. However, the events in China in 1989 – the Tiananmen Square protests and massacre – changed those plans (E-L. Aronsson, personal communication, 2009-04-17).

Madeleine Bengtsson, CFO and Production Manager

Bengtsson is the other founder of Specialkemi, active in the industry since 1995. Bengtsson, 44 years old, has the educational background of a high school economist. Her international experience is scarce (E-L. Aronsson, personal communication, 2009-04-17).
Appendix 6 – EHC Teknik ab

EHC was founded in 1983 by one of the current owners, Rolf Johnson (EHC Teknik, 2009; C.J. Granberg, personal communication, 2009-04-17).

The company develops and manufactures its own filter system, EHC Filter System. Their key products are exhaust cleaners and particle filters. The EHC Filter System has been especially developed to reduce environmental problems caused by exhaust emissions from vehicles that are driven short distances indoors and outdoors. EHC manufacture a standard range of products, but also frequently design custom solutions for exhaust gas purification (EHC Teknik, 2009). Before the company was started, this type of filter system did not exist. For fifteen years EHC were alone in the market with their specific product. After that copies started to appear, produced by one of their former distributors, but these were of bad quality (C.J. Granberg, personal communication, 2009-04-17).

Since 1988, the company owns its production facilities, located in Partille (EHC Teknik, 2009). All end production and assembly is performed in these facilities in Sweden, but EHC also has a production subsidiary in Estonia. For their international sales they work mainly through distributors (C.J. Granberg, personal communication, 2009-04-17).

Today the company has 18 employees working with development, assembly, delivery, administration and marketing (EHC Teknik, 2009).

Christina J. Granberg, Production Manager and Owner

Granberg has been active within EHC since the founding of the company in 1983 since it is a family business. Since 1984 she has been employed within the company and initially she worked within the production. She owns the company together with her father and sister. Granberg’s educational background is as a high school economist. In terms of international experience, Granberg has not travelled extensively. However, she has together with others from the company visited the distributors of the company in almost all of the countries in which they operate (except for Asia) (C.J. Granberg, personal communication, 2009-04-17).

Rolf Johnson, Founder and Owner

Johnson was the founder of the company in 1983, but had previously not been active within the industry. His educational background is as a HVAC engineer. He handles EHCs operations, for example the exports and travelling to trade fairs. He has been the one handling these parts of the business since they first expanded internationally, in 1986, and has therefore relatively extensive international experience (C.J. Granberg, personal communication, 2009-04-17).

Karin Ohrankämmen, CFO and Owner

Ohrankämmen has been in the company since 1984 and is responsible for the financials in the companies of the group. Her education is as a high school economist.
Appendix 7 – International entry modes

Alternative international entry modes based on Albaum et al.(2005):

**Export**
- Home-country based department
- Foreign sales branch
- Storage and Warehousing facilities
- Foreign sales subsidiary
- Internationally mobile sales person
- Foreign-based distributor
- Foreign-based agents/representatives

**Non-Export**
- Local subsidiary
- Production
- Assembly
- Strategic alliance
- Licensing
- Contracting
- Joint-venture