Enterprises Internationalize with Firm-specific Advantages: Case Study of Swedish Firms

Master’s Dissertation in International Marketing

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ACKNOWLEDGEMENT

This dissertation was written during the spring semester of 2009 in Halmstad University.

Firstly, we would like to acknowledge our supervisor Mr. Gabriel Baffour Awuah. Without his help, we could not have finished this dissertation. We benefit a lot from his advice during both seminars and personal supervisions. We think what we learned from him will be used not only for this dissertation, but also for our further study.

Secondly, we really appreciate our friends and other teachers who are so kind to help us with the completion of the dissertation. Furthermore, we also express our gratitude to the respondents of the companies that took part of this research. Thanks a lot for offering the information and knowledge to our research.

Thirdly, we want to express our appreciation to all the members in this seminar group, especially our opponents who also gave us many constructive suggestions.

Lastly, our parents have been a steady support during the whole process of our dissertation. Although they are in China, they always supported and encouraged our via Skype, mobile and MSN.

Halmstad, 2009

Lina Wang and Qiong Wu
ABSTRACT

Business has changed and developed fast and drastically through internationalization, which has drawn many scholars’ attentions. The dissertation will focus on the firm-specific advantages (FSAs) which allow firms to go to the international markets.

The theoretical framework of this dissertation contains four proxies of the firm’s specific advantages, including entrepreneur, market knowledge, network, and technology. In this dissertation, this framework will guide us to collect and analyze the empirical data.

The qualitative research strategy is employed in this dissertation. Utilizing the multiple case study, we choose two sample companies, both from Halmstad. The empirical data was gathered through semi-structured personal interviews. Data was also supplemented with secondary data, such as web pages and scientific articles.

The finding of this dissertation is that market knowledge and experience is a crucial, firm-specific advantage, which facilitates firm’s international expansion. In addition, the entrepreneur and network variables also have an impact on the internationalization process in direct or indirect ways. However, the study does not find obvious evidence that technology does help firms go to the foreign markets a lot.

Keywords: Firm-specific advantages, market knowledge and experience, entrepreneur, network, technology
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APPENDIX 1. INTERVIEW GUIDE
1. INTRODUCTION

1.1 Background

The progress in science and technology opened up new opportunities for many people since the Industrial Revolution in the early 19th century. International trade is one of the by-products of the Industrial Revolution. In the 19th century, the fall in the cost of transportation across oceans increased international trade significantly (Moshirian, 2008). Since the early 1980s, the world economy has experienced rapid “globalization” (Lee & Slater, 2007). The reasons why globalization and internationalization became the trend are as follows: first, the reduced barriers make it easier for firms to access the new market; second, the companies never stop pursuing the cheapest resources; third, more and more products have entered into the mature phase of the product life-cycle and firms are eager to find a new market; fourth, the increasing consumer requirements in the overseas markets are also a pull factor for companies to launch their products or services to the foreign markets (Doole and Lowe, 2008).

Over the past decades, the business world has changed drastically through globalization and internationalization (Jansson & Sandberg, 2008). Many theories have tried to explain why companies go abroad from the perspective of the firm level. Vernon (1966) acknowledged the exclusive possession of certain capabilities by individual firms as the force that determines the dynamic pattern of international economic activity. In OLI theory (Dunning, 1980 & 1988), the ownership advantages are firm-specific and are also known as competitive advantage. It is an advantage owned by the company, related to its intangible assets (e.g. Patents, trade mark), that allows it to compete against other firms. Rugman (1981) also argued that an ownership advantage is either created by, or becomes, the exclusive property of a particular set of enterprises.

Globalization usually refers to a stage in which the firm’s operations are managed on a global scale, not in just a few selected countries. It is characterized by the worldwide integration of ever more competitive markets and companies facing global competition. The resource-based view also suggests that a firm’s unique resources and heterogeneous capabilities can generate competitive advantages, which can lead to sustainable, superior returns (Barney, 1991; Rugman and Verbeke, 2002).

1.2 Problem Discussion & Research Purpose

Hymer (1976) acknowledged the critical role played by firm-specific attributes in shaping international business activity. He recognized that the possession of some kinds of proprietary advantages, arising from innovatory, cost, financial or marketing advantages, is what enables firms to own and control foreign, value-added operations. Firm-specific advantages (FSAs) can be viewed as knowledge bundles that can take the form of the intangible assets, learning capabilities, and even privileged relationships with outside actors (Rugman and Verbeke, 2003). The firm level advantages can generate competitive and sustainable advantages when companies go abroad.
The aim of our study is to focus on the firm-specific advantages (FSAs) which allow firms to enter the international markets. In this dissertation, we try to get the idea of the role of the firm-specific advantages in the firm’s international expansion. Therefore, the purpose of our study will be to present a deep understanding of the firm-specific advantages that allow the firm to enter the international market by an investigation into Swedish enterprises.

1.3 Research question

The main research questions are as follow: How do the firm-specific advantages (FSAs) affect firm’s international expansion? Do the firm-specific advantages (FSAs) play an important role in firms going abroad?

1.4 Delimitation

This study is limited to investigating companies in the manufacturing industry context. This selection of companies delimits this study to investigating only companies which manufacture and finalize the products. What is more important is that the companies selected in our dissertation are the Swedish companies with their products selling in the foreign markets. Internationalization is a common strategy for growing firms in a small, open economy, such as Sweden.

1.5 Previous Studies and Earlier Research

The widespread interest in the firms’ internationalization has given rise to many different approaches and models to try to explain why firms enter foreign markets from different perspectives, from the macro environment to firm level. In our dissertation, we will focus on the role of the firm-specific advantages (FSA) in firms going abroad.

Rugman (1987) analyzed the structure and performance of the 16 largest industrial MNEs in Canada during the 1978-1982, when Canada was still a small, but open, economy and, from this research, he identified the FSAs of each the MNEs in the sample. He discovered that the great majority of the Canadian MNEs had FSAs in the production, distribution and marketing, and experience of resource based products; the last one is demonstrated to be the primary FSA of the set of Canadian firms. Only two of the set of MNEs possessed the knowledge or technologically-based FSAs of the typical type of U.S., European or Japanese MNEs. Furthermore, he also found that the FSAs of Canadian MNEs often built upon Canada’s country-specific advantages (CSAs). The study was based on the largest industrial MNEs in Canada thirty years ago, while our study focuses on the current companies in Sweden, including both large, publicly listed firms, and family-owned SMEs.

Kotha, Rindova and Rothaermel (2001) examined the degree to which firm-level factors lead the U.S.-based internet firms to internationalize their internet presence. Firstly, they found the intangible assets are important for the companies, especially the web traffic
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and reputation, and the firm size and exposure (web traffic and reputation) affect the internationalization strategies. In addition, they found the cooperative activities influence the internationalization much more than the competitive activities. The cooperative activities can make the companies utilize their resources effectively. This indicates that the networking in cooperation activities plays an important role in exercising firms’ internationalization strategies. From this study on the U.S. internet firms, we can see that intangible assets, firm size and cooperative activities have a great impact on firms’ international operations. This study only focuses on U.S. based internet firms, while our dissertation is based on the industrial firms in Sweden.

According to the study of Andersson & Wictor (2003) and Andersson & Evangelista (2006), the main factors of firm’s internationalization are the entrepreneurs in Born Global firms. They pointed out that an entrepreneur can identify the global opportunities where others cannot, and then have to implement the global strategy within a firm. Furthermore, the studies of Andersson (2003) indicate that ambitious entrepreneurs are a key factor in the growth of the firms like the Swedish companies, which take the internationalization as an important and integrated part of the overall strategy. These studies are based on the Born Global firms and focus on analysis of the role of the entrepreneur in firms going abroad. In our dissertation, we are not only discussing the entrepreneur’s impact, but also how other firm level advantages impact on the firms’ international operations.

Rugman and Sukpanich (2006) examined interaction between the regional performance of the large multinational enterprises (MNEs), and four proxies for the firm-specific advantages (FSAs), which include firm size, knowledge (R&D), marketing ability, and industry type. They measured the regional performance of the MNEs by the proportion of intra-regional sales, and employed other variables indicating whether it is a home-region oriented firm, in contrast to a host-region oriented, bi-regional, or global firm. They found the FSA firm size is better exploited by global and bi-regional firms, but the FSA in the R&D and service sector types are exploited profitably only in the home region. Lastly, most firms do not exercise their FSA in knowledge based on its geographic reach, which indicates that firms with higher levels of R&D cannot exercise the knowledge from R&D more effectively in the home region of the triad itself. This study focuses on the FSAs impact on the intra-regional performance of the large multinational enterprises. This study demonstrates the impact of firm-specific advantages on a firm’s regional performance, while our dissertation focuses on the impact of firm-specific advantages, both on the regional performance and the international performance.

In our paper, we seek to discuss the effect of the firm-specific advantage on firms going to the foreign market in Sweden.

1.6 Definition

Firm-specific advantages (FSAs): it is generally recognized that the FSAs stem from the proprietary assets of the multinational enterprises (MNEs) that arise due to their
production and/or marketing activities (Rugman, 1981). Hymer (1976) recognized that the possession of some kind of proprietary advantages, arising from innovatory, cost, financial or marketing advantages, is what enables firms to own and control foreign value-added operations. In this dissertation, we investigate the impact of four proxies for the firm-specific advantages (FSAs) on firm international expansion. These four proxies are market knowledge and experience, entrepreneur, network and technology.
2. THEORETICAL FRAMEWORK

Figure 2.1 Theoretical Framework of Firm-specific advantages to go abroad

2.1 Market Knowledge & Experience

Doole and Lowe (2008) propose that organizational learning is one of the bases for a sustainable competitive advantage in global markets: successful global operators use the knowledge gained to assess their strengths and weakness in light of their organizational learning, and ensure they have the company capability and resources to respond to their learning, in order to sustain their competitive advantages.
One of the most frequently applied models in understanding firms’ internationalization is the Uppsala Internationalization model, which was developed by Johanson and Vahlne (1977 & 1990). The model defines the internationalization process as a causal cycle, with the firm’s knowledge as the single explanatory variable (Johansson and Vahlne, 1990). Experiential knowledge, which can only be acquired by personal experience, is viewed as the main way to reduce market uncertainty. Experiential knowledge is seen as the driving force behind the process (Brennan and Garvey, 2009). The model assumes experiential knowledge as not only a method of reducing risk, but as a vehicle for acquiring information and for generating opportunities abroad. The general knowledge concerns marketing methods and common characteristics of certain types of customers. Market-specific knowledge concerns characteristics of the specific national market expressed as: “...its business climate, cultural patterns, structure of the market system, and, most importantly, characteristics of the individual customer firms and their personnel.” (Johanson & Vahlne, 1977, in Johanson & Associates, 1994, pp.57). Eriksson et al. (2000) have defined three types of international knowledge as follows: a) Internationalization knowledge (IK)—a firm’s capability and resources to engage in international operations; b) Business knowledge (BK)—competitive situations in specific markets and clients in these markets; c) Institutional knowledge (NK)—information about governance structures in specific countries and their rules, regulations, norms and values.

In the view of the international process model, the internationalization process is seen as a learning process, where previous commitment and knowledge of a market are the basis for the current learning of a market (Johanson & Vahlne, 1977). Andersen (1977) notes this concept of a firm’s unique knowledge (experiential knowledge) assumes a time-dependent process according to a sequence of events (as cited by Brennan and Garvey, 2009). As the Uppsala model shows, market knowledge and market commitment are assumed to affect decisions regarding commitment of resources to foreign markets and the way current activities are performed. Market knowledge and market commitment are, in turn, affected by current activities and commitment decision (Johanson & Vahlne, 1990).

The underlying assumption of the Uppsala model is that, as firms learn more about a specific market, they become more committed to it by investing more resources into that market. In this view, firms make their export debut when they have a strong domestic market base. The basic assumptions of the Johanson and Vahlne model (1977) are that lack of knowledge about foreign markets is an important obstacle to the development of international operations, and that the necessary knowledge can be acquired mainly through operations abroad—through experiential market knowledge. The choice of markets also occurs in stages; firms begin to export to a market that has a close psychic distance, and then they expand export sales into markets that have increasingly greater psychic distance. The psychic distance is defined as: “...the sum of factors preventing the flow of information from and to the market. These include differences in language, education, business practices, culture, and industrial development.” (Johanson & Vahlne, 1977, in Johanson & Associates, 1994, pp.51). So
the marketing experience from the domestic market can be viewed as an important resource, facilitating the company start to the process of internationalization, and the experience from the foreign markets already entered can also provide guidelines for the company to enter other foreign markets.

Dunning (2000) argues that the personal/tacit knowledge base that has been accumulated by developing domestic operations might be expected to have a direct influence on the design of foreign ownership strategies.

2.2 Entrepreneur

Previous research shows that entrepreneurs play an important role in a firm’s growth and development (e.g. Barkham et al., 1996; Andersson, 2003). Entrepreneurs also have a great impact on the international expansion, which can be seen as a crucial step of the firms’ growth. Many studies found a positive relationship between the international development and the entrepreneur’s characteristics, international attitude and motivation, international experience and networks (Andersson, 2000; Andersson and Wictor, 2003; Harris & Wheeler, 2005; McCarthy, 2003; et al.)

There are many different definitions of entrepreneurs. In this paper, we will take a broader view, not constrained by distinguishing an entrepreneur as the individuals starting a new firm (Gartner, 1988). Furthermore, this view does not distinguish between the two concepts of intrapreneur and entrepreneur. Following the view of Andersson (2000) about the entrepreneur, we define that entrepreneurs are all individuals who carry out entrepreneurial actions in accordance with the following qualities criteria:

1) the ability to see new combinations;
2) the will to act and to develop these new combinations;
3) the view that acting in accordance with one’s own vision is more important than rational calculations;
4) the ability to convince others to invest in entrepreneurial projects; and
5) Proper timing.

From an entrepreneurial perspective, Andersson (2000) employs a multi-level framework model as a tool to explain the firms’ internationalization. The framework is focused on the “Entrepreneur’s” role, and links the impact of the entrepreneurs on internationalization by “Firm’s Strategy”. In this model, internationalization can be seen as a part, or a consequence, of a firm’s strategy. Moreover, the strategy, including internationalization, will not start without acting entrepreneurs (Andersson, 2000). From Andersson’s model, the entrepreneur is influenced by his environment from Macro level, Meso level to Firm level, but he also influences his environment through the process, he creates by his interpretation of the other factors. Schumpeter (1934) described that internationalization is an example of strategic change that can be defined as an entrepreneurial action (as cited by Andersson, 2000).
From Andersson’s model, entrepreneurs’ interpretation of other factors will influence the internalization strategy. However, interpretation is based on their knowledge and background, such as their education level, work experience and family influences. Education, training and workplace experience have been associated with the success of the entrepreneur (Bates, 1997; Evans & Leighton, 1989). Different types of entrepreneurs will choose different strategies for their companies, and different strategies give rise to different internationalization decisions regarding entry modes and market choices. The entrepreneurs influence the allocation of resources in their firms, and direct resources into areas in which they themselves have a great interest and knowledge (Andersson, 2000). Andersson classified three kinds of entrepreneurs:

1) The technical entrepreneur’s main interest is technology, with his most important activities in strategy discussion in product and production development. However, a new product can become known abroad through the international network. Internationalization can be viewed as a strategy pulled by product and production.

2) The marketing entrepreneur has found a need in the market and has an idea of how to fill this demand. He is proactive in the internationalization process and is creating new channels to reach the customer. Personal preferences and networks may be more important. Internationalization can be viewed as a strategy pushed by active marketing actions.

3) The structure entrepreneur acts in mature industries. He is trying to restructure companies and industries. From this perspective, internationalization is not a separate strategic goal but a consequence of the overall strategy. He prefers acquisition and merger to reduce capacity in these industries.

2.3 Network:

Focusing only on the firm’s experience individually, Johanson & Mattson (1988) added later that network factor has an influence on a company’s international activity, which became known as the Networks Theory, and is considered to be an evolution of the Uppsala Model. A firm in its daily operations relates to several other actors, such as customers, suppliers, government, partners, agents and consultants, as well as regulatory and other public agencies, which consist of the network of relationships into which a company is placed (Johanson and Vahlne, 1990). Besides, Jansson (2007) proposed a basic networks model, which contains the variables of customers, intermediaries, competitors, suppliers and so on, to illustrate the internationalization strategy.

Johanson and Vahlne (1990) also pointed out that a company can benefit from the international experience of the partners from its network, when placed on a high international network, and can also lead other partners to internationalization. Companies can gain through sharing international expertise, and not being restricted to its own experience.

Karlsen (1997) also stated that the relationship may enable the firms to enter new
markets at a faster rate than would otherwise be possible. As we mentioned, the Uppsala internationalization model above, Camuffo et al. (2007) takes the consumer-supplier interaction context into the consideration in the commitment decision.

Karlsen (1997) pointed out that for the companies, especially for the SMEs, the relationship plays a crucial role to affect the internationalization strategy. This relationship is not only for the entrepreneurs, but also for the key employees. However, in this part of this dissertation, we will focus on the firm-level’s network.

The companies face the problem of not only establishing a new network, but also retaining and improving the old network. From the existing network, while the commitment and knowledge increase in the foreign market, this experience also influences the companies’ current business activities (Jahanson and Vahlne, 1990).

2.4 Technology

Vernon and Well (1966) firstly proposed the international product life cycle (IPLC) theory; they took the USA, the most developed, country as their example. The IPLC begins with a company in a developed country, which exploits a technological breakthrough by launching a new, innovative product in its home market. The reason IPLC starts in the developed countries is that the consumers in those countries are able to buy, and are willing to experiment with, new and expensive products (www.provenmodels.com). After the domestic market, the company starts to export technically superior goods to other technically advanced countries. The product’s design and production process becomes stable, the unit cost is decreased, as the labour and transportation costs decrease (www.provenmodels.com). After the developed countries, the products will be exported to the developing countries. Finally, the company pays attention to reducing costs rather than the addition of new product features, the production facilities will relocate to countries in which people have lower incomes. However, in the domestic markets, they also face the challenge from the products with new technologies from other countries. Thus, the company should retain the advantage of innovative technology. Doole and Lowe (2008) pointed out the product life cycles are shortening more than ever before; the reason for this is that the increasing pace of technology means that a technical lead in a product is not likely to be held for very long, as competitors catch up quickly. Thus, the company faces much more pressure to find out about new, breakthrough products as quickly as possible.

Secondly, besides the innovative products, technology does not just affect the product, but also for the other dimensions, these are what scholars call the “enabling technologies”. Doole and Lowe (2008) explain there is no single technology; other aspects include the e-commerce, telecommunications, information management, computer aided design, process, and inventory and logistics management. Osarenkhoe (2008) concludes that the firms also have a high dependence on the technological tools, such as how the internet can reduce the costs of transactions. For the international trade, technology also shortens the distance between the countries.
Camuffo et al (2007) considers that technological knowledge also has an impact on the commitment decision. Besides, R&D internationalization has increasingly involved countries outside the developed world, and also there has been a growing trend for countries in East Asia to seek to attract the R&D facilities of MNEs (Chen, 2007). Therefore, the technological innovation is an important part of the R&D.
3. METHODOLOGY

3.1 Choice of methodology

Two research strategies that can be employed: quantitative and qualitative. A fundamental difference between quantitative and qualitative research strategies is about the theory. Quantitative strategy is used to test the theory whereas, in contrast, qualitative strategy is employed to generate the theory (Bryman & Bell, 2007, pp 28). Epistemological orientation is another aspect by which to distinguish these two research strategies; positivism is used in the quantitative strategy and interpretivism is used in the qualitative research. Lastly, from the perspective of ontological orientation, we should distinguish the difference between objectivism and constructionism (Bryman & Bell, 2007, pp 28).

Positivism advocates the application of the methods of the natural sciences to the study of social reality and beyond (ibid, pp 16). Interpretivism is predicated upon the view that a strategy is required that respects the differences between people and the objects of the natural sciences and, therefore, requires the social scientist to grasp the subjective meaning of social action (ibid, pp 19). Objectivism implies that social phenomena, and the categories that we use in everyday discourse, have an existence that is independent or separate from actors (ibid, pp 22). Constructivism implies that social phenomena and categories are not only produced through social interaction, but that they are in a constant state of revision (ibid, pp 23). In this dissertation, we will employ interpretivism and constructionism. We will collect data from different companies, combine our views to describe and explain "what, how, and why". We also consider it is important to find out which factor is missing in previous research; new variables deserve to be taken into consideration in order to build a thoughtful framework.

Eisenhardt (1989) recommends conflicting literature, which is an important goal in this study. The case studies are mainly built on personal interviews and complemented with secondary data, such as business magazines, annual reports and internal documents. Individuals who have taken part in the decisions and implementation of the companies’ internationalization decisions can be chosen as respondents. As the topic of this dissertation is, chiefly, about the export business of companies, thus, the target respondent will be either the export director, or someone else in the marketing department who is familiar with the export business.

In this dissertation, our purpose is to have a deep understanding of the firms’ specific advantages, which allow firms from both developed, and developing countries to enter the international market. Furthermore, we will construct a new theoretical framework instead of testing a theory, based on reviewing the previous theories and studies related to our research. We also explain how the variables influence the companies to enter international markets. Thus, we decided to employ the qualitative strategy in this dissertation.
3.2 Choice of research framing

The research framing chosen in this dissertation is case study. The strengths of the theory is that it is built from cases which include the likelihood of generating a novel theory, which is testable, and likely to be empirically valid (Eisenhardt, 1989). Multiple-case study is employed in this dissertation, and this method has become increasingly common in business and management research because the researchers can compare and contrast the findings deriving from each of the cases (Bryman & Bell, 2007, pg 64).

As to the multiple-case study, Eisenhardt (1989) also proposed three tactics: First, select categories or dimensions to look for the within-group similarities and inter-group differences; second, select pairs of cases, and then to list the similarities and differences between each pair; third, divide the data-by-data source.

In this dissertation, we will try to find the similarities and differences between the samples on the four variables, which have been stated in our theoretical framework.

3.3 Choice of companies

According to the purpose and delimitation of this dissertation, the companies which are chosen as examples should be in line with the requirement as follows: the samples are Swedish companies, companies belonging to the manufacturing industry; the products have been sold in the foreign market.

Both of the Swedish companies are located in Halmstad. In this dissertation, the authors decided to employ face-to-face interviewing for the Swedish company, thus, when we chose the sample, distance and cost should be taken into consideration. With the help of webpage http://halmstad.sireh.com/, we found all the companies which accord with our requirement in Halmstad and sent emails to these companies. Eventually, two companies agreed to participate in our interviews, and they were Getinge and Krönleins.

3.4 Data collection

3.4.1 Primary data

The case studies are mainly built on personal interviews and complemented with secondary data, such as business magazines, annual reports and internal documents (Eisenhardt, 1989). Individuals who took part in the decisions and implementation of the companies' internationalization, such as CEOs, export directors, area managers, export salesmen, presidents of subsidiaries, etc., were interviewed.

The semi-structured interview, one of qualitative interview types, is used in this dissertation. This kind of interview is less structured, and the interviewee can give the researcher his own point of view, so the researcher can get rich and detailed answers (Bryman and Bell, 2007). Bryman and Bell (2007) also suggest using the interview
A semi-structured interview guide was used, and included questions on the four aspects of the firm-specific advantages: market knowledge and experience, entrepreneur, networks and technology, which allow firms to access the foreign markets.

First of all, for the primary data from Swedish companies, we used the personal interview. Bryman and Bell (2007) list several limitations about the telephone interview when compared to the personal interview: the telephone interviewer cannot engage in observation; the telephone interviewer cannot readily employ visual aids such as show cards, and so on.

Eventually, Henrik Lundberg, who is the export director of Krönleins, and John Hansson, who is the marketing director of Getinge, participated the interviews. In the case of Krönleins, we carried on a conversation with Henrik Lundberg for 50 minutes; in another interview, it took us 45 minutes. Secondly, English is used during the Swedish companies’ interview. Before the interview, we sent e-mails to the interviewees to confirm that English could be used in the interviews. There were no limitations, either on the interviewers or the interviewees, in the conduct the interviews. The interviews are recorded with the permission of the interviewees; both authors took the notes during both interviews.

3.4.2 Secondary data

At present, it is popular among the students to use secondary data, both in quantitative, and qualitative, analysis. Secondary analysis offers rich opportunities because of the tendency for qualitative researchers to generate large, but under-explored, sets of material which can be a source of analysis data and, therefore, secondary analysis of qualitative data has become a growing focus for discussion and interest in recent years (Bryman and Bell, 2007).

In this paper, we still collect the secondary data. However, when we use the secondary data, we also keep in mind that quality data will accompany the difficulties with the re-use of qualitative data, such as the difficulty of making the setting, and the people anonymous and the problems involved in such re-use associated with promises of confidentiality (Bryman and Bell, 2007).

In order to search the useful secondary data related to our paper, we search articles from databases such as ABI, Science Direct, and Emerald. Furthermore, we use internet search engines, such as Google and Abide to get relevant written articles and academic studies and other useful data. We also visit the companies’ website to get access to the case companies’ annual reports, released papers and other relevant information.

3.5 Research criteria
Internal validity means whether or not there is a good match between researchers’ observations and the theoretical ideas they develop (Bryman and Bell, 2007). External validity refers to the degree to which findings can be generalized across social settings (Bryman and Bell, 2007). The interviewees in this dissertation both work in the marketing department, and are in charge of the export business, the information they offered about the facts and phenomena are precise. After the transcript, the “member check” is used. We sent our transcripts to all the interviewees in order to find if there had been any misunderstanding. In addition, the questions we asked were consistent with the framework. In addition, because of the theories which we used to construct the framework have been tested, and trustworthy data from the personal interviews obtained, the framework and the findings of the dissertation would also be helpful to understand how the firm’s FSA impacts on the internationalization process.

External reliability means the degree to which a study can be replicated (Bryman and Bell, 2007). Internal reliability refers to whether or not, when there is more than one observer, members of the research team agree about what they see and hear (Bryman and Bell, 2007). The framework, which is conducted in this dissertation, combines several classical theories, which have been tested and researched before in each field. Moreover, in order to avoid mistakes that can happen in the interviews, both authors participated in both interviews, took the notes, and transcribed them. Field notes for collecting data are also used. Throughout the dissertation, all the parts are accomplished by both authors, which means both authors express their opinions, and after discussing them, arrive at a much more thoughtful conclusion. The authors also sent this dissertation to the English supervisor in order to avoid the grammatical mistakes, this would also help readers have a better understanding.
4. EMPIRICAL FINDINGS

4.1 KRÖNLEINS

KRÖNLEINS is the fifth largest brewery company in Sweden. It is also the oldest private family brewery company in Sweden. Krönleins has a long and strong brewing tradition stretching back about 200 years, and across six generations, and its origins were in Germany. The company’s main products are beers and ciders, which are also their main exports. In addition to beers and ciders, Krönleins also produces and sells other kinds of drinks, such as soda, juice, wine and spirits. (Henrik Lundburg, 2009)

Krönleins has developed beers that are not only highly rated by the consumers, but also by beer experts and juries in international competitions and beer quality assessments. Krönleins has, since 1990, been given five international awards that the company and brewmaster has received with great joy and pride. What makes Krönleins Brewery extra unique is that the company is the only brewery in the world that has received both the Golden medal in the Brewing Industry International Awards and the Gold prize in the DLG-Prämierung. No other brewery has succeeded in this. (http://www.kronleins.se)

4.1.1 Market knowledge

As the first brewery in Sweden, Krönleins began to produce a high grade strong beer in the beginning of the 1950’s. The beer was given the name Three Hearts Export. In the beginning, the strong beer was made solely for export, since beer of this strength was prohibited in Sweden at the time. Norway was the first export market of the company, and then the company entered other Scandinavian countries--Finland and Denmark. According to the export manager, Henrik Lundburg (2009), there are two reasons for the company to choose the Scandinavian countries: one is that these countries are geographically close to Sweden, and the other is that the company has the unique products for the Norwegian market and these export products were not produced in Norway.

According to Henrik Lunburg (2009) of Krönleins, the company started to sell their products in the European market such as Germany, France, UK, Belgium, Poland, Italy, Spain, Portugal, and Greece, after successfully exporting to Scandinavian countries.

Three Hearts Export products were shipped across the ocean and exported all the way to the United States, with a shipping company called Broströms Tenderservice. Krönlein also managed to sell its beer to Africa, where the bottle caps were used in a most unexpected way. The natives of the Ivory Coast were delighted with the bottle caps with the three hearts printed on them and sewed them onto their clothes as lucky- buttons. They believed the buttons protected them from evil spirits.

At present, Krönleins sells their products in nearly 20 foreign markets all over the world. According to the export director, Krönleins has entered the Asian market, China, Hong Kong, and Thailand. In addition, the company also exports its products to the South
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America country---French Guyana. Recently, the company opened up a new market in Estonia. Krönleins went to the French Guyana market with help of the personal network of the CEO Hans Krönlein. The head of one distributor in that market is the brother of Hans’ very good friend (Henrik Lundburg, 2009).

According to their export manager Henrik Lundburg (2009), “You have to look at the selling position, product quality, price, and other tools of the marketing mix. Our experience in pricing and promotion really help us a lot in entering the foreign market, and the image of the product and the previous market knowledge makes us know much”.

4.1.2 Entrepreneur

The big change for the former Appeltofftska Brewery (which is the former name of Krönleins Brewery, under the control of founder, Anders Julius Appel Toftt), took place in 1920. After the engineer, Anders Krönlein, took over the majority stock of the company, extensive modernizations were made and the business grew. A new era began. New open fermentation tanks were bought. They were made of aluminum and now there was no need to take out the wooden vats once a year to rosin them, which took a lot of time and effort. The open fermentation tanks are still in use today. During the 1920’s and 1930’s, machines gradually took over hard manual work, like tapping, corking and labeling. For example, fully-automatic tapping machines were installed. The brewery was well ahead of its competitors and a lot of effort was put into product development. During the 1930’s and 1940’s, only beer of 2.8% alcohol by volume had been brewed - so called pilsner. It was now time to develop a stronger beer. (http://www.kronleins.se/about_history.asp?show=07)

Shortly before the next achievement, Anders Krönlein handed over to his son Hans. Hans Krönlein had studied at the most famous brew master school in Weihenstephan, Germany, and got a Brewing Diploma in this school. He first started as brew master in 1952 and fully succeeded his father in 1960. The next success came in 1965, when the so called "mellanöl", or medium alcohol beer, was introduced in Sweden. The beer contained less alcohol than strong beer and could be sold outside the government controlled retail chain Systembolaget. This was an injection which was badly needed by the beer industry. Krönleins had a best seller with a medium strong beer called Three Hearts Middle Beer. Structural changes were made in the beer industry, which also affected Halmstad’s two breweries. The competitor, Östra Bryggeriet, was bought by Krönleins in 1979. The same year, Krönleins also stopped producing their own malt.

Hans Krönlein was the head of the company until 1991 when his two sons, Carl and Tage, took over. However, Hans remains as head of the board of Krönlein. Although he is 82 years old now, he is still influential in company operation and strategies (Henrik Lundburg, 2009).

Before Hans Krönlein handed over to his sons, something of significance happened that supplied the finishing touch to a long and successful brewing career. He developed a beer that won first prize in the Brewing Industry International Awards 1990 for lager.
type beer. The beer was called *Crocodile Export Lager*, and was soon a success in the Swedish market, especially if one takes into account the small size of the brewery.

The main goal of the company is the same as the objective of the CEO Hans: to produce the best quality products in Sweden, or even in the world (Henrik Lundburg, 2009). In accordance with the goal of Hans, Krönleins has made remarkable achievements for a Swedish brewery in competition with 683 beers from 35 countries until now. These remarkable achievements facilitate the firms going abroad (Henrik Lundburg, 2009).

4.1.3 Network

**Supplier:** From the Krönleins’s official website, we can find the main ingredients used during the produce process are water, malt, hops, yeast, and raw-grain. Some of the ingredients are imported. For instance, malt is the main raw material used in beer making, and the malt used at Krönleins Brewery mainly comes from a malting in Denmark, which makes first grade malt. The aromatic hops Krönleins brewery uses are from Hallertau, Germany, while some other hops are from Czech Republic. Krönleins cultivates yeast in its own laboratory. However, the yeast originally comes from Germany with a very high fermentation grate.

Henrik thinks trust is important between the company and Krönleins’s suppliers. However, he does not think the supplier can help the company to enter the foreign market directly. As to the indirect influence, he thinks, to some extent, the suppliers can affect the development of new products, the flavor of the products and the knowledge of the trends in the market. Another advantage of having good suppliers is that they can enlarge the network of the company, which can also bring the new potential needs

**Consumer:** Whether the existing consumers can affect the ability of the company to enter the foreign market depends on the condition of the market and the degree of the saturation of the market. If we take cider as an example, the cider market in the UK is very saturated, where the competition is fierce, so it is very hard to enter this market, while in the Czech Republic, there is not any cider in the market. The consumers there like the sweet taste of this kind of product. Thus, it is considerably easier for the company to develop the cider market. Take China as another example; there are not many ciders in the market in China. The company can sell the alcoholic cider and beer quite well in Hong Kong, because the consumers like the sweet taste with alcohol. The company chose to enter China before the USA because the Chinese market is bigger than that in the USA. Krönleins sells 5.2% proof beer in China. All in all, the company always follows a principle, namely: “The consumer is the king!” If there is no demand, it can be impossible to enter the market without a fierce and costly marketing budget.

The reputation the company has built up is very valuable. The company has won several gold medals in the international competition. The consumer will consider there must be some magic behind of their product. These awards are good instruments to make the company appear to be professional, and make the consumer trust their products.

**Partner:** Partner network also plays an important role for the company’s development.
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When the company exports the products into a new country, like the Chinese market, the company chooses to cooperate with the Swedish company IKEA as an entry mode. The company considers IKEA as their vehicle and entry partner.

Krönleins has a new distributor in USA with its origin in Halmstad. The potential sales volume is very big in the USA, but the competition is tougher. When Krönleins enters the European market, the company would evaluate the sales representatives’ ability very carefully, such as their financial status, and the networks they have. In addition, the bank does not have an impact on the company.

4.1.4 Technology:

As to the technology, Henrik does not think it is important for the company. Compared to other companies, Krönleins does not possess the technological advantage. Krönleins produces their products in a very traditional way. Krönleins has no patents in the company.

However, Krönleins has the advantages as follows:

Firstly, Krönleins has the best quality raw materials for producing. As we mentioned in the network part, Krönleins imports the best materials from Denmark, Germany and the Czech Republic. Generally, it takes time to produce high quality beer.

Secondly, compared to other companies, Krönleins is more patient. The final taste and the character of the beer are mainly determined by the mashing procedure, in Krönleins, this process always takes 2-5 hours. The difference between the various types of beer depends on how much you heat the mash as well as for how long you heat it. The fermentation process takes 5-8 days. In addition, the ageing of the beer takes 2-10 weeks, and this varies with the type of beer. It is important that the storage time is not too short to get a well-stored, and pure, final product (http://www.kronleins.se).

Thirdly, in Krönleins’s brewery, the company follows the strict and traditional process of brewing the beer. Reinheitsgebot, sometimes called the "German Beer Purity Law", or the "Bavarian Purity Law" in English, is a regulation concerning the production of beer in Germany. The law originated in the city of Ingolstadt in the duchy of Bavaria on 23 April 1516, although it was first put forward in 1487, and concerns standards for the sale and composition of beer. In the original text, the only ingredients that could be used in the production of beer were water, barley, and hops. Krönleins is also very careful about the quality control. Krönleins tests its products in the laboratory to make sure the quality is good before selling them. For instance, the beer goes through pasteurization to destroy microorganisms before the filtered beer is tapped. It puts an effective stop to post fermentation in the bottle and taste changes over time are minimized. Pasteurization works as a security measure, in order for the company to be able to offer a final product that is of guaranteed high-quality.

The machines used in brewery are also traditional. For instance, the primary fermentation takes place in three different kinds of tanks: open tanks, lying tanks and
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the modern, standing, cylinder-shaped combitanks, among which the open tanks are unique nowadays.

As to the quality control, even though nowadays the new technology can shorten the process of brewing to within one week, Krönleins never cheats. “It contains no extra water, no taste additives.” The company promises that it never uses the “many beers from one” method, which means the brewery makes the higher alcohol beer first, and then adds water, or different other addictives, to make lower alcohol beer.

On the foreign market, Krönleins does not just satisfy the consumer demand, but also generates and stimulates the consumer demand. As Henrik said, some Krönleins unique products can generate the demand. For instance, in some countries, cider is not that popular. However, after Krönleins has entered those markets, the products sell well; China is one of those foreign markets.

Except for the product, technology does not have a special impact on the other dimensions. As Henrik said, Krönleins utilize ships and trucks to transport goods. As to the management system, they do not possess any advanced software or equipment. Among the few advantage of technology is that Krönleins has had its own homepage on the internet since 1995 (http://en.wikipedia.org/wiki/Kroenleins), the main advantage is that customers can order goods from the internet.

4.2 GETINGE

GETINGE is a leading global provider of equipment and systems that contribute to quality enhancement and cost efficiency within healthcare and life sciences. Equipment, services and technologies for infection control, operating theatres, patient hygiene, patient handling and wound care are supplied to customers throughout the world. The group comprises three business areas: medical systems (systems for surgery and intensive care), infection control (system equipment for disinfection and sterilization) and extended care (care ergonomics). The group currently maintains leading positions within the majority of the company’s product lines. (www.getinge.com)

4.2.1 Market Knowledge

The foundation for Getinge was laid in 1904 by Olander Larsson. The company manufactured and sold equipment for use in agriculture. The first step towards the current business orientation came in 1932 when the first sterilizer was produced and sold. In 1964, the company was bought by Electrolux and became part of an internationally active group. However, the business was not successful under the control of the giant Electrolux.

The company started to enter the foreign markets with the help of the existing networks of Electrolux. The first countries in which the company sold its products were the neighboring Scandinavian countries—Denmark, Finland, and Norway. According to marketing director John Hansson, the Scandinavian export activities started through the local distributors, but not through own established companies. Then the company
entered the European market, UK, France and Germany, respectively in 1975, 1981 and 1985 by acquisition. During 1978-1979, the company established subsidiaries in the US and Canada. Unfortunately, business operations were not very successful under the control of the Electrolux. The turning point happened in 1989 when Rune Andersson and Carl Bennet acquired the company and then a period of expansion and growth began. According to marketing director John Hasson, after 1989 the speed and scale of international expansion was increased considerably (higher speed and more acquisitions).

According to the marketing director John Hansson of Getinge, the company has occupied about 70%-80% market share of the home market. Getinge established its sales companies in Denmark, Finland and Norway in 1990 (Hansson, 2009). He said that these countries are geographical close to Sweden, with similar culture and language, which indicates that these countries are physically close to each other. He also mentioned that it is always easier to start to sell the product with the countries close to each other, having more similarities. In the same year, the company acquired the disinfection company Scott Western, in England.

After the Scandinavian countries, Getinge started to expand to the European markets. In 1991, a sales company was established in Poland, and sales offices were set up in Slovenia and Italy. In 1992, Getinge established sales companies in Austria and Hong Kong and a sales office was set up in China, starting its business in Asian markets.

According to John Hansson, when Getinge enters a foreign country, it usually first uses the local distributors. After several years, when the company gets enough knowledge and experience about the market conditions, it will establish a sales office or buy out local distributors there. When the market becomes more important to Getinge, the company will prepare to establish its own company in the market. In most cases, the company would buy the local distributors about 5 years later, instead of establishing its own company (John Hansson, 2009).

China’s market differs from other markets yet it is still a competitive market. The company needs to be in China to be able to compete in Chinese conditions. Getinge has distributors, and then the company knows the conditions of the market clearly after many years. It is the first time for the company to start a green field site and establish a new factory in a foreign country. As China is a strategic market, a major investment in the Chinese market began with the decisions both to establish the business area's own manufacturing base in Suzhou City, and to expand considerably the Chinese sales organization. In most cases, the company buys the leading company in the local market. (John Hansson, 2009)

In the past 15 years, according to John Hansson, the company has always bought and taken over the local leaders and integrated them into the company, in most cases in, for example, France, Italy and UK market. So Getinge’s explicit growth strategy is based on organic growth and the acquisition of leading businesses, with the aim of expanding. The most frequent entry-mode adopted by Getinge is acquisition and merge. At present,
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Getinge has seven plants in five countries. Sterilization equipment (pressure vessel production and assembly) is produced in Getinge, tabletop sterilizers in Skårhamn; both of these are in Sweden. Pure steam generators, and distillation units for production of high-purity water for the pharmaceutical industry, are produced in Lynge, Denmark. Sterilizers are assembled either at the plant in Getinge, or at local assembly facilities in China, Germany, the UK and the US. Disinfection equipment for the hospital market is manufactured in Växjö, Sweden; products for the life science industry in Toulouse, France. This equipment is also assembled at plants in Germany and the US.

4.2.2 Entrepreneur:
The turning point for Getinge was when Carl Bennet and Rune Andersson acquired the company in 1989. From then on, a new period of expansion and growth began, especially in the international expansion (John Hansson, 2009). These two entrepreneurs revived the operation of Getinge with increasing turnover by sixteen-fold in twelve years (http://www.getingeup.com).

Carl Bennet served as the president, and chief executive officer of Getinge Industrier AB between 1989 and 1997. According to the statistics of Business Week, Carl Bennet is connected to 70 board members in 9 different organizations across 6 different industries, such as being the chairman of the board of directors of Scanrec AB, Sorb Industri AB, Carl Bennet AB and Håells Modul-System, the chairman of The University College in Halmstad, a board member of AMS (the National Labor Market Board), a member of the Swedish Government's Research Advisory Council. He holds a Bachelor of Science degree in economics. (http://investing.businessweek.com)

The other new owner of Getinge, Rune Andersson is also a very successful entrepreneur. He is skillful in operating and rescuing companies from adverse conditions. For example, Rune Andersson was appointed as the CEO of the company Trelleborg in 1983, when the company was suffering from the financial loss. After that, the company had become a conglomerate, with a turnover increased by seven times and activities in many different industries. Rune Andersson has a technical education as a graduate engineer. He had been manager of the investment company Kuben, and was division manager in Eletrolux from 1977 to 1982. Just like Carl Bennet, he was also known as an expert in handling companies in crisis (Andersson, 2000).

In an interview Carl Bennet said,

“When Electrolux would sell Getinge, I realized immediately what opportunities there were in the company? The company sold a product that had high quality; it had a stable hospital-based customer and pharmaceutical industry and it had prominent positions. The only problem was that Electrolux had not given priority to the company. Year after year, the company had failed operations, until the company finally went with the loss. For a buyer, it was a dream situation. The price was low and it had great opportunities to develop. I made contact with Rune Andersson. We started negotiating with Electrolux and bought Getinge”. (http://www.examensguiden.se)
After the Carl Bennet and Rune Andersson’s purchase, Getinge began to expand its international market immediately and dramatically, which was affected by the management reconstruction of the company by the two entrepreneurs. As noted by Carl Bennet,

“The first thing we did was to dismiss the management. They had not managed to create a team spirit and had the employees to feel part of the business. It was fantastic, however, that when we had removed the old management so all knew exactly what they would do. It was as if they know all its deficiencies, but did not have a mandate to do something about it. Everyone wanted to take up the baton and rush off and begin to change operations. It turned out that the company took a huge process in improving knowledge and skills, something that the old leadership had not understood. We introduced the bonus of profitability, which meant that the employees were part of the company's success and encouraged them to do their best. He explains its basic philosophy in terms of a company's ability to develop. “(http://www.examensguiden.se)

Getinge’s strategy is based on three cornerstones: global market leadership, integrated solutions that contribute to significant process and efficiency enhancements for the Group’s customers, and proprietary distribution (www.getingegroup.com). Becoming the global market leader is the priority in the company’s strategy. In order to fulfill this strategy, the company has exerted all its power in international expansion. Getinge adopted different entry modes to foreign markets. Besides the exporting and setting up local sales offices, Getinge enters the foreign markets through merge and acquisition, especially European and North American markets.

According to Marketing Director John, the expansion decision nowadays is made by the leading group of the company. Strategy making is always done by teamwork, not just made by one person. The leading group takes the responsibility of determining the strategic position and decisions on the future expansion. According to John, most of the leading team members got their bachelor degrees in economics, science or engineering because it was not popular to get on master’s degree program at that time (most of them are over 40 years old). They have, however, a lot of experience and are very skillful in their professional area. Furthermore, When Getinge got into the Chinese market, the person who was the market director was the son of the doctor of Chairman Mao (John Hansson, 2009). This personal network can be seen as a good starting point to enter the Chinese Market (John Hansson, 2009).

4.2.3 Network

Supplier: Getinge has a lot of suppliers, who have been with the company for many years. Getinge has a central purchasing team for all factories, which are located in Sweden, the USA, China and other countries. The central purchasing team is organized to buy raw and simple materials for the company. The members in the team are divided so as to take responsibility for buying different materials. After buying materials from suppliers, Getinge adds much more value to these raw materials by producing their own products.
John Hansson told us the supplier cannot help them to enlarge the network and cannot help the company enter the foreign market.

**Consumer:** Before Getinge decides to enter a certain foreign market, like Japan, they do not initially focus on the consumer in that country. However, once the company as made the decision to enter this market, they will try to find out the demand of the consumers and about the different culture in the market.

John Hansson takes the language as an example when he illustrates the culture. When they enter the Chinese market, as the Chinese consumers use the Chinese characters instead of letters in the alphabet, it is difficult for the company to get to know Chinese consumers unless they can interpret the Chinese characters. On the other hand, the employees in the Getinge possess certain English skills, which make it easier for the company to enter the British market.

John Hansson considers the company’s reputation to be very important. Considering Getinge is the market leader, when employees present their company to consumers, they would feel confident and the consumer will be much more interested in their products.

Lastly, John Hansson states the joint venture is not employed when Getinge enters the foreign markets.

**Partner:** Except what we have mentioned about the importance of the distributor in the former chapters, John Hansson also emphasizes the distributor can help company enlarge the company’s networks.

With regard to the bank, Getinge is a financially independent company. Consequently, they rarely have business with the bank and only borrow small sums from the bank.

**4.2.4 Technology:**
According to John Hansson, Getinge belongs to a traditional industry, and their products are also traditional, only few of their products are of advanced technology, such as the Getinge 88 Turbo and Getinge 9100 washer disinfectors (The Getinge Journal, autumn 2008). In addition, the company owns quite few patents.

The products are almost the same as those of their competitors. However, the reason why Getinge can become the market leader is that they offer the high value-added products, from installation and validation to whole service plans. Getinge provides a variety of installation services, implementing products and providing in-service training for the customers’ personnel. The company’s validation services are designed to help the consumer maximize the performance of their equipment and consumable products so as to ensure that instruments are safe and ready for use. Flexible service plans means that, from routine preventive maintenance to emergency calls, Getinge provides fast and effective service. ([http://www.getinge.com/](http://www.getinge.com/)).

John Hansson states that for the company, there always exists the demand on the foreign market; what they should be concerned with is to compete with other players in the
same industry. The core competitive advantage is their value–added services.

Besides the product, the technology does not have a special impact on the other dimensions. Both transportation and logistics management are the same as with the other companies (Hansson, 2009).
5 ANALYSIS

5.1 Case Analysis

In order to access the influence of firm-specific advantages in firms’ international operations, we will analyze the sample companies by using the analytical model presented in the theoretical framework. The framework consists of four dimensions of the firm-specific advantages, which allow firm to enter the foreign markets.

5.1.1 Market knowledge

Both of the companies Krönleins and Getinge have ranked in the high position in the domestic market compared to their home competitors. From the perspective of the Uppsala Process Model, firms make their export debut when they have a strong domestic market base (Chetty and Campbell-Hunt, 2004). The strong domestic market also indicates that, before going abroad, these companies have got the enough experience in their domestic markets.

Krönleins and Getinge initiated their international operation from the Scandinavian countries because these countries have many more similarities, such as culture and language, and they know the conditions of these markets, and the behavior of the customers, better than the ones far away from their home market. It will be much easier for the companies to enter their neighboring countries, where they know about the market conditions and customers of the market. Firms tend to enter new markets with successively less psychic distance and, in most cases, less geographical distance (Johanson & Vahlne, 1990). According to Johanson & Vahlne (1990), experiential market knowledge generates business opportunities and is also consequently a driving force in the internationalization process. It is assumed to be the primary way of reducing market uncertainty. Thus, the firm can be expected to make stronger resource commitments incrementally, as it gains experience from current activities in the market. The more a firm understands a market, the smaller the risk to the psychic distance, and the perceived uncertainty, is (Andersson, 2000). Thus, firms enter the markets that they understand, see opportunities, and where the perceived uncertainty is low.

The international expansion of Getinge benefited a lot from the networks already created by its new owner –Electrolux. The internationalization process seems much faster, instead of small incremental steps as described in traditional process model. According to Johanson & Vahlne (1990), big firms, or firms with surplus resources, can be expected to make larger internationalization steps. However, the performance of Getinge was not good under the control of Electrolux. One of the reasons of underperformance may be the different industries Electrolux and Getinge had been located in, and the new owner did not put enough emphasis into Getinge. This means that Getinge did not get competent market knowledge at that time. According to Johanson & Vahlne (1990), market knowledge and market commitment are assumed to affect decisions regarding commitment of resources to foreign markets, and the way
current activities are performed. In addition, market knowledge and market commitment are, in turn, affected by current activities and commitment decisions. Knowledge obtained in the foreign markets drives the decision to commit more resources to those markets. So although the company can enter the foreign market rapidly through the existing distribution channels dramatically, the company could not be successful in the foreign market without sufficient of the necessary market knowledge.

In addition to the firm-level market knowledge, personal knowledge accumulation is also crucial to the firm’s internationalization (Brennan and Garvey, 2009). As to Getinge, the entrepreneurs Carl Bennet and Rune Andersson are sophisticated in international operations. Their personal knowledge supplements a lot towards the firm’s knowledge. Petersen et al. (2003) also highlight that companies can acquire crucial international knowledge by recruiting individuals with valuable international knowledge that they gained in other companies. According to marketing director John, the leading group takes the responsibility to make the strategic position and decision on the future expansion. These executives have a lot of experience and very skillful in their professional area.

5.1.2 Entrepreneur
The impact of the entrepreneurs on the firms’ going abroad is manifested through the strategy or decision making for the company. The international strategy making process is influenced by entrepreneurs’ interpretation of internal and external factors (Andersson, 2000).

 técnico Entrepreneur and Pull international Strategy
According to Andersson (2000), entrepreneurs’ interpretation of other factors will influence the internalization strategy. The CEO of Krönleins Hans has a good education in brewing, which make him proficient in the knowledge of the product. Entrepreneurs’ interpretation is based on their knowledge and background, such as education level, work experience and family influences. Education, training and workplace experience have been associated with the success of entrepreneur (Bates, 1997; Evans & Leighton, 1989; Greene, 2000). This education and work experience of the CEO not only makes him very proficient in product development, but also influences his interpretation of the environment and his interests. Influenced by the professional education in brewing, the goal of Hans is to produce best quality beer in the world. Furthermore, he takes the quality as the key objective of the company. That is one of the reasons why the success of the company comes from its high quality products. The reason for selling its product in Norway rests on the uniqueness of the product (Henrik Lundburg, 2009).

Due to the goal of the company to offer the best quality products, Krönleins has devoted itself to developing beers that are not only highly rated by the consumers, but also by beer experts and juries in international competitions and beer quality assessments. According to the entrepreneur’s classification of Andersson (2000), we can classify the CEO of Krönleins into the category of the technical entrepreneur. The technical entrepreneur’s main interest is technology, with his most important activities in strategy discussion in product and production development (Andersson, 2000).
entrepreneurs’ intentions and persistence in carrying out different strategies were the decisive factors for the firms’ early internationalization (Andersson, 2000). New products can become known abroad through the international network. International expansion can be viewed as a strategy pulled by product and production. In addition, many international awards also help the company in entering the foreign markets.

**The Structure Entrepreneur and international industry restructuring**

As we have discussed above, entrepreneurs’ interpretation is based on their knowledge and background, such as education level, work experience and family influences (Andersson, 2000). The sophisticated experience of the two entrepreneurs of Getinge makes the company survive and grow. They are the entrepreneurs who not only can identify the opportunities, but also are proficient in managing and restructuring the company. Entrepreneurial attitudes such as ‘willingness to change’ and ‘taking risks’, may be considered crucial prerequisites for success, especially under conditions of dynamic changes such as, for example, enlargement of markets in the process of EU integration with resulting challenges for necessary adjustments and strategic responses (Fröhlich, E.A., and Picher, 1998, p.63). Entrepreneurs can change strategy and corporate culture (Andersson, 2000). This change in strategy also had implications for the companies’ international behavior. Carl and Rune can be classified as the structured entrepreneurs (Andersson, 2000), who are trying to restructure companies and industries. Internationalization is not a separate goal, but a consequence of the overall strategy. These entrepreneurs saved the company from bad situation, and then revived the company to grow rapidly. This can be viewed as the fundamental conditions for the company’s international expansion.

According to Andersson (2000), the structure entrepreneur is an important actor, and he prefers acquisition and mergers to reduce capacity in the industries. The speed of Getinge’s international expansion after 1989 was increased a lot, and the most common way to foreign market is acquisition and merger.

Furthermore, the personal networking ability of key employees, the entrepreneurs, and their own networks, are very important for firms to go abroad. With the two Swedish firms, it is a key feature for the company to engage in international expansion. All of the company’s relationships depend on the personal relations. The trust embedded in individual ties, and the network at large, generally represents social capital that gives access to all other kinds of resources/capital (Coleman, 1989), as well as helping overcome institutional barriers (Araujo, Bowey & Easton, 1998; Honig, 1998). Getinge went to the Chinese market with the aid of the personal network of the former marketing director. The expansion to the South American market of Krönleins was also with the help the personal network of the CEO Hans. Building relationships is very important and the company needs to build trust between itself and the distributors, local representatives and consumers, as the firms also need to build relations through networking and to understand who is important in the market.

Entrepreneur does not affect the firms’ entry to foreign markets directly. However, the strategy of the company adopted by the entrepreneur has an indirect impact on the firm
going abroad (see figure 5.1).

5.3 Network
In both cases, the company has a stable relationship with each of the suppliers; Lundberg (2009) who is from Krönleins proves that trust is necessary between the company and its suppliers. Getinge owns many suppliers that have cooperated with them for many years. However, with the experience of entering the foreign markets, the interviewees from these two companies do not consider the internationalization process is affected directly by the suppliers. With regard to Krönleins, their suppliers offer the best quality ingredients. The standard of the materials is consistent with the image of Krönleins, the best quality materials, which are from suppliers, are the guarantee of the good products. Another advantage of Krönleins’s suppliers is that they help Krönleins find out about new trends in the markets (Lundberg, 2009). As to Getinge, the suppliers do not help Getinge go abroad at all. Although suppliers do not have a direct impact on the internationalization process, companies still need to maintain a good relationship with their suppliers.

The consumer is the most important factor for both companies. Krönleins and Getinge both take consumers into consideration. Companies try to find out the consumer demand and different cultures in the foreign markets before entering those markets. On one side, consumer demand is at the top of the list. “Consumer is the king” appears to be the golden rule in Krönleins. Companies need to find the demand first and then provide good quality goods in order to satisfy this demand. Consumer demand is the motivation for the company, and can make internationalization easier. Henrik Lundberg (2009) proves it is hard to enter a market without demand, or in a saturated market. In Getinge, it is necessary for the company to know what the consumer requires before entering the foreign markets. Because of the influence of culture, the requirement of the consumers in different markets must be different (Hansson, 2009).

On the other hand, both companies also care much about their reputation, the reputation can make them feel confidence when they introduce their products to the potential consumers, and the consumers would be interested in the companies’ products. The reputation of the company can help the company attract the consumer in the foreign market. Rhee (2003) concludes the advantages of a good reputation; they
are lower costs/higher price, growth in sales/status, protection against the market entrants, and increased return of actual quality. The manager or director from two companies think that a good reputation can make consumers consider that their products can be trusted and will become interested in them.

The issue of interaction and relationships between companies in industrial and/or international markets has been the subject of much research (Johanson, 1994). Jahanson and Vahlne (1990) pointed out that a company can benefit from the international experience of the partners from its network. When Krönleins entered the Chinese market, they found IKEA, another Swedish company, to be their partner. Considering that IKEA already has a certain number of consumers, Krönleins was determined to sell their products in Ikea’s restaurants, and this strategy seems to have been effective in the Chinese market.

In the 1960s, when Getinge internationalized, they entered the foreign market with the help of Electrolux. At that time, Electrolux had a good distribution network in many other countries. After Getinge had merged with Electrolux, the company used this network when they decided to enter the foreign markets. In this situation, the internationalization process became fast.

Nowadays, Getinge has 65 distributors across the world. When the company decides to enter a foreign market, they think that finding a local distributor is a smart decision. The reason is that the local distributor can get much more support from the government (Hansson, 2009). About five years after establishing a relationship with the local distributor, Getinge would buy and take over the distributor.

Therefore, interaction between companies and distributors plays a significant role during the internationalization process. This partnership not only facilitates the whole process but also can enlarge each network.

Johanson (1994) states that people’s traditional image of the banking industry is that the banks supply a stable support for the company. However, nowadays, this image has been questioned, and people are starting to query whether there is still a relationship between the bank and the company (Johanson, 1994). Krönleins and Getinge do not have a strong connection with the bank. Especially in this financial crisis period, John Hansson considers that it is safer to be a financially independent company. Thus, the bank is unnecessary for the financially independent company.

To sum up, different components of networks have different impacts on the internationalization process.

5.4 Technology
Although the samples we choose in this dissertation are from different industries, both of them are low-technology industries.

According to the IPLC theory, technology breakthrough firstly occurs in the domestic
market, and then goes to the developed countries, and the developing countries are last. However, the two cases in this dissertation do not follow this process. As we mentioned above, psychic distance can explain the internationalization process of both companies. Companies firstly choose the markets that are similar to the domestic market in geography, culture, language and other dimensions.

From the two interviews, we find the technology on products seems unimportant for both companies. The manager and director both think their companies are in a traditional industry. For the Krönleins, the ingredients are natural and additive-free, made from raw-grain. The method for brewing beer is also traditional and follows the rigid rule that has existed for several-hundred years. There have been no technological breakthroughs in Krönleins.

Besides the technology on products, from the interviews, we conclude that technology does not have a significant impact on other dimensions in either of the companies. Neither of the interviewees emphasized the importance of the technology. Both companies use shipping as the way of transportation and a normal logistics system. One of the few changes has been the development of the Internet as a way of enabling customers of Krönleins to order goods directly from them.

All in all, from the product perspective, both companies do not make much effort on the research and development of the products. The two companies each have their own reason: Krönleins intends to maintain their products as traditional as possible, Getinge’s strategy is value-added products; the main point is the service instead of the products. With regard to other dimensions, only e-commerce can help companies a little during the internationalization process.
6 CONCLUSION and DISCUSSION

6.1 Conclusion

Based upon background and problem discussion, we present a deep understanding of the firm-specific advantages that allow the firm to enter the international market by an investigation into Swedish enterprises.

By researching two case companies, the conclusion can be drawn that market knowledge and experience is a crucial, firm-specific advantage that facilitates a firm’s international expansion. Market knowledge and experience can be assessed as one of the most important advantages of the firm that helps firms enter the foreign markets.

Entrepreneur does not affect the firm’s entry to foreign market directly. However, the strategy of the company adopted by the entrepreneur has an indirect impact on firms going abroad. For example, the goal of Krönleins is to provide best quality products, and the interest of entrepreneur in products and production development will help the company establish competitive advantages among the competitors, and may lead to demand for the products from the foreign market, which also facilitate firms going abroad. The main task of Greeting’s CEO is rescuing and restructuring the company. Therefore, we can see that international expansion is one part of the firms’ strategy, or a consequence of the firms’ strategy.

Network also has an impact on the internationalization process in a direct or indirect way. For instance, companies can utilize the partners’ network to access a foreign market effectively. The good materials from the suppliers are the premises of the good products, and these products can make the companies more competitive on the foreign markets. However, the study does not find obvious evidence that technology does help firms enter the foreign markets a lot.

6.2 Discussion

6.2.1 Theoretical implications

Based on what we have discussed in this study, the contributions of this dissertation, or, more precisely, the contributions of the theoretical frame, are as follows:

Firstly, the samples we choose are both Swedish companies which manufacture and finalize their products and export to the foreign markets, differ from the research in Canada and the USA, and the companies are not limited to a certain industry.

Secondly, we take four variables into consideration when discussing firm-specific advantages, which is unlike the former research that just focuses on a variable, or focuses on the different variables.

Thirdly, this framework used in this dissertation is based on the well-known and
accepted theories, which would enhance the reliability of the framework.

6.2.2 Limitations

Although this study affords certain new insights, there are still some limitations that can affect the analysis and conclusion of the research. These limitations should be addressed in future research.

First, as this study reflects the researchers’ interests and values, this can have an impact on the research and therefore decrease the study’s trustworthiness.

Second, because of the nature of the research design, it is hard to draw any general conclusion based upon the results provided by this study, as it consists of only two case companies. Therefore, the limited sample size could affect the conclusion of this study.

Third, the cases selected in the study are confined to the Swedish companies, which are the companies in the manufacturing industry context, and thus there may be some inherent limitations existing in the specific industry and field.

Fourth, the case companies in this study are in Sweden. Sweden is a quite developed country in the European market. Clearly, replication of the study in different national environments in emerging economies, such as some African and Asian companies, should be warranted.

6.2.3 Further research

Further studies in this subject are also important, as it will not only give a broader view about the subject, but also a deeper and clearer understanding. Further research should be extended to select more industries, in order to construct a general theory on the firm-specific advantages that facilitates the firm going abroad. In order to back up and strengthen the results and conclusions in this study, further research which takes account of factors not covered in this study, is important.

Other factors such as nationality and size of the companies will also influence firm-specific advantages for going into the international market. This implies that some of the differences in the companies of firm-specific advantages could be related to firm-size, according to other models or theories, but this is not explored in this study.

The results of the companies from emerging countries or less developed countries may also be different from the results based on samples in this study. Therefore, it would be interesting to examine the firm-specific advantages of the companies in these countries.

Nevertheless, future studies are encouraged in order to expand to include the impact of other factors.
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APPENDIX 1. INTERVIEW GUIDE

The following questions will be used only for intended study and the answers can be treated confidentially if wished so.

A. Face sheet question
1. What is your role/title on the company?
2. Do you wish that you and/or your company are treated confidentially in this study?
3. Would you mind that we take the record of our interview?

B. Firm-specific Advantages (FSAs)

Part 1: Market Knowledge
4. Before going abroad, what was the market share of the company in its domestic market (market share)? And nowadays what’s the market share of the company in the international market, and what’s the market share of each foreign market?
5. Which foreign market did your company start with?
6. Why chose this market as the first market (Market choice)?
7. Which markets has your company entered after the first step to the foreign market? Why chose this kinds of markets?
8. Do the previous market knowledge and experience help the company in entering the foreign markets? If they do, could you give some examples how they help the company in entering the foreign markets?
9. Have your company drawn the future map of internationalization strategy? Is this plan influenced by the previous experience?

Part 2: Entrepreneur
10. Was there any person in your company who had a great impact in making the strategies?
   -If it is,
   8.1 What’s the background of the person or these persons, including education and previous working experience?
   8.2 What’s the personality of this person or these persons?
   8.3 What’re the main goals of your company’s strategies?
11. What do you think of the role of person networking ability in company’s international expansion?
12. Do you think personal networks (e.g. entrepreneurs or key staff) help the firm’s internationalization process?

Part3: network
Supplier:
13. How long has your company been working with your main suppliers for the foreign market? How about your relationship?

14. Can your suppliers affect which foreign market your company enters?

15. Do your suppliers help you enlarge the network? Can this make it easier to enter the foreign market?

**Consumer:**

16. How do the existing consumers affect and help you to enter another foreign market?

17. Can they affect the choice of entry mode? If they can, how do the consumers affect the choice of entry mode?

18. What do you think the reputation you have built affect the consumer behavior in the foreign market? Can the good reputation make it easier to enter another market?

**Partner:**

*In this part, partner includes the distribution, sales, bank...*

19. How do your partners help your company when you enter the foreign market?

20. How do your partners affect the choice of entry mode when your company enters a foreign market?

21. Can you evaluate how important your partner helps your company to go the foreign market?

**Part4: technology**

22. Is technology important for your company? Why it is important for your company?

23. Compared to your competitors, does your company have any technology advantages? Do these advantages help your company to enter the foreign market?

24. Does your company have some innovative products to satisfy the consumer demand of foreign markets? Does your company have some innovative products to generate the consumer demand of foreign markets? Can these products make it easier for your company to enter the foreign market?

25. Besides the technology advantages of products, is there any technology facilitate the entry of foreign market, for example, e-commerce system, telecommunication infrastructure of your company, logistics management, and transportation?