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*Subject:*

*Level and semester:*

## Abstract

This thesis aims to describe how Swedish firms have established themselves on the Japanese market with help from their business network. This research has been conducted in the light of the economic recession and the complicated Japanese business networks. We have chosen to use a qualitative approach and by doing so we received the three respondents' views of doing business on the Japanese market. We have focused this thesis on the importance of networks and relationships and have chosen to use new theories regarding business networks and business relationships for the base of our research and to link them with our empirical findings. The interviews conducted have been focused on three respondents who all have broad experience of the Japanese market. These three interviews have been compared to each other in our analysis and through this we have drawn our conclusions. We also give recommendations for Swedish firms who aim to establish themselves on this market.

## Preface

This bachelor thesis has been written in the course Business Administration with a profiling towards International Business.

We would like to direct a special thanks to our interview respondents Martin Nauc ler at Norden Machinery AB, Jacob Laurin at Smokefree Systems AB and P-A J rnestr m at Trelleborg Rubore AB. Without your contribution and cooperation this thesis would not have been possible.

Also we would like to thank our tutor Susanne Sandberg at the Linnaeus School of Business and Economics for her feedback and aid during our research process.

Thank You!

Kalmar the 27th of May 2010

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*"No company is an island" – (Ford et al 2003)*

## 1. Introduction

### 1.1. Background

#### **1.1.1. Globalisation and economic recession**

Over the last decades information technology has revolutionised the way people communicate with each other. This has of course also been a contributing factor why companies on different sides of the globe can do business and is a major contributor to the third wave of globalisation. This third wave consists of the IT evolution as well as the fact that more and more countries are being integrated in larger communities. The world is today more closely connected and it brings new aspects and effects to the different markets (Global Policy, 2010).

The current global economic recession is one thing that could not have turned global and instead stayed domestic if the world would not have grown this close and reached this level of globalisation. The current economic recession originated in the US financial system in the mid of 2007 (Shah, 2009). Since their financial system is widely connected to almost all the countries around the globe the crisis spread rapidly and resulted in a global economic recession (Global Policy, 2010). The subprime crisis occurred due to financial instruments, such as securitization where banks would sell loan for security. This resulted in that banks would loan more money in order to be able to lend more and create more securitization. This in turn led to that the banks debts increased and became a factor that contributed to the extent of the crisis. Hence it can be stated that this crisis has shown weaknesses in the global financial system and trust in the system as a whole has started to fall. These are some of the factors that have contributed to the massive layoffs stretching around the globe from Asia Pacific to the westernised countries and South America and the emerging countries in Europe (Global Policy, 2010), (Shah, 2009). Thereby it can be argued that the recent economic recession has been one of the worst

recessions that have affected the world. Which in turn mean that this is the harsh climate that firms act in today and will therefore be a significant factor.

### **1.1.2. Business Networks and Relationships**

When arguing that the economic recession had such a large impact on the world one could argue that it is due to that firms are more or less connected to each other through networks. While researchers today argue that firms are acting in complex business networks and the development of the firm will depend on a successful business relationship towards their business partner (Ford et al 2003). Hollensen (2007) describes business networks as a network where the actors are linked to each other through different kinds of relationships and their needs and capabilities are forwarded via interaction among the participants in the network. He also argues that the reason for these relationships is that firms are dependent on resources controlled by other firms and therefore cooperation must take place. When entering a new market the firm in question can either be present in a network and be regarded as an insider or not present which then is referred to as an outsider (Johanson & Vahlne 2009). They go on to state that if a company attempts to enter a foreign market as an outsider it will be suffering from the liability of outsidership that will complicate the entry to a foreign market. An insidership on the other hand is a necessity on the market, but is an insufficient condition for a successful business development.

Ford et al (2003) state that a business relationship may be built for a single transaction or it could last several years. Sales and purchases take place within relationships and the management of these relationships is a very important task for any company. They also state that the relationship must be beneficial for both actors otherwise it will not last whilst considering that firms act in networks and relationships towards each other. Companies are repeatedly involved in several relationships with firms that in turn are part of networks with other actors. Networks that companies are not a part of can be invisible to them since they do not have the privileged knowledge about it. For companies that are going through an internationalisation without this privileged knowledge difficulties with



acquiring customers and creating the necessary relationships for a successful internationalisation occur (Johanson & Vahlne 2009). They also argue that a sense of trust gives an actor the ability to predict a trusted actor's behaviour. Hence trust can be a substitute for knowledge when a firm trust a middleman to run its foreign business

### **1.1.3. Japan**

Japan is today the second largest economy in the world, in terms of GDP, surpassed only by the United States (CIA, 2010). Japan has during the last ten years suffered from two economical recessions, even if this has proven to be most difficult for this market Japan has recovered well and are still amongst the leading economies of the world. The Japanese GDP growth rate has started to increase again after two years of decrease. The last quarter of 2009 the Japanese GDP grew by 6 percent, this is good for a mature market such as the Japanese and the effects of the recession is starting to fade away (Trading Economics, 2010).

Vogel (2006) describes how the crisis during the early 1990s reformed the Japanese economy, the system that permeated the Japanese miracle in the 1970s and 1980s was no longer sustainable and the government made dramatic changes. The Japanese companies also made big changes during this time; they moved production overseas, switched supply sources and introduced merit-based salaries. He also states that the Japanese economy moved towards a US system but was unable to get there because of the vast changes that had to take place in all levels of the economy; this in turn meant that the Japanese continued with the culture of loyalty and long-term thinking.

### **1.1.4. Japanese business environment**

Concerning the Japanese business environment most Japanese firms define themselves by their stature within a net of relations and do not see themselves as independent actors in relations to others. Firms are more often engaged in large business networks to whom every actor are interconnected, these nets are often characterised by one strong actor in the centre of the organisation. The business network of relations is more known from the

outside as keiretsus, whilst the actor in the centre of a keiretsu is referred to as Sogo shosha (Lasserre & Schütte 2007). There are mainly six large keiretsu networks present on the Japanese market; these six actors define the Japanese business environment as a whole. Keiretsus are difficult to develop a business relation with since many firms within this system need to conduct business with each other and are at times not allowed to turn to outsiders. When it comes to internationalising for firms within the Keiretsu, the firms must use other member's equipment, knowledge, logistics and so forth. Thus making it close to impossible for outsiders to engage in new relations with these firms (Lasserre & Schütte 2007). However the keiretsu system have started to open up since the global competition has grown and the keiretsu actors have had growing demand of cheaper qualitative products to be able to stay competitive to foreign actors that enter the Japanese market (Kim et al 2004).

#### **1.1.5. Swedish Export**

During the decades after the Second World War Sweden and Swedish firms has become more and more export dependent. As the global demand for products and services has grown Sweden, and firms originating from this country, have taken advantage of this opportunity. Hence with the increase of foreign sales the living standards of the country started to rise and a dependency on export started to evolve. In the 1980s the Swedish export suffered from high inflation, fixed exchange rate and increasing bubbles on asset markets. The crisis that inevitably evolved from this forced the Swedish central bank to abandon the fixed exchange rate; this led to the depreciation of the Swedish Crown. This in combination with weaker domestic demand contributed to the increase in export in the years that followed (SOU, 2008).

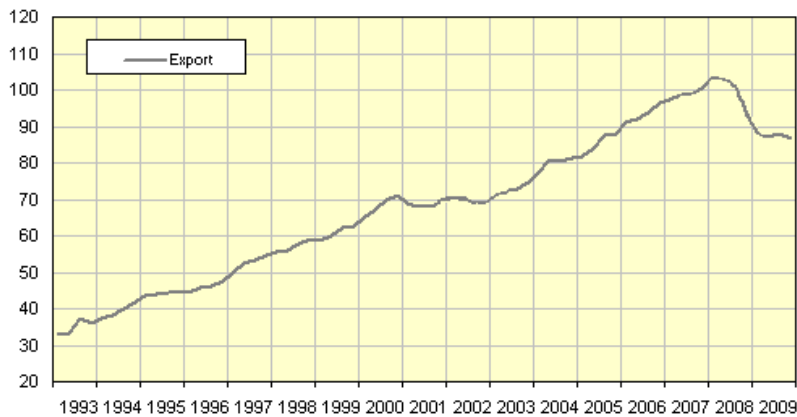


Figure 1.1: Export and import of goods and services. Index 2008: 100, Statistics Sweden I (2010)

As seen in the graph above Swedish export increased steadily up until 2008 when the economic recession started.

In 2008 Swedish exports were worth 1710 billion SEK which constituted 54% of the GDP. 55% of all the produced goods in the fields of agriculture, energy and manufacturing industry were exported (Swedish Trade). Hence it can be argued that export of products and services are essential for the continuing Swedish growth and welfare. According to Statistics Sweden, Sweden's main export trading partners are developed countries in Europe such as Germany, Norway and Great Britain. It can be argued that this is due to the geographic closeness, and that Swedish firm therefore are more engaged in maintaining and developing their business relations to these countries. Regarding the countries further away from Sweden the main export partners are China, Australia and USA. Japan can be found in 19th place on Sweden's major export partners. The graph below shows the Swedish Export to Japan, we can determine that the export since 2001 has decreased by nearly 50%. Both Japan and Sweden are developed economies and seeing that the world is getting smaller due to globalisation there should be potential for an increase of trade.

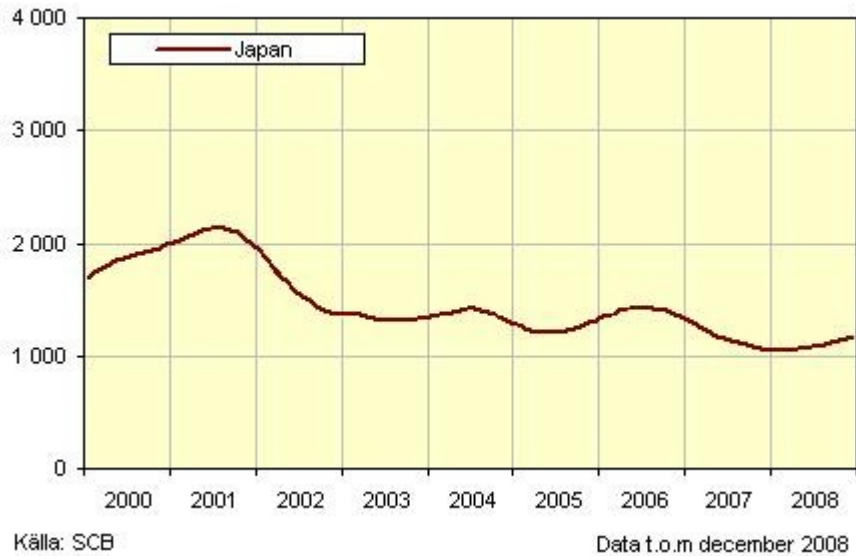


Figure 1.2: Swedish export to Japan, Statistics Sweden II (2009)

Therefore it is of concern that the Swedish export to the Japanese market has decreased in recent years, in volume as well as in share of Sweden's total export (Statistics Sweden III) (Swedish Trade). According to SOU (2008) the Swedish export to Japan has decreased more than the export to any Asian market during the period 1995 to 2006. This should be regarded as a disturbing fact, as already mentioned above, Sweden is an export dependent country and a decrease in exports will affect the country as a whole in a negative way, therefore it is important for Sweden to maintain a stable export environment to the leading economies in the world.

## 1.2. Discussing the problem

In February of 2010 Japanese export increased with 45% compared to the same month in 2009 (Horner, 2010). The import of products to Japan increased by 19% the first quarter of 2010 compared to the same quarter in 2009 (Japanese Ministry of Finance, 2010) this can be regarded as that the Japanese market is starting to recover after the economic recession that started in 2008. Firms connected to this market can seek to benefit from this phenomenon and strengthen their business relations to those firms that are related to this market. Hence by investigating the potential export possibilities to the Japanese

market Swedish firms can gain access to relevant business networks (Rao, 2006). Since both Sweden and Japan are mature markets, benefits of a rapid market growth will not be present; instead a successful penetration of this market will be dependent on the firms' ability of establishing a relevant business network and establish trust to their partners. Hence it is crucial for Swedish firms to maintain and establish business relations to those firms already present on the Japanese market. By maintaining and developing their business relations, Swedish firms could reduce the effects of the economic recession that they potentially have suffered in this market. The effects can be reduced since it is less difficult and resource demanding, when a sufficient business network already is established (Rao, 2006). However, establishing a business network on the Japanese market is regarded to be more difficult than to those in other countries. A contributing factor to this is the keiretsu systems that permeate the Japanese market (Vogel, 2006). Whilst considering that the Swedish export has gone down towards the Japanese market for several years, it can be argued that it is due to both the economic recession and the barriers of establishing a sufficient business relationship to a keiretsu system. In order to penetrate the Japanese market system Swedish firms should use their existing business networks in order to acquire a relationship to a keiretsu firm (Hollensen, 2007). Kim (2004) argues that due to the globalisation the keiretsu systems have lost some of their competitiveness. This is due to that firms within a keiretsu system, whom are to start an internationalisation process, must acquire their components and resources from other firms within their own keiretsu system. Even if this is the case the influence of these systems is still an issue of great importance in the Japanese market. Whilst considering that a Swedish firm has established a relation with a firm within a keiretsu network, this should provide greater opportunities for them in the Japanese market, and as Johansson and Vahlne (2009) describe it the former outsider can begin to be regarded as an insider. This leads us to formulating the problem:

### 1.3. Research problem

***How can Swedish firms' establishment on the Japanese market be explained by their relationships in their business networks?***

Which challenges have Swedish firms experienced while managing the business networks in Japan?

How do Swedish firms build and strengthen their business relationships on the Japanese market?

#### **1.4. Purpose**

The purpose of this study is to describe how Swedish firms have established themselves on the Japanese market with help of their business networks. The aspect of the difficulties of penetrating the Japanese markets tightly connected business networks will be discussed in relation to the Swedish firms. Furthermore we look into how relations within these networks have evolved during, and how they have been affected by the recent economic recession, due to that this is the reality that firms act in today. We will analyse three Swedish companies and their establishment on the Japanese market. Finally we will recommend how Swedish companies that want to establish themselves on the Japanese market can act.

#### **1.5. Limitations**

In this study we will focus on the Swedish firm's point of view in their internationalisation to the Japanese market while using their business networks. We will mention issues concerning the differences between the Swedish and the Japanese market but not go deeper into it. Entry modes will be mentioned but not be discussed in this thesis since we are focusing on the process of network and relationship building. No theories regarding the economic recession are being discussed since it is a new phenomenon and will be discussed in our final reflections merely as a climate which firms act in today.

## 2. Method

### 2.1. Research Approach

Our thesis is written with a deductive approach, according to Patel and Davidsson (2003) there are three different approaches: the deductive, the inductive and the abductive. Bryman and Bell (2007) describe that the deductive approach begins with looking at already established theories, and then formulate a hypothesis which is to be tested with empirical findings. They go on to state that this is the most common view of the nature of the relationship between theory and research. Patel and Davidsson (2003) state that with a deductive research the objectivity is strengthened because the point of origin for the research is in established theories not the subjective opinions of the researcher. The inductive approach is according to Bryman and Bell (2007) an opposite way of doing research, the researcher starts with observations and findings and the theory is the outcome of the empirical findings. The third approach described by Patel and Davidsson (2003) is the abductive one, they state that this approach is a mix between the inductive and the deductive with the researcher going back and forth from theory to data and vice versa. Bryman and Bell (2007) call this approach iterative. In our case a deductive study will be the most suitable, mainly because there are well established theories in place within the fields of network and relationships which we can apply to our study. Another benefit of the deductive approach is that we as researchers can remain objective when we have established theories as a steady ground to stand on.

### 2.2. Research Method

The research method we have chosen for our thesis is the qualitative approach. This is primarily due to the fact that we desired to further the depth in our research questions and not look at it as outside observers. Bryman (1997) argues that the quantitative method is looking at the reality as an outsider and in the qualitative method the researcher takes the roll as an insider. He goes on to state that the information found in a quantitative research is "hard facts" and in the qualitative method the information is rich and deeper. Denzin and Lincoln (1998) state that the word qualitative implies an emphasis on processes and

meanings that are not measured in terms of quantity, amount or any other measurable attribute. They go on to state that the qualitative researchers emphasise that reality is socially constructed, Bryman and Bell (2007) also state that a researcher needs to realise the difference between social science and natural science. They further explain that the natural science can not develop meanings to events and the environment, this is very much the case in social science and therefore it is imperative that the researcher sees through the eyes of the study object to find things that cannot be seen as an outsider. Because we do not measure our results in the terms stated above a qualitative research method will be suitable for our thesis, the business networks are socially constructed and hence, the reality of it is also socially constructed. Bryman (1997) argues that the most significant part of qualitative research is the willingness to see something through the study objects perspective, Denzin and Lincoln (1998) state that qualitative researchers presumably gets closer to the study objects perspective by detailed interviewing and observation. To fully understand the reality of our research question we think that a deeper investigation is suitable. We are also looking for rich information not just hard facts and by adopting a qualitative method we feel that we have the instruments to acquire it.

### 2.3. Research Strategy

As showed in the figure below Yin (2009) describes that there are five different research strategies for any researcher to use.

Method	Form of Research Question	Requires Control of Behavioural Events?	Focus on Contemporary Events?
Experiment	how, why?	Yes	yes
Survey	who, what, where, how many, how much?	No	yes
Archival Analysis	who, what, where, how many, how much?	No	yes/no
History	how, why?	No	no
Case Study	how, why?	No	yes



*Figure 2.1: "Relevant Situations for Different Research Methods" Yin (2009) p. 8*

We have formulated our research questions with "how" in order to get a broader understanding of the phenomenon, because of this, according to Yin (2009) the survey and archival analysis strategies are not applicable on our thesis. We do not want to control the behaviour, nor do we want to manipulate it somehow in our study and since our research object is a contemporary event the only alternative we have left if we follow the figure is the case study. Bryman and Bell (2007) state that the case in a case study is an object of interest and the researcher is looking to provide an in-depth description of it. Yin (2009) describes the case study as empirical research that looks into a contemporary phenomenon comprehensively in its real life context. Both of these definitions further strengthen our choice of research strategy.

Yin (2009) describes that there are four types of case studies to choose from. The first variable is the single case design and the multiple case design. The single case type focuses on one study object where as the multiple case design looks into more than one study object. The second variable is whether the case study investigates one or more units within the case. These two different types is called holistic, when one unit of analysis is used and embedded where several units of analysis is used. The design of our thesis will be the multiple case holistic design because we look at several firms and look at the company as a whole which gives us one unit of analysis. The benefits received by looking at multiple cases for us is that we can find out how different companies work on the Japanese market and see if one strategy works better than another. We would get a clearer picture of how the companies work by adopting an embedded strategy and investigate different parts of the companies, due to lack of time and the difficulties of arranging that many interviews this could not be done.

## 2.4. Data collection

There are two ways of collecting information for the empirical base. Bryman and Bell (2007) divide them into primary and secondary data. The primary data is the data the

researchers collect themselves when working with the research project. The secondary data is data collected by someone else, this data is most of the time collected for another purpose than that of the research project at hand but despite that it can be of value for the researchers. In our study the primary data consists of the interviews we have conducted, these interviews and how they were conducted is described below. The secondary data we have collected is used to complement the primary data and is mainly taken from the companies' webpages. The information collected this way handles company history and exact years and other numerical information that can be hard for our interviewees to keep in their heads.

## 2.5. Interviews

### **2.5.1. Structure**

Merriam (2009) describes that there are three different kinds of interviews to undertake when performing research. Those are the highly structured/standardised, the semistructured and the unstructured/informal. Bryman and Bell (2007) state that the structured interview form is best suited for quantitative research, because the researcher is looking for exact answers that can be processed quickly and the structured interview form is designed for that purpose. They go on to state that the semistructured and the unstructured interviews are better fit for qualitative research since it gives the respondent more freedom in his or her answers. In our study we are looking for our respondents' opinions and thoughts when performing our interviews so we have to choose between the semi-structured and the unstructured approach.

Merriam (2009) argues that interviews in qualitative research most often are characterised by open-ended questions and not very structured interview scripts. Bryman and Bell (2007) state that the unstructured interview tends to be similar to a regular conversation between a number of people. The interviewer's role is only to start the interview with a single question and then respond to interesting points in the interviewees answer. They go on to define the semi-structured interview as the form where the interviewer has a list of questions to be covered, also called an interview guide. However

the interviewee has a lot of freedom in his or her answers. Questions that are not in the original interview guide can be asked if the interviewer finds something important that needs looking into. They also state that a semi-structured interview is suitable when performing a multiple case study because some structure is required to be able to use the results in the final analysis.

In light of this we are confident that semi-structured interviews are the best fit for our study. To give the interviewees freedom to express their thoughts and opinions but at the same time be able to compare answers from our different respondents is a prerequisite for success in this thesis. The semi-structured interview design also needs some effort from us as interviewers; Bryman and Bell (2007) argue that flexibility in the interview is a must, to follow up leads on interesting topics but at the same time sticking to the subject at hand. They also state that audio recording equipment breakdown is something that researchers must be aware of. Since we were three persons interviewing we tried to solve these tasks by dividing responsibilities during the interview. One person was responsible for taking notes should the recording be inaudible, the other two were more engaged in the interview and asked follow up questions and observed the interviewees body language when possible.

### **2.5.2. Selection**

Bryman and Bell (2007) argue that some of the lack of transparency in qualitative research has its base in the selection of interview objects. Researchers that are trying to replicate a study might find it hard to understand how the research objects were selected. In this section we will try to describe how we chose our interviewees.

When selecting research objects for our thesis we looked at companies that have the required knowledge to contribute to our work, the size of the companies do not matter in our research. The first and most obvious aspect is that the companies studied must be active on the Japanese market, if a company is not present on the Japanese market it is our firm belief that they do not possess the required knowledge. The second aspect is that

we have to get in contact with the person who is responsible for the company's actions on the Japanese market. This was done by contacting the selected companies and introducing our research to create an understanding of our work. The companies then responded and recommended a person in their organisation who had knowledge of the Japanese market and handled their activities on it. Below we will present the companies and the people responsible for their activities on the Japanese market who we have interviewed.

Norden Machinery AB, henceforth called Norden, is our first research object, they have been exporting to Japan since the early 1960s and today they are working with an agent in Japan. Martin Nauc ler is the sales manager for the Chinese and Japanese market in the company, Nauc ler regularly visits the agent Norden work with in Japan as well as the customers they have in Japan. Therefore Nauc ler is a person who possesses the required knowledge and experience to answer our questions. The interview with Nauc ler took place at his workplace in Kalmar and lasted for about an hour.

Smokefree Systems AB, henceforth referred to as Smokefree Systems, is our second research object, they established a subsidiary in Japan in 2008 and work with a network of partners both in sales and in service. Country manager Jacob Laurin has been involved since the beginning of Smokefree Systems establishment and has responsibility for the operations on the Japanese market. He also works close to the market at the office in Tokyo. The interview with Laurin took place at Hilton Hotel in Malm  where he was staying during his visit to Sweden. The interview took about one hour.

Trelleborg Rubore AB, henceforth called Rubore, is our third research object; they have been present in Japan for 15 years and have one person employed there today. The regional manager for Asia Pacific is P-A J rnestr m, he has been involved in the establishment since the start. Since he has responsibility for more markets than the Japanese he works out of the office in Melbourne. The interview with J RNESTR M was a telephone interview because of the distance between us and lasted about half an hour.

### ***2.5.3. Interview guide design***

When designing our interview guide we formulated the questions so that the interviewee had room to give us his opinions and thoughts. Bryman and Bell (2007) state that one of the main ingredients in a good interview guide is to formulate it so that listening to the interviewee will be the first priority. They go on to state that the interviewer should be active but not intrusive in the conversation. Patel and Davidson (2003) state that the interview guide should contain questions regarding every part of every research question in order to collect a stable empirical base. They also describe that the researcher should avoid leading questions. When we designed our interview guide (see appendix) we looked at our research problem as well as our theoretical base in order to formulate relevant questions. The "why" questions are merely follow up questions and is used when we desire more information.

### ***2.5.4. Interview conduction***

When planning our interviews we tried to arrange face to face interviews with the interviewees. In one case this was not possible because he is working and living in Melbourne, Australia. In this interview we used telephone communication. Bryman and Bell (2007) state that there are one big disadvantage when conducting telephone interviews and that is the lack of being able to engage in observation. The interviewer is unable to see the body language and facial expressions and therefore it is impossible to act to such signs. When conducting our telephone interview we paid extra attention to the tone of the interviewee's voice in order to find out if he had any uncertainties and tried to help him by making the question extra clear if that was the case.

### ***2.5.5. Situational constraints***

Another aspect of our interview planning was that we wanted the interviewees to feel as comfortable as possible when the interview took place. Denzin and Lincoln (1998) argue that the situational constraints that can affect the data collection are an important aspect

of qualitative research. We tried to minimise stress by informing the interviewees beforehand approximately how long the interview would be. This timeframe proved to be extremely generous and there were no signs of stress in any of the interviewees. We also wanted the interviewees to feel as confident as possible with the surroundings in which the interview took place; we simply asked the interviewees where they believed it would be most suitable for them to meet. When interviewing Nauc ler at Norden we sat down in a meeting room at Norden's office in Kalmar, we got the feeling that Nauc ler felt at home here and he was relaxed throughout the interview. When interviewing Laurin we meet him at Hilton Hotel in Malm , this was not optimal but we found it to be better than conducting a telephone interview. Despite the fact that Laurin was not at a site where he is every day he seemed relaxed and the interview went smoothly without any distractions. When interviewing J rnestr m we conducted a telephone interview, as stated above. He seemed comfortable with the use of telephone as a way of communication, the fact that there was no background noise we concluded that he was situated at a location where he was alone and without distractions.

### **2.5.6. Documentation**

We recorded all our interviews and also transcribed them. Bryman and Bell (2007) state that in qualitative research that is the most common way. They go on to state that qualitative researchers are not just interested in what is being said but also in the way it was said. Bearing these aspects in mind we recorded as well as taking notes during the interviews and then transcribed them so that every aspect of the interview was stated in the transcription. Bryman and Bell (2007) also argue that some interviewees may react negatively to the fact that their words are recorded and preserved and because of this feel reluctant to answer questions as rich and deep as the researcher wants. We kept this aspect in mind when conducting our interviews and asked our interviewees if they felt comfortable with the fact that the interview was being recorded and there was no one who objected to this.

## 2.6. Method Critique

The critique against qualitative research is described by Bryman and Bell (2007). The first point of critique is that qualitative research is too subjective because the findings rely on the researcher's views about what is of significance and importance. The second point of critique is that qualitative research is difficult to replicate, the interviews are to some degree unstructured and the researcher asks questions that might not be in the original interview script. The problem of being able to generalise the results of the research across different social settings is also a problem for the qualitative research. This is due to the small samples that are being used; these small samples cannot represent a bigger population. The final point of critique the authors write about is the lack of transparency in qualitative research; the reader might find it hard to establish what the researcher actually did in the research and how he or she came to a conclusion.

### **2.6.1. Reliability**

Svenning (2003) states that the term reliability means that the results should be trustworthy, if nothing changes in a certain study object or objects then two studies with the same method and the same purpose shall give the same result. Bryman and Bell (2007) divide the term reliability into external and internal reliability. The external reliability reflects how the study can be replicated by another researcher. This is very hard to ensure in qualitative research as no one can freeze a social situation or the circumstances at the point of the initial study. The internal reliability reflects, when there is more than one researcher to which degree they agree about what they see and hear during interviews.

We strive to ensure reliability in our thesis by consistently describe how we use the different materials so it will be easier for another researcher to replicate our work. As stated above it is impossible to freeze a social situation so it will be impossible to guarantee that an exact replica of our thesis can be made but we can at least do our best to help future researchers. The internal reliability is strengthened by the discussions we have

when there is doubt regarding interviews. Throughout the work process we have had an open communication and have strived to straighten any question marks.

### **2.6.2. Validity**

Validity has a wide variety of explanations. However the most common usage of validity is to divide it into two sub segments, internal and external validity. Bryman and Bell (2007) refer to the internal validity as whether or not, there is a good match between researcher and the theoretical ideas they develop. Svenning (2003) argues that the correct questions are asked to the right person, and the right theoretical tools are used at the right time. The external validity are by Bryman and Bell (2007) referred to as whether or not the findings can be generalised across social settings, this is a problem in qualitative research since its use of small samples and case studies. Svenning (2003) states that the external validity is the project as a whole and the author's ability to generalise a study to theory. The achievement of validity is easier in a quantitative research project than in a qualitative research project.

To ensure the internal validity of our thesis we have worked with well established theories that fit in to our research question. The people we have interviewed for our empirical base have personal experience of the Japanese market and two of them have been in their respective company since the start of the internationalisation to Japan. Nauc ler at Norden is the only one of our interviewees who did not participate in the first stage of internationalisation, however he has worked with Japan for a long time and travels there regularly. As stated above the external validity is a problem in qualitative research, we have tried to solve this problem by researching companies from different industries they have also operated in Japan for various time.



### 3. Theory

This chapter will be used to link our research field of Swedish firms' relationships and networks to the complex dimensions involved in these processes. By using validated research in the field of relationship and network theory we will account for what other researchers have discovered in their research. By investigating the nature of relationships and network we will after this chapter apply these theories in our own study.

#### 3.1. Network

Companies are repeatedly involved in a number of relationships with firms that in turn are involved in relationships with other actors and thus part of a network (Johanson & Vahlne 2009). Through the firms network they get information about each other but also about actors outside the firms network (Andersson, et al 2002). This is because actors outside the firm's network have their own network of nodes that may have contact with someone in the firms network (Johanson & Vahlne 2009).

##### ***3.1.1. The Uppsala Internationalisation Model***

Also known as the stage model, in this model the authors attempt to explain how a company's internationalisation evolves over time. The model has two variables; the first one is the market commitment which explains to what extent the company is committed to the foreign market. The first step is no regular or sporadic export, the second is independent representatives, the third a foreign sales subsidiary and the last and most committed stage is the foreign production and sales subsidiary. The other variable in the model is the geographical diversification. Here it is assumed that companies start to export to a market which is psychically close to their own. The psychic distance is defined as differences in language culture and political systems. As the company gains experience from internationalisation they get more geographically diversified and more committed to the foreign markets (Johanson & Vahlne, 1977). This model has been revised since 1977 by Johanson and Vahlne in 2009 and is just to be seen as on what

basis the revised model is built. The revised model will be used in our thesis in order to analyse the firms operations.

### 3.1.2. Degree of Internationalisation

A firms degree of internationalisation shows to what extent the firm has positioned itself in different foreign networks, how strong those positions are and how integrated they are in the networks. They also argue that the network model has consequences for the internationalisation of the market. The degree of internationalisation in the market is measured in how prone customers are to purchasing from foreign suppliers (Hollensen, 2007).

Hollensen (2007) categorises the factors of the degree of internationalisation for the firm and the market in the model below.

		Degree of Internationalisation in the Market	
		Low	High
Degree of Internationalisation of the Firm	Low	The early starter	The late starter
	High	The lonely international	The international among others

Figure 3.1: Four cases of Internationalization of the Firm, Hollensen (2007), p. 73

#### The early starter

Here competitors, customers, suppliers, and other related firms are not engaged in any major dependent international relationships with each other but the firm have started looking towards foreign markets. Hollensen (2007) argue that this stage would gradually evolve the firm to the next stage the lonely international.

### The lonely international

Under these conditions the firm have experience of foreign relationships. The firm has acquired knowledge and other resources needed to handle the differences in business culture, language and other aspects of a foreign market. This information is also helpful when positioning the firm in a foreign network. The initiative of the internationalisation does not come from the firm's network and relationship basis since these are more often less internationalised. Instead the focal firm can be used as a bridge for their suppliers to connect them with other actors on the foreign market (Hollensen, 2007).

### The late starter

During these conditions a less internationalised firm can be pulled out of the domestic market by its customers and suppliers, this is due to that the customers and competitors are international. Here Hollensen (2007) differentiate between SMEs and LSEs since the step abroad can be rather large in the beginning. The difference is mainly that SMEs tend to be more specialised and flexible than LSEs. Compared with the early starter the late starter can find it more difficult to establish positions in tightly structured networks, as an example distributors are most likely already linked with competitors.

### The international among others

Here the firm have the possibility of using its position in a network to connect to foreign networks. In this stage coordination is vital for the firm's international operations to make it more effective. The firms operations may make it possible to utilise its production capacity for sales in other markets, in turn this can lead to production coordination by product specialisation and increased trade between markets (Hollensen, 2007).

## 3.2. Network Components

In this section we will account for those components that are the cornerstones for a business network and those factors that drive a firm to engage in business with other firms. This part will be used in our analysis to see how the firms have used and developed their network with their foreign partners.

### **3.2.1. Opportunistic conditions**

Shane (2000) argues that opportunity discovery is a function of the distribution of information in society. The author also agrees with Johanson and Vahlne (2009) that when recognising opportunities it involves discovering what is so far unknown and it is a result of entrepreneurs being alert and prepared for surprises. This view shows that the opportunity recognition of firms is linked with the ongoing business activities rather than by means of specific opportunity seeking activities (Johanson & Vahlne 2009). This observation is supported by Ellis (2000) that states that entrepreneurs are far more likely to recognise opportunities through social ties. The recognition of opportunities is most likely to be a result of the ongoing business activities in the firm that increase the existing stock of knowledge (Andersson et al 2002). The vital part of that increase is knowledge of the own firm and its resources, especially external that are to some extent available through network relationships (Johanson & Vahlne 2009).

Before the firm get an increase of knowledge about the external resources it does not have any privileged knowledge about the external resources necessary for recognising an opportunity as the firms privileged knowledge is of its own resources (Brown 2001). Therefore they should focus the opportunity analysis on their own resources. The recognition of opportunities is often a result of an unanticipated strategy distinguished by luck and endeavour, pooled with alertness and flexibility. If the opportunity itself emerges as a consequence of the privileged knowledge shared between the partners and the relationship that they develop during their interaction, then this knowledge can help them to see opportunities that other actors do not. Additionally the partners may understand and recognise different ways in which their unique resources match (Johanson & Vahlne 2009).

Opportunity discovery and opportunity creation is often mentioned in opportunity research and the assumption that there are existing opportunities on the market waiting to be recognised or created and realised by one of the companies (Brown 2001). Johanson and Vahlnes (2009) view is that the process of opportunity development includes elements of both discovery and creation. It is an interactive process distinguished by gradually and in sequence increased learning and commitment to an opportunity the trust that is built between the partners is an important part of smoothing the procedure. Exploitation breeds exploration, at least for the type of opportunities that the market included. While exploitation is risky, that risk can be reduced by progressing in small steps and building successive commitments. They also point out that the market derived opportunities will be discovered and created at the boundary of the firms where the necessary relationship experience exists.

Elfring and Hulsink (2003) argue that in the early phase firms must access, mobilise and deploy resources in order to exploit the opportunities they localised. Johanson and Vahlne (2009) state that firms to some extent are risk takers even though entrepreneurs try to calculate and minimize it. They also observe that companies gradually enter into modes of operations that can be seen as more risky but also more controllable and potentially more beneficial. Increased knowledge and commitment make such risk taking desirable and possible. Entrepreneurs behind international new ventures are expected to optimise the choice of mode of operation depending on the limitations on resources and exterior prospects (Brown et al, 2001). Companies of today use a wider range of entry modes and it is often stated that globalisation, rapid technological change and deregulation force companies to cooperate, in order to be able to gain the resources necessary to exploit larger and constantly changing markets. Companies often switch from a start of relying on external resources to an internal operation when there are predictions for better efficiency and growth and the firm have a performance that makes internalisation achievable (Johanson and Vahlne 2009).

One certain point Johanson and Vahlne push on when dealing with uncertainty is that “firms need to learn, and to create or strengthen relationships in order to exploit opportunities” (Johanson & Vahlne 2009, p. 13)

### **3.2.2. Entering a network**

Foreign market entry should not be studied as a decision of modes of entry, according to Johansson and Vahlne (2009), but should instead be studied as a position building process in a foreign market network. This is contradicting to the network model that states that actors link to each other by exchange of relations, and the actor’s needs and capabilities are solved through the interaction in their relationships with each other. Hence the network model states that a firm engages in a relationship in order to gain access to resources that are controlled by other firms (Hollensen, 2007).

When entering a new market the firm in question can either be present in a network (insider) or not (outsider). If a company attempts to enter a foreign market as an outsider it will suffer from the liability of outsidership that will complicate the entry to a foreign market. An insidership on a market is a necessary but insufficient condition for successful business development. Business relationships are multifarious in their nature. They are based on trust and mutual knowledge, and they comprise intentions, expectations and interpretations. This makes the relationship hard to understand from those not personally involved and even less can be controlled from the outside (Johanson and Vahlne 2009). Only the insiders can tell if the effort spent on the relationship is worthwhile, thus outsiders cannot tell if the insider is investing in the relationship or if they divest from it (Forsgren et al 2005).

A company can enter a new market even though they start of as an outsider. The firm can have a potential partner inside the target market that can contact the focal firm and create an initial inside opportunity (Johanson & Vahlne 2009). Since entering a network as an outsider is resource demanding and requires that other firms are willing to adapt their

ways of doing business to their new counterpart; a network entry can be the consequence of an insider in the network who takes the initiative of engaging in a relationship (Hollensen 2007). This can for example occur when the focal firm is contacted by a company on the home market that need to deliver to the focal firms target market (Johanson & Vahlne 2009).

### **3.2.3. Accumulating knowledge**

Nahapiet and Ghoshal (1998) argue that learning takes the form of social capital and requires the firm to devote resources to this phenomenon to gain access to knowledge and other networks. Johansson and Vahlne (2009) state that the firms lack of business market knowledge is linked to its business environment that is consisting of the firms with which it is doing business or trying to do business with and the relationships between the firms in this environment. This lack of market explicit business knowledge constitutes the liability of outsidership; this theory is supported by Sasi and Arneius (2008) which argue that a firm with a social connection has a higher chance of succeeding in its internationalisation process with an insider.

Forsgren et al (2005) describe that business relationship building is a way of learning about a partner's strategies, capabilities and needs. They go on to state that business relationship building is a process that two firms go through as a result of their interaction, this leads to increased commitment as well as trust between the two parties.

Johanson and Vahlne (2009) state that companies that internationalise to a foreign market have complexities associated with learning. They have to, among other things, identify the relevant market actors in order to determine how these are connected in an often invisible complex network. Patterns like these can be identified only by actions of the entering firm which causes a chain reaction that makes other market actors reveal their ties to each other. By learning about the networks the entering firm can gain important knowledge helping the entering firm to overcome the liability of outsidership. Forsgren et al (2005) view knowledge as a thing that is very hard to transfer outside the business

relationship, so for an outsider to gain information stocked within the network will be very difficult. They also state that interactions between two parties in a business relationship present the opportunity of passing knowledge to each other; this knowledge is unique to the business relationship and is embedded in the system the partners have created together. Hence the business relationships are crucial for the development of competence, new products and processes as well as modifications of old ones.

Andersson et al (2002) describes how subsidiary knowledge of the foreign market and its foreign business network can be a competitive advantage for the entire company if it can be transferred correctly. They state that the foreign subsidiaries network can be a competitive advantage for the subsidiary itself as well as other parts of the company.

#### ***3.2.4. Power positions in the network***

Since the partners are interdependent within a business network a power relation also arise between them. This control is not just restricted to the direct exchange between the partners. It may also concern partners' strategies and relationships with others (Forsgren et al 2005). In order to measure a network position there is three variables of importance. The first concerns the relative importance of the units. In order to determine the most important actors surrounding the subsidiaries must be identified as well as the resources that these units control. Then the counterparts must be taken in consideration, whether they are inside or outside the network division because these counterparts can be essential for the subsidiaries when it comes to their importance for product and production development, sales volume or knowledge about markets. This goes also for the other way around, the focused subsidiaries importance for the counterparts. One should not forget that the subsidiaries with extensive connections to the units inside are more likely to be influenced by the divisional management within the network. The divisional management has a possibility to use other units within the network to control the subsidiary. If the subsidiary has most of its connections to units outside the network the divisional management chances to control the subsidiary are considerably smaller.



In order for the subsidiary to be influential it has to be of importance to other units in the network and because of that they can get a power position within the network. The second variable is about knowledge of other networks. If units have knowledge about other units networks they can also get a power position over those as this knowledge is a base of influence. Through contacts with important counterparts outside the network the subsidiary can get valuable knowledge. As these relationships takes time to create and are built on mutual trust it is hard for the divisional management within the network to take over such a relationship. These relationships with units outside the network can therefore be used by the subsidiary as a “beach-head”, the subsidiary act as the only contact with that counterpart in its network. By that the subsidiary can get influence and a stronger position in the network. If a subsidiary get a strong position by acting this way the divisional management within the network can be countervailed and the divisional management possibilities to control through hierarchy diminish (Forsgren & Pahlberg 1992).

### 3.3. Building the relationship

Relationships develop through a process of experimental learning whereby companies learn about the resources and capabilities of their counterparts and gradually increase their commitments. These commitments that are listed below may, in simultaneity, result in business development and internationalisation and therefore must be understood in the context of business networks where the problem of outsidership is a barrier (Johanson & Vahlne 2009).

- Learning
- Building
- Trust
- Developing
- Identify and exploit opportunities

### **3.3.1. Developing commitment and trustworthiness**

“The word of another that can be relied upon” (Johanson & Vahlne, 2009) is a keyword for trust. It implies that a sense of trust gives an actor the ability to predict a trusted actor’s behaviour. Zineldin (2000) agrees and further explain it as a company should not hand out all its secrets blindly but the company believes that its partner will act with integrity. Thus trust can be a substitute for knowledge when a firm trust a middleman to run its foreign business. Ford et al (2003) refers to trust as actor bonds that is the linkage of two individuals within two firms in a network. They also argue that there will always be a social linkage in a relationship and the interaction between these individuals will be essential for the success of the relationship. Firm’s problem solving ability will be determined by the bonds between the people active in the relationship and the management of this relationship will determine how the development will be in the future (Ford et al 2003).

Trust can be a prerequisite for commitment and if the process results in a commitment between two firms there is an existing desire to continue the relationship and invest in it (Johanson & Vahlne 2009). Blankenburg-Holm et al (1996) validate Johanson & Vahlne’s theory and state that trust is a prerequisite for commitment, and argues that a more committed relationship will lead to a more coordinated relationship. Forsgren et al (2005) argue that trust and business relationship development is a process that two firms goes through, as a result of their interaction, that leads to an increase in commitment to do business with each other. When both firms are satisfied with the outcome of the exchange and trust is built, the relationship gradually emerge up and a mutually commitment is built (Forsgren et al, 2005). In situations of uncertainty and in the early stage of relationship trust is crucial. It can continue to be that if the relationship needs continued effort to create and exploit opportunities (Johanson & Vahlne 2009). That said one should not forget that it is unrealistic that trust is eternal but it is realistic to accept as true that a degree of commitment will carry on and increase when partners believe that a continual relationship is in their long term interest. When both commitment and trust is present in a relationship it promotes productivity, efficiency (Johanson & Vahlne 2009), decrease of uncertainty and risk reduction (Zineldin 2000). But building trust is a time consuming

and a costly process for the firm (Johanson & Vahlne 2009). It is also something that cannot be forced upon someone; it has to be earned (Zineldin 2000).

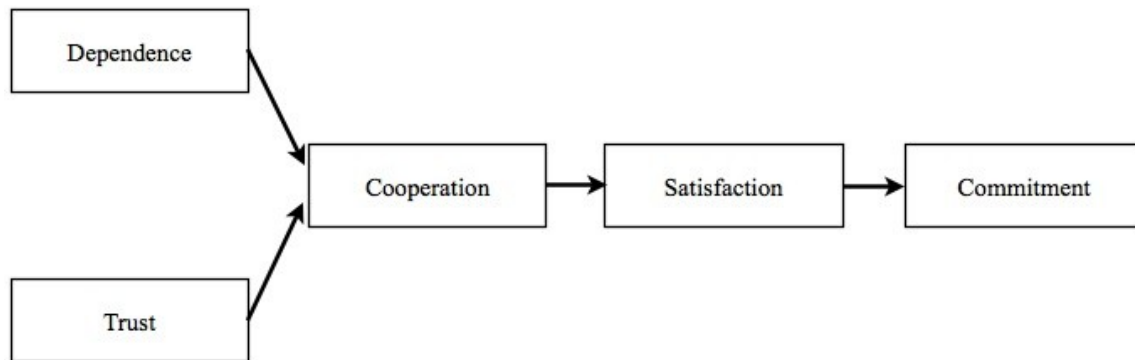
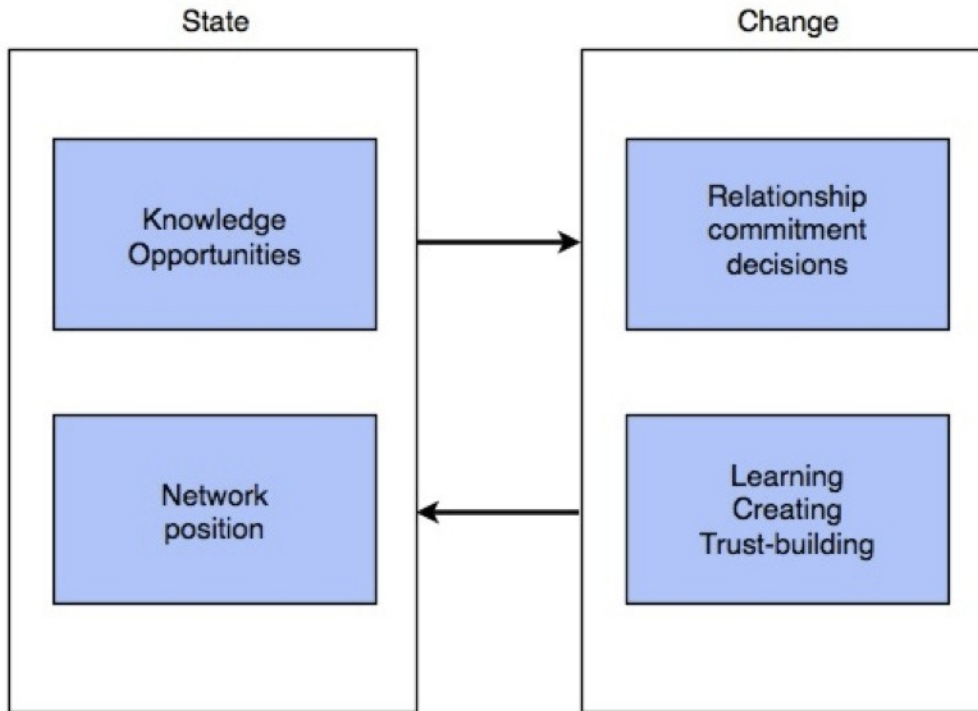


Figure 3.2: Exporter - Importer Relationship Model Rao (2006) p 209

In this model Rao (2006) suggests that a successful relationship starts off with Dependence and Trust. As the relationship evolves he argues that the most successful relationship stage would be the commitment stage and thereby the most desired stage since a more committed relationship tends to be more profitable for both firms.

Johanson and Vahlne (2009) claim that existing business relationships have a considerable impact on the particular geographical market a firm will decide to enter and on which mode to use, because the relationship in question make it possible to identify and exploit opportunities. Learning and commitment building take place in relationships, and this view of internationalisation places it at the forefront. They go on to state that learning and commitment are strongly related to identifying and exploiting opportunities.

A strong commitment to partners is essential in order to access knowledge only accessible to network insiders and create and/or discover opportunities. Johanson and Vahlne (2009) state a belief of that internationalisation is contingent more on developing opportunities than on overcoming uncertainties.



*Figure 3.3: The business network internationalization process model 2009 version, Johansson and Vahlne, (2009), p. 2*

In the model it is assumed that the company strives to increase its long-term profit, which is assumed to be equivalent to growth. The firm is also striving to keep risk taking at a low level. The strivings mentioned are assumed to characterize decision making on all levels of the company. With these premises and the state of the economic and business factors which constitute the frame in which decision is taken, the model assumes that the state of internationalisation affects perceived opportunities and risks which in turn influence commitment decisions and current activities (Johanson & Vahlne 2009).

This model consists of two sets of variables, state and change, and they have an impact on each other. This gives the model the chance to show dynamic, cumulative process of learning and trust and commitment building. Therefore an increased level of knowledge

may have an effect on building trust and commitment. For example one of the two firms in a relationship can reduce or terminate the relationship. The state aspect as a focal point is the resources committed to the foreign market as well as knowledge about foreign markets and operations within the firm. The change aspect is decisions made by the firm to commit resources and improve performance of current business activities. Market knowledge and market commitment are assumed to affect both commitment decisions and the way current activities are performed. These in turn change knowledge and commitment (Johansson & Vahlne 2009).

The “knowledge opportunity” variable in the model, that constitute a separation of knowledge and according to Johanson and Vahlne (2009) opportunities, is to be considered the most important element of the body of knowledge as a driving part of the internationalisation process. Some other significant components of knowledge are needs, capabilities, strategies and networks of directly or indirectly connected firms in their institutional framework.

“Network position” is the second state variable as Johanson and Vahlne (2009) assumes that an internationalisation process is pursued within a network. Relationships within the network differ because of that they are characterized by knowledge, trust and commitment that vary in level and are unevenly distributed among the actors involved. Hence firms differ in how they promote a successful internationalisation. If the process is seen as rewarding an increase of learning, trust and commitment building will be the result for the focal firm as a partnership and a network position is acquired.

The “relationship commitment decisions” change variable shows the firms commitment to networks and relationships. The variable points out that the focal firm decides if the level of commitment increase or decrease to one or several relationships in its network. This change in commitment level can be visible when certain decisions are made in entry modes, organizational changes or the level of dependence. If a firm changes in their level of commitment it can either strengthen or weaken the relationship. When screening it from a network point of view the reasons for this change of commitment to the

relationship can be because of a need to develop new relationships or building bridges to new networks in order to fill structural holes (Johanson & Vahlne 2009).

“Learning, creating and trust building” is the second change variable and the last in the model. Johanson and Vahlne (2009) use the term learning in this model at a higher level of abstraction and see it as more than experiential learning. The body of knowledge, trust and commitment that the firm has at the moment is essential as the efficiency, intensity and speed of the learning process, building trust and creating knowledge is dependent on it. To clarify, for example, a high level of knowledge, commitment and trust in a relationship between two firms result in a more efficient process. Of course the degree to which partners find the certain opportunities attractive is of particular significance as well. In this variable the opportunity creation, knowledge producing, is highlighted due to the fact that the developing opportunities is an important part of a relationship.

Johanson and Vahlne (2009) do not believe that the creation of relationships is a result of a planned strategy with a goal to optimize the allocation of resources to different countries and regions where other alternatives of exploiting the foreign markets are evaluated. They rather see it as a consequence of a procedure of incremental adjustments to changing conditions of the firm and its environment. It is mostly due to the lack of market information and the uncertainty occasioned thereby that the internationalisation decisions have an incremental nature. This incremental nature is also acknowledged by Zineldin (2000) as well as the connection it has to the uncertainty. To clarify the meaning of market knowledge in model 3.2, Johanson and Vahlne (2009) mean that they focus on the information about markets and operations in those markets. In this model the focus is on the knowledge vested in the decision making system.

Relational Variables	Stage 1: Casual Relationship	Stage 2: Ongoing Relationship	Stage 3: Committed Relationship
Trust	none or very little	somewhat	very much
Dependence	none or very little total dependence	- somewhat total dependence - asymmetric dependence	- very much total dependence - toward symmetric dependence
Cooperation	very little cooperative action	somewhat cooperative action	very many cooperative actions
Satisfaction	different satisfaction level for each transaction	somewhat satisfied with partner	overall satisfied with partner
Commitment	none	intention for commitment	strong commitment

*Figure 3.4: Exporter - Importer relationship process Rao p 208*

Exporting is often the most appropriate mode of entry into foreign markets, especially for small and medium sized firms. This gives the firm the ability of being more flexible and committing less resources and having lower risks when taking on a foreign market venture. Model 3.2 focuses on different behavioural factors that are used to analyse exporter importer relationships. The variables that Rao has developed for this model are dependence, trust, cooperation, satisfaction and commitment. These variables have an interrelationship to each other and are the cornerstones in this model. Rao means that as an endogenous variable trust plays an attitudinal construct role while the dependency also an endogenous variable plays a structural construct role. These variables lead to the exogenous variables, cooperation. Rao argues that the trust and dependency relationship inevitably leads to more cooperative action relationships. In turn this leads to another exogenous variable, satisfaction. Furthermore a satisfied relationship leads on to a more committed relationship which is to be regarded as the most desired stage of a relationship (Rao, 2006).

Another important factor in the exporter importer relationship development is the result the relationship will generate, and the result can be defined as either tangible or intangible. A tangible result can be the economical and financial benefits the relationship will generate. The intangible results can be the human interaction in the relationship and or the satisfaction and friendship. It can also be the experiences of learning from cross-cultural relationships which can determine the future success of a business relationship. In this case the firm has taken the first steps of being a more globalised organisation. As can be seen in the figures above the exporter-importer model develops through stages the developments of these stages do not only depend on time, but also on the strength of the relationship between the actors. Therefore to reach the commitment stage in this model the relationship needs the strength steps to achieve it (Rao, 2006).



## 4. Empirical Findings

### 4.1. Norden

Norden is a Swedish manufacturer of tube handling and tube filling machines and are world leading within this segment. Norden was founded in 1980, originating from Arenco, and has their manufacturing plant in Kalmar, Sweden. In 2004 Norden became a member of the Sirius Machinery Group which is owned by Nordstjernan. Norden has a long experience of pharmaceutical, cosmetics, toothpaste, food and chemical product tubes. The packaging systems they offer have a high degree of customization in the speed and range from 25-500 tubes per minute. The competitive advantages of Norden are the high quality products that they provide and the after sales service of highest standard. Norden as a company work to transfer their values about integrity, excellence, openness and honesty to the individual level in the company. They focus their corporate strategy on achieving sustainable growth through good and stable profitability and a continuous development of personnel. As an experienced actor in their field they also help their customers after sales with improving efficiency and try to raise the product quality. At the same time Norden also put an effort for enhancing safety and being environmental friendly. These factors provide Norden with a good competitive advantage, which in turn means that they can compete better in this internationalised market (Norden).

Norden has an ambition to have a “local presence globally”. This in terms means that their aim is to be present on the foreign market with after sales and marketing by using sales agents and distributors while production is located in Sweden. When it comes to Norden’s customers they are always trying to maintain a long term relationship. Today they have around 1400 customers in total worldwide with the largest segment for them being toothpaste. When Norden approach customers they strive to show respect for local culture, avoid conflicts and put the customer as the first priority. To be able to work like this Norden tries to develop good relationships with customers and work with customer feedback in order to fully comply with the customers’ needs and expectations. One example for how Norden work with relationship development and long term thinking is

their meeting with local staff and customers (Nauc ler). Today Norden are acting on the global market and have 5000 machines in operation around the world (Norden).

Since 1960 Norden have been exporting their machines to the Japanese market, probably before that as well but there are no records of it today. Over the years 500 machines have been shipped and this is extremely much in the tube filling business. Today they have about 100 active customers in Japan; the major customers in Japan are in the toothpaste, cosmetics and pharmaceutical industries (Nauc ler). He also thinks that Norden benefits from being present such a long time because the Japanese are very conservative and long term in their thinking. Today the Japanese market is not very important for Norden when it comes to sales because of the financial turmoil in Japan over the last ten years. In 2009 Norden sold machines in Japan for 5 million SEK, a very low figure that is in comparison with Norden's sales in Kazakhstan. During the last decade Norden have not sold more than around ten machines a year on the Japanese market. However the customers in Japan are important for Norden and when the financial situation improves they expect to receive more orders from Japan. Nauc ler is of the conviction that this change is coming in the near future since Japan is on the rise for the first time in 12-13 years after a somewhat quick recovery from the global crisis.

#### **4.1.1. Network components**

Norden are working with an agent on the Japanese market, this is contrary to the strategy they have on other big markets where they seek to control the entire operation using a subsidiary. In the mid 1990s Norden tried to establish a subsidiary in Japan to get closer to the end customer, this was something they had done on other markets without any major problems. In Japan however the switch proved to be more difficult, the end customers who had made their business with the agent for years were not keen on switching supplier even if it meant that they would buy directly from the source (Nauc ler). His explanation to this are that the Japanese companies are very conservative and switching from one supplier to another is a very long process in Japan, he also thinks

that Norden were a little too short sighted and should have endured a little longer. Another issue that occurred was that they noticed that a lot of the customers did not speak English which resulted in difficulties in communication. This was also a factor that made it hard for them to attract customers to them. Norden tried to solve this by hiring a person from Swedish Trade with Japanese personnel. This resulted in an increase of customer but nowhere close to their goal. After around five years of committed attempts to succeed with their subsidiary without success they eventually abandoned the project and reverted to only working with the agent in Japan. Due to the fact that they did not attract enough customers to their subsidiary to make it profitable and the agent had so much more experience of the Japanese market. This operation damaged their relationship with their agent at the moment but according to Nauc ler the shift back to the agent went smoothly without complications, probably because the agent now know that he is valuable for Norden if they want to be on the Japanese market. Today the same agent handles the day to day communication with the end customer, staff from Norden only travels to Japan if an extraordinary situation occurs or if it is time for final negotiation or contract writing. This is the way that Norden are trying to keep in contact with the end customer even if they work with an agent. Nauc ler explains that he normally travels to Japan around four times a year to visit major customers and observe ongoing projects; this is quite few trips compared to other Asian markets. The reason for this is that the agent takes care of these types of talks when Norden are unable to be present.

Nauc ler explains that the agent has taught them almost everything they know about the Japanese market, the Japanese are very conservative and interested in details down to nuts and bolts. The quality demands in Japan are very high and differ from the rest of the world. He also states that everything has to be explained to the Japanese, there must be a reason for everything. The Japanese are also very nervous when it comes to making a decision; everything has to be examined closely. There is a special culture in Japan; there are some questions that might not be suitable to ask during a meeting, patience is a must to maintain good relations as well as getting answers.

#### **4.1.2. Building relationships**

The agent Norden uses on the Japanese market is the single most important relationship they have in Japan. The agent today is the same one that was used when Norden started doing business in Japan. Once a year they get together to discuss ideas and get to know each other, this is more often than any other market. Norden keeps an open dialogue with the agent and constantly pushes them to perform better or make changes when there is something wrong (Nauc ler). Nauc ler also state that the agent are very good listeners and the questions raised by Norden are being handled seriously by the agent. At the same time Norden understands that the Japanese market are different and that it will be very hard for anyone in Sweden to learn the Japanese culture to 100% and therefore the agent has to be trusted with these aspects and Norden must support them in their work. Nauc ler explains that legally there would be no major problems substituting the agent, however the agent has all the customer contacts and as stated earlier the Japanese are very conservative and loyal to their suppliers so in that aspect there would be a lot of complications if Norden tried to switch agent or try once more to establish a subsidiary. At the same time this can be an advantage for Norden since many Japanese companies show the same loyalty and do not abandon suppliers if they make a mistake.

Norden have found out that it is very hard to change the minds of the Japanese, if someone has an idea it is very hard to convince the Japanese to try it because that they are very reluctant to change. Nauc ler explains that if Norden replaces a part in their machines the Japanese demands an explanation of the reason behind it. This is also something that differs from the rest of the world where people do not care as much of the single parts in the machine as long as it works.

## 4.2. Smokefree Systems

Smokefree Systems is a company that deals with non-smoker protection and is niched towards indoor workspaces. Smokefree Systems is a Swedish owned firm, the majority owners are the founders, a fund called “Casefonden” and Credelity. Their head office is located in Stockholm, Sweden, where they have 22 employees but have around a hundred distributors working for them on the rest of the European market. Outside of the head office Japan is the only country where they have employees. Because of the fact that they do not employ people outside of the head office and rather outsource they can keep their competence in-house. They for example use a third part logistics centre who delivers their products to the customers. This together with a low stock is part of their work on minimizing their accumulation of capital. Smokefree Systems annual turnover is roughly 200 million SEK.

Smokefree Systems provide a service for tobacco smoke protection for non-smokers and do so by offering a cabin that firms can rent for duration of three years. This cabin is maintained and serviced by Smokefree Systems and its partners. This cabin is supposed to replace the classic smoke room which have a bad reputation concerning freshness. The cabins work in the way that it channels the smoke through a filter and cleans it without affecting the area and people around it. By providing this service Smokefree Systems seeks to create a more healthy and pleasant environment for all employees. Today Smokefree Systems have around 5000 cabins on the European market at approximately 2000 companies. These companies are from all different industries with the majority in banking and insurance. The machines are today manufactured in Sweden and Germany. Every sale is run through a standardized computer system and Smokefree Systems partners are forced to use the same system. In this way Smokefree Systems get to be there in the end of the deal. Smokefree Systems have control but do not need to be involved in each sale. Orders pass through and they only step in when there is something odd or when something goes wrong.

Smokefree Systems decided a couple of years ago to start to look at markets outside of Europe and enter a new continent. They became interested in the Asian countries and

gave an assignment to Swedish trade to investigate the market potential there. Swedish trade screened the markets in Asia and looked at factors important for Smokefree Systems and the service they sell. The factors were, among others, laws, number of smokers and their age and economic values as the cost of labour. In the end of the research the markets with most potential for Smokefree Systems and their service were Japan, South Korea, China (Shanghai) and Taiwan. The decision made was to enter the Japanese market, with continued help from Swedish trades service in the entry process. In 2008 Laurin were sent to Japan and Smokefree Systems took their first step into that market. Smokefree Systems started a so called KK, a full stock company, with a capital investment around 10 million Yen. According to Laurin they did so in order to show the market that they were serious and that they were aiming for a long term effort in Japan. That in turn, in Smokefree Systems mind, would make it easier to attract partners necessary to be able to sell their service.

According to Laurin Smokefree Systems organisation on the Japanese market is under development but is in the future supposed to become a copy and mini version of the Stockholm support centre. Laurin is country manager for Smokefree Systems on the Japanese market and is today handling a lot of the functions there. So far there are five people employed in Japan, Laurin excluded. To help them they have service- and sales-partners. The economic part is outsourced almost completely to Swedish Trade and an accounting firm.

In Japan Smokefree System is currently striving for a rewriting of the law. According to Laurin this is something of great importance for them right now as a rewriting of this law would even more promote cabins as a substitute for smoke rooms. A success in this could later spread to, among other, South Korea. Laurin believes that if it works in Japan other countries could follow their decision. "If they can do it in Japan why can we not do it here" (Laurin). As the next market to enter in Asia, South Korea is the closes step from Japan for Smokefree Systems, but there are also hopes of entering China in the future. As an effect of the entering of the Asian market plans for setting up a manufacturing unit in Shanghai to make delivery to the Asian market more swift has come up as well. These

plans mentioned above are though nothing Smokefree Systems will stress into. It can take a few years before actions are made to achieve these goals.

#### **4.2.1. Network components**

Laurin says that he is of the belief that network building is of importance no matter which market you choose to enter but that it is at an entirely different level on the Japanese market. When Smokefree Systems entered the Japanese market they took help from Swedish Trade and could rent an office through them and get help with start up services. The fact that Swedish Trade and the office Smokefree system rent is located at the embassy of Sweden gave them an easy start of reaching out to the network in Japan, due to the fact that Laurin, as a representative for Smokefree Systems, quickly met 50 other companies with which there existed no language barriers. According to Laurin this also resulted in a network and relationship building in an easy and westernised way. But a company also has to enter the Japanese networks and that proved to be much more difficult. When they had hired a headhunter they located and hired Japanese salesmen, service partners and sales partners. With Japanese people employed within the organisation they now start to work on entering facility management and human resource networks, that according to Laurin could be a good starting point.

One of their sales partners used to be an interior design company. Laurin states that that has opened up some new doors for Smokefree Systems as they could through their partner get in contact with larger companies as Panasonic and the Mitsubishi Group. Companies that according to Laurin is hard to go to and just knock on the door. It is of Laurins conviction that they will benefit a lot from their sales partners when it comes to new opportunities rising from these relationships. Smokefree Systems type of sales has a lot to do with customer relations. To meet the right people and make them realise their needs. They want to do this by using their salesmen more like consultants and have a discussion with the companies. Today they have installed around 30 cabins in Japan.

#### **4.2.2. Building relationships**

In order to maintain and improve the relationships already created with their partners; Smokefree Systems put a lot of effort in training them in their way of doing business and what the value of their service is. Laurin also accompanies the sales people on customer visit, even though he cannot speak Japanese, in order to be there if for example technical questions occur. This way he can be there if the salesman needs him and show that he is there for them. Smokefree Systems also attend a lot of fairs. Laurin says that it is a very good place to show the cabin and create an interest for it. It is also a great opportunity for the partners to learn from Smokefree Systems representative but also from the customers' questions and concerns.

According to Laurin the most difficult things with a Japanese partner is the language, since not so many speak English, and the cultural differences. Since Laurin is not the long term solution as country manager on the Japanese market, he is there to influence the new employees and partners of westernised thinking and the values of Smokefree Systems and work to generate as good start as possible when it comes to customers and good partners that they can work with successfully. In order to diminish the language and cultural barriers they plan to replace Laurin on the position country manager with someone who knows the Japanese market, language and culture. Most preferably it should be someone with experience from an international non-Japanese company who understand that the Swedish values in Smokefree Systems is of importance as Sweden have a good reputation and that should not be lost in the process. In the end they are looking for someone who can be a link between partners and Smokefree Systems. Another issue Laurin mentions is the Japanese's lack of will to change. They like to think within routines and manuals and needs more convincing than other about why change is necessary.

There has been a little transfer of knowledge between Smokefree Systems and its partners. But Laurin also says that there is too soon to say. The knowledge they have got from their partners and salesmen is ideas for improvement, which have resulted in that their research and development team situated in Stockholm have realized the difference



between Europe and Japan where the demand for quality and technological development is higher.

At the moment Smokefree Systems is not dependent on any partner in Japan and it would at the moment be easy to replace a partner with another since they have contact with the customers in the end of the deal, they do this by using a program where all orders go through to the head office. This is something they can do because they are new on the market and is a small company, plus the fact that they provide a service that they are alone with on the market. This gives Smokefree System the ability to say “If you want in do it our way. Otherwise you are gone.” (Laurin) They are also currently not dependent on anyone’s network relations. Laurin says that even now in the early beginning they are working on keeping the risk of becoming dependent on a partner as low as possible. Smokefree Systems have the last word when it comes to them and their partners. Even though the partners can work quite freely it is Smokefree Systems that tell them which areas or fields they can work in.

There exist scepticism against becoming an agent or distributor to a foreign company with the risk of becoming dropped out later in the process when the company have established customers and relations on the market. That is an argument Smokefree Systems use in order to attract partners to them. They do not want to employ people; they want them to become partners. Something that Laurin believes can give a sense of safety and a clear view of that they aim for a long term relationship.

### 4.3. Rubore

Rubore is a leading Swedish manufacturer of noise and vibration dampening products for the automotive industry. Their main product is breaking schims, which is a product developed to dampen the noise and vibrations that occur when a car breaks. The firm started of in the 1970s in the city of Kalmar, when the company started to grow and in the 1990s, the Trelleborg corporate group bought them out and Rubore became Rubore a subsidiary to the Trelleborg corporate group. Today Rubores head office and operations

are mainly located in the Kalmar region, here they are in the process of developing a wide variety of noise dampening products for the automotive industry so that they can stay competitive in this dynamic industry. The production of their products is also mainly focused to their plant in Kalmar and then shipped to the various customers around the world (Trelleborg Rubore).

Concerning their products Rubore are dependent on their main product the breaking schims, as many products within the automotive industry they are dependent on volume to make a profit, in turn this means that they need to have a large customer base in order to make profit. Their main customers are today all the major car manufacturers in the world and their subsidiaries, this fact resulted in a fall in their sales when the economic recession struck this industry and thus cut backs within the organisation was inevitable. This also resulted in that the relationships Rubore had on the Japanese market got affected and an investment in time was necessary in order to get back on track again. Järneström is of the conviction of that if they would have had a Japanese representative for them on that market instead of an American they would have solved this faster and more easily. Regarding the Japanese market Rubore has been present on this market for 15 years, this is due to that the Japanese market stands for approximately one third of the worlds production of cars and therefore potentially a very lucrative market for them (Järneström, 2010). Rubores organisation on the Japanese market today consists of one full time employee, hired through the Trelleborg corporate group, and Järneström. The employee are responsible for sales and technical support on this market and hence customer relations as well. Järneström states that this employee will be the companies face towards the customers and their most important actor from their side on this market. One concern Järneström has in this way of operating with mainly one person responsible for customer relations on the market is the reduced control from the head office and he would liked to have seen one or two more employees on the market in order to ensure that not one person sits on all the customer relations.

#### **4.3.1. Network components**

Rubore has chosen to work with its own employee on the Japanese market. This is due to that they wanted to have more control over their products and to have a closer connection to their customers. This employee that handles the relationships on the Japanese market are to work with their customers by providing them with their products and handle technical support when needed. Rubore have worked hard with identifying their customers on the Japanese market and they argue that they have a clear picture over the actors present in this industry. This clear overview has been an ongoing process which has lasted since Rubore started their export to the Japanese market 15 years ago. Even though the market potential is high for this market Rubore has only managed to gain four percent of their potential market in the automotive industry in Japan. Järneström describes their industry as highly internationalised with many actors. According to Järneström this is due to the complex business networks on this market whereas he argues reluctance against new and modern products such as theirs. Here Rubore tries to make the potential Japanese customers to understand the new technology and explain the improvements and the increase of quality that comes out of it in order to create an understanding and interest of the products they offer. Due to the complex owner structures between the various companies on this market Rubore are prevented an increase of the market share. Järneström says that it is much easier for them to access those companies that have made a joint venture with firms outside Japan and develop their network through them. Järneström also argues that they have a clear picture of their potential span of their business network in Japan and that they know whom to turn to. As mentioned the problem is that some firms are reluctant to try new solutions and that the potential customers rather do business with other Japanese firms.

#### **4.3.2. Building relationships**

As mentioned above Rubore has been present on the Japanese market for 15 years. This period of time has given them the opportunity of establishing good relations to their customers. According to Järneström the key component of maintaining a good relationship to their Japanese customers has been to be present on a large number of

social events such as dinners and other related events. Järneström makes a comparison between the Swedish market and the Japanese market and argues that they are present on four times as many social events and dinners on the Japanese market than on the Swedish market. Moreover he points out the necessity of hiring the right person as a vital point of keeping a good relationship to a Japanese customer. Something they learned on the way was that the hiring of a local person is needed since this person is more likely of understanding the business culture and procedures regarding a business situation. This is a key component in the relations to their Japanese customers he argues, since it provides them with the opportunity to get closer to their customers. Järneström also points out that the Japanese mentality as well as their lack of transparency in negotiations and organisation has been an obstacle for them and has more often left them guessing as on why a decision has been made. Rubores relationships to their Japanese customers have over time been a disappointment. Järneström says that after the financial recession many of their projects has been cancelled and their firm has not gotten the results they had expected from this market. However Rubore has during the past 5 months hired a Japanese employee to handle their relations to their customers on this market as a substitute to their earlier representative. This was a solution they had come up with since they had noticed that the person they had earlier did not perform as well as they had hoped and that a reason for that was its lack of cultural understanding of the Japanese way of doing business as well as the social life. Järneström puts it as on the Japanese market it is very important to have the right relation to the right person, in other words a person with an understanding of the market. Rubore realized that their American employee on the Japanese market was not that person and a change was necessary for further development and improvement.

Rubores hopes with this new Japanese employee is that he, with knowledge and an understanding of these barriers they have encountered, can get them closer to their already existing customers but also gain access to networks that have been out of reach for them. In that way they hope to gain market shares and increase their sales on the Japanese market. Järneström states that this is a long term commitment since they have to

educate this new partner in a more westernized way of doing business in order to make him understand their way of working and what they value within their company. Järneström is of the conviction that in the long run this relationship will provide them with the necessary features mentioned above.

## 5. Analysis

By connecting our empirical findings with the theoretical framework we will account for how Swedish firms have handled their network and relations to establish themselves on the Japanese market. After this chapter we will draw our conclusions and use this basis to validate our findings.

### 5.1. Degree of Internationalisation

By looking at Hollensen's (2007) model, four cases of internationalisation of a firm, we believe that Norden would qualify in the group of international among others. Norden operates in an internationalised market where customers are used to purchasing foreign products; this can be seen on the Japanese market where their biggest competitor is a German company. Norden as a company is a highly internationalised company with operations around the world.

When applying Hollensen's (2007) model on Smokefree Systems, we argue that they qualify as the lonely international. Smokefree Systems acts in a market with a low degree of internationalisation; this is mainly because the service they are supplying is a new business solution to most foreign markets. The company itself is highly internationalised with operations across Europe and Japan.

We argue that Rubores field of business is highly internationalised with automotive companies' networks stretching over country borders. Rubore acts globally and provides their vibration dampening product's to manufacturers in many different country markets. Hollensen (2007) states that this kind of a company is an international among others and therefore acts in a lot of different network and must specialise their products in order to meet demands from different customers and markets.

Here we can distinguish the different internationalisation processes our three research objects operate in. Rubore and Norden as two production firms compete with other firms

in highly internationalised markets. Smokefree Systems is a modern Swedish company with new thinking and an unorthodox offering. They operate in a market with a low degree of internationalisation and thus face different tasks than the others. A similarity our three companies share is that they all are highly internationalised; Japan is in no aspect the only market they operate in.

## 5.2. Network Components

### **5.2.1. Opportunistic conditions**

Norden's behaviour on why they tried to start their own subsidiary in 1995 can be connected with opportunistic conditions. The establishment of a subsidiary should not be regarded as an opportunistic factor per se, instead the recognition of the possibility of getting closer to their customers by excluding the agent should. According to Johanson and Vahlne (2009) a company that suffers from the liability of outsidership will have difficulties in obtaining new relationships. When Norden tried to internalise their operations they found it difficult to form relationships and enter networks, we argue that this would be due to lack of market knowledge, they did not expect the Japanese to be so loyal to the agent. In time it would show that this liability of outsidership was a factor they could not surpass. To reduce this liability they went back to the agent who had all the contacts and the necessary network for a continuing collaboration.

Johnson and Vahlne (2009) point out that the recognition of market opportunities will occur at the boundary of the firm where the necessary relationship experience exists. Smokefree Systems internationalisation to the Japanese market in 2008 and we argue that this can be seen as a result of opportunistic factors, which in turn were that the CEO knew that this system should be able to work on the Asian market. However he was also aware of that the firm lacked the knowledge to enter any of the countries in this part of the world, and were therefore in the need of outside help, in their case they turned to Swedish Trade. Exploitation of opportunities can be risky but that risk can be reduced by building successive commitment (Johanson & Vahlne 2009). As mentioned Smokefree Systems had the opportunity to enter a new market and chose to go to Asia and the

Japanese market because they saw an opportunity and had the capabilities to do so with low investments in the start due to the help from Swedish trade. According to Johanson and Vahlne (2009) this is a fact that states that the mix between opportunity and capabilities are some of the driving parts in the internationalisation process.

Andersson et al (2002) argue that the recognition of opportunities is likely to occur in an ongoing business activity. Rubore was in the process of selling their products to the western car manufacturers however they recognised the opportunities and benefits of being present on the Japanese market, and sought out the possibilities of establishing themselves on this market by using their ties to the Trelleborg corporate group.

When discussing the opportunistic conditions that these three companies have acted on, we argue that Norden differentiate themselves from Rubore and Smokefree Systems. This is due to the fact that they have been present in the Japanese market for a longer period of time and attempted to internalise their activities, whilst Rubore and Smokefree Systems realisation of opportunities is connected to their internationalisation to the Japanese market. What is clear is that all companies recognised the potential opportunity of this market but acted different in their operations depending on their market knowledge and more important, what we have noticed, how aware they were of their lack of knowledge. Further explanations for this and the factors behind it will be discussed below.

### ***5.2.2. Entering a network***

As Johanson and Vahlne (2009) uttered companies that have a performance that makes internalisation achievable often switch from relying on external resources to an internal operation, when there are predictions for a better efficiency and growth. When Norden tried to internalise their operation by setting up a business of their own on the Japanese market, we argue that Norden revealed the network's ties that their agent had with their customers. Hence Norden's market knowledge came from what they had learned from their agent and customers. However they did not consider the fact of the conservative Japanese thinking and loyalty, we argue that this can be linked to Johanson and Vahlne



(2009) who explain this as the firm is suffering from lack of market knowledge and hereby also from outsidership.

Johanson and Vahlne (2009) describe the insider as the one having the network connections and the market knowledge and the outsider with a lack of both. In the case of Norden their agent is the insider in the network hence this would lead to that the Japanese customers would be loyal to them. When Norden tried to establish a fully owned subsidiary in Japan they were the outsider and the customers within the network favoured the agent with the insidership. Entering a foreign network is time consuming and resource demanding (Hollensen 2007). Nauc ler argues that it is important to think even more long term on the Japanese market in order to achieve a successful establishment of a subsidiary. We argue that the liability effects of the outsidership for Norden in the long term perspective became too great and forced them to abandon the plans of an own subsidiary on the Japanese market and resume cooperation with their agent again.

When Smokefree Systems started their internationalisation to Japan, we argue that they suffered from the liability of outsidership. Smokefree system had no experience of this market and the most suitable option for them was to turn to Swedish Trade. Swedish Trade supplied them with a network by arranging meetings with other Swedish firms that are present in Japan, this eased Smokefree Systems establishment and they were on their way of becoming an insider.

The acquiring of knowledge is an ongoing process (Andersson et al 2002) which correspond to Smokefree Systems strive of gaining access to networks not only through Swedish trade but later also through their sales partners. Johanson and Vahlne (2009) state that one way to overcome the liability of outsidership is to acquire knowledge about the network. We believe that with the help of the Japanese partners on the market Smokefree Systems decrease their liability of outsidership and work towards a network position. The Japanese networks proved to be more difficult to penetrate than those they had gain accessed to by connections with Swedish firms. Smokefree Systems began to work with a sales partner who previously had worked in an interior design company that

transferred some information and connections to the company. The local salesmen and the sales partners Smokefree Systems work with bring a lot of knowledge about the market and its culture; we argue that this eases the liability of outsidership. However Laurin argues that it is hard to get the Japanese to understand their business concepts of renting the machines, this is a way of doing business that the Japanese are unfamiliar with and changing their mindset is time consuming.

When entering a network Johanson & Vahlne (2009) argue that the situation should be regarded as a position building process for the firm. Comparing this situation to Rubore would be that Rubore knew that they had to be present on the Japanese market since it stands for approximately 1/3 of the total production of cars (Järneström). However by entering this new market they had to engage in a new network and hereby as Johanson & Vahlne (2009) view it, suffer from liability of outsidership. However Johanson & Vahlne also argue that every firm needs an insider on the market to aid them in their market establishment process. We argue that in the case of Rubore this would be their owner Trelleborg corporate group, which have aided them with market knowledge and personnel to make their establishment more effective. To enter and gain market shares on the Japanese market has proven most difficult for Rubore. According to Järneström this is due to the mindset of the Japanese and their unwillingness of using new technologies. Järneström also points towards the cross owner conditions that are in effect on the Japanese market and how these structures complicate their establishment on the Japanese market. This fact can also be considered by Johanson & Vahlne (2009) as description of outsider liability when entering a network.

We have seen that Rubore, Norden and Smokefree Systems have all struggled with gaining network positions on the Japanese market. Norden struggled in competition with their agent and its network ties that they made visible through their change of entry mode. Smokefree Systems through Swedish trade and getting their partners to understand their business concept, and Rubore with the help from Trelleborg corporate group struggled with an old mindset of the Japanese customers. A common trait between these companies is, as mentioned above, that they recognised their liability of outsidership. But Smokefree

Systems was the one that, according to us, to the largest extent realised their lack of market knowledge and acted in accordance with it. Norden was a subject for the realisation of an invisible network that became visible when they tried to take over the agents customers and first then fully understood the position they had and that they were treated as outsiders and the agent as an insider in the network. We noticed that Norden, as Rubore, had not fully taken into consideration of the conservative thinking of the Japanese and the loyalty that exist within networks as a part of their lack of market knowledge. Rubore failed to see the complete picture of the complex business nature on the Japanese market and that is a main reason why their employee, as an American, could not perform as well as hoped. They also did not take in to consideration how the cross owner conditions would complicate their establishment. Smokefree System on the other hand solved their problem, with lack of market knowledge, by starting of their internationalisation by networking with Swedish companies present on the market. Later also through their established Japanese sales partners, were we noticed they used the partners network in order to reach out to Japanese companies and gained access to networks that earlier was out of their reach. They also employed Japanese personnel in order to ease communication and over time educate them in Smokefree Systems values and way of doing business.

### **5.2.3. Accumulating knowledge**

When Norden machinery tried to start their own subsidiary on the Japanese market they hired an external consultant from Swedish Trade to aid them in their operations. We argue that this is consistent with Nahapiet and Ghoshals (1998) view of acquiring knowledge through social capital, and thereby gain access to more market knowledge.

Considering the knowledge within a network Forsgren et al (2005) argues that the two parties in a network interacts and passes knowledge to each other and is crucial for the development of the network. In the case of Norden we distinguished this to be applicable to the information the agent provide them with in order to customise their products for their customer needs. We believe this knowledge is very important for Norden especially

on the Japanese market with its high quality demands. Hence a good communication with their agent is needed to achieve a good knowledge base of their customers and their needs in order to fully satisfy their customers.

Nahapiet and Ghoshal (1998) argue that learning takes the form of social capital and actors learn about the market from this factor while Andersson et al (2002) take it further and views it as an ongoing process of acquiring knowledge. In the case of Smokefree systems we argue that this would refer to Swedish Trade as an external actor that provided them with useful external information. In this case the insider was Swedish Trade whom presented them to potential customers and provided Smokefree systems with information of the Japanese market. This fact gave the firm an advantage since their knowledge of this specific market was close to nothing. Later we can see that Smokefree Systems continued their acquiring of knowledge through their Japanese sales partners that had insight in external networks.

We argue that by using their knowledge base of the actors within the automotive industry Rubore identified their possible customers on the Japanese market. Johanson & Vahlne (2009) argue that firms are constantly involved in business activities with other firms and hereby also part of a network, actors then uses this network to gain access to knowledge about other actors. Johanson and Vahlne (2009) further state that privileged knowledge shared between the partners in the relationship that they develop during their interaction van result in the emergence of an opportunity. An opportunity other may not be able to see. Therefore we interpret this situation as such whereas Rubore use their network to gain knowledge of other actors in the same industry however this information was acquired outside their network.

The knowledge acquiring process is an important factor regarding the understanding of how to handle the business networks on this market. In this section we can observe that our three focal firms have tried to gain their knowledge of the Japanese market in different ways. Norden machinery acquires their customer base through their agent and its network. The agent also contributed with privileged knowledge about the customers

certain needs. Information that according to us is of importance since the Japanese market is very quality demanding and also very interested in technical specifications. When they tried to establish their subsidiary they hired an external consultant from Swedish trade to help them in the start up operations and used the consultant's knowledge of the market in order to acquire the customers from the agent. Smokefree systems on the other hand exclusively contacted Swedish Trade whom provided knowledge through customer meetings and information of the market. Smokefree System continued with an ongoing process of knowledge acquiring and continued with their accumulation of knowledge from their Japanese partners they had gained in order to access more knowledge about the customers through the partners network ties. This continued effort in acquiring knowledge about networks, relations and potential customers is a vital factor of their internationalisation process in order for it to be successful in the means of sales volume. Rubore acquired knowledge of the market through their existing partners and their business network. In that way gained privileged knowledge of actors in other networks. However they are to a large extent treated as an outsider which we see as a factor that makes them unable to identify invisible network ties.

#### ***5.2.4. Power position***

When discussing the power positions we have adopted Forsgren et als (2005) view that it may also concern partner's strategies and relationships with others. Regarding the power positions in Norden's network the agent is very important and a key part of their operations in Japan. As Forsgren et al (2005) state the power relations in a network can alter companies strategies. As stated earlier Norden found it very difficult to set up their own subsidiary in Japan, due to the fact that the agent had all the customer contacts and insider knowledge about the network. Forsgren and Pahlberg (1992) state that these relationships can be hard for a company to take over due to the time it takes to create the relationship and that it is built on mutual trust, we have distinguished that this was exactly the situation in the case of Norden when they tried to set up their subsidiary and transfer the contacts from the agent to it. Forsgren and Pahlberg (1992) also state that if an actor uses its power position it can be harder for the management to control it. We

argue that Norden are trying to avoid this by keeping an open dialogue with their partner and tries to build up mutual trust through various meetings and kick-offs.

Smokefree Systems network of sales partners are their way of keeping their options open should they decide to replace a partner. We argue that this is in accordance with Forsgren and Pahlberg (1992) and Forsgren et al (2005) who argue that if a partner has knowledge or contacts outside the focal firm's network they can build a power position. Since Smokefree Systems goal is to use a number of different partners and demand that all orders are to be handled in their computer system it will decrease the chance for a partner to gain such a position and Smokefree System will continue to be in charge of the network and its activities. According to us this shows that Smokefree Systems is aware of the issues concerning being a subject to a negative power relation. Smokefree Systems also mention the will to maintain the Swedish thinking and the value of being Swedish, even though the Japanese market is so different, as a reason for their actions mentioned above. However Laurin explains that Smokefree Systems will support and educate its sales partners to ensure that they are putting in a sufficient effort.

Johanson and Vahlne (2009) talk about the insider as an actor in a network and the outsider as an actor outside the network. As Rubore have chosen to internalise their operations on the Japanese market by hiring an employee, through the Trelleborg group, that is responsible for sales and relationship building and thus also network positioning on the market. Due to the fact that Rubore only is present with one employee on the market that will be the person with the customer contact thus the one the customers have the relationship with. Forsgren et al (2005) argue that a power position can be gained through relationships with others. Even though Rubores operation is internal the fact that one employee sits on so much knowledge and trust can result in a power position as relationships and network positions is gained in the process. This will also result in that the employee becomes an invaluable asset for Rubore. Järneström is of the opinion that this can result in a situation that may be hard for the management to control, but he also states that this operation is a long term commitment and their hope and goal is for a continuous use of the same representative on the market for a long time.

In the internationalisation process to the Japanese market Rubore, Norden and Smokefree Systems have used different approaches in order to gain access to networks. Rubore internalised their operations by hiring their own employee on the market while Norden hired an external agent and Smokefree Systems have a mix of own employees and external sales partners. For Rubore this means that they have one person in their organisation that handles the sales and the same person is also the one creating a network position on the market. This is similar to Norden with the difference that they have an external actor on the market and therefore less control than Rubore that have internalised this operation. For Rubore this means that even though the company gets a position in a network it is the representative on the Japanese market that is the one the companies are doing business with. Which means that from the companies on the Japanese market view, in particular the Japanese companies, the person is to a large extent the insider and therefore can become an invaluable asset for the company if he is successful. Hence a power position is created that can become hard for Rubore to control. Norden has as mentioned above a similar approach and therefore a similar problem to Rubore regarding control. But for Norden, with an external agent on the market and no direct contact with the customers on a regular basis, the loss of control over their customers is of far greater concern than for Rubore. We argue that this has resulted in that the agent is in control of the customer relations, something that has proved to be hard to transfer to Norden and for the management to control. But efforts are made from Norden in order to reduce this power position by building mutual trust between Norden and its customer and agent. Smokefree System has an approach that, as mentioned above, is a mix of external and internal actors on the market in the form of sales partners and employed salesmen. In this early stage Smokefree Systems can change partners if they like due to the fact that they are not dependent on them as they are new on the market and that they have the end contact with their customers.

### 5.3. Building relationships

#### ***5.3.1. The development of commitment and trustworthiness***

Johanson and Vahlne (2009) argue that an increase of trust and commitment building is a result of a rewarding relationship. Norden started off by using an agent that with its contacts on the market reached and obtained customers for them. Trust and commitment increased over time as the relationship continued which, as mentioned above, is a sign of a rewarding relationship to both parts. The agent gained trust from Norden in the means that they trusted the agent that he would continue with a good work on the market in obtaining customers and handle the after sales service. An increase in commitment building is also essential for the relationship to develop according to Johanson and Vahlne (2009) which we argue Norden have acted in accordance with until they made the choice of trying to internalise their activities on the Japanese market. Johanson and Vahlne (2009) state that the focal firm can decide if the level of commitment in a relationship will increase or decrease. This we can see in the case of Norden's as they changed their commitment towards their agent in a decreasing manner that became visible when Norden made the decision to leave their agent and internalise their operation by starting a subsidiary in Japan.

We argue that the fact that Norden did not succeed in their establishment of a subsidiary in Japan can be explain by Norden's lack of knowledge, trust and commitment. Knowledge, trust and commitment is of significance since it constitutes a company's intensity and efficiency of their learning process, creating knowledge and building trust. A high level of these factors results in a more efficient process and is helpful when a company is, for example, internalising their operations on a market and work on acquiring customers and relationships (Johanson & Vahlne 2009). As Norden made an effort of internalising their operation we can see that they overestimated their position in the network since they did not know how strong the ties between the agent and the customers were. What also is noticeable is that Norden did not have the trust they anticipated between them and the end customers. This we see as a result from that it had been the agent that had developed the relationships with them. The fact that Norden



abandoned their plans on fully establishing their subsidiary in Japan is something we recognize as a tell of that their commitment in this process and the acquiring of relationships may not have been at the level necessary for success on the Japanese market that is distinctive by loyalty and reluctance to change.

Johanson and Vahlne (2009) refer to trust as the ability for one actor to rely on the behaviour on another. When Norden decided to abandon their attempt of establishing a foreign subsidiary on the Japanese market, they resumed their cooperation with their old agent. This meant that Norden had to deal with the issue of trust to their agent as it had been damaged. Rao (2006) states that trust is one of the building blocks to the most preferred stage of a committed relationship. According to Nauc ler the relationship between their firm and the agent was damaged and it took time to restore it to the way it was before the separation. Since the trust was damaged between the two parties hence the commitment to the relationship was also damaged as it had decreased during the time Norden attempted to internalise their operations in Japan. However even if the trust took time to restore Nauc ler states that today their relationship is re-established leaving it to be a more trustworthy relationship and thereby a more committed relationship.

According to Johanson and Vahlne (2009) learning and commitment are strongly related to identifying and exploiting opportunities and according to us it this is comparable to Andersson et al (2002) who argue that the acquiring of knowledge is a process that continue over time. Smokefree Systems is to a large extent dependent of relationships and network building in order to reach the sales volume necessary. Forsgren et al (2005) state that interactions between two parties in a business relation present the opportunity of passing knowledge to each other. Smokefree Systems have managed to create a number of relationships with sales- and service partners, customers and employees and through them acquire new customers. These relationships vary in importance and depth because that they are characterised by knowledge and commitment that differ between the relationships. Smokefree Systems work with finding new customers and partners also stretch to increase the level of commitment in the already existing relationship, if they feel that the relationship is rewarding. Johanson and Vahlne (2009) argue that from a

network point of view the change of commitment to the relationship can also be seen as a way of building bridges to new networks, in this sense a company can reach new customers and partners. This is what Smokefree Systems achieved through their partner that had connections with Panasonic and the Mitsubishi Group and reached customers that from the beginning were out of their reach.

Zineldin (2000) argues that a firm should be able to trust the word of its partners, and rely upon them to handle their relation with integrity. Smokefree systems seek to establish close relationships with its Japanese partners and since this is the case we are convinced that they need to establish trust to these partners. We argue that in the case of Smokefree systems this would be that they commit to their partners as long as they perform in accordance with their agreement, something they clearly make the partners aware of. Therefore it is the partner that by its actions ensure that Smokefree System see the relationship as rewarding. We believe that as long as trust is maintained they will continue to commit to the relationship with the partner. Rao (2006) argues that trust and dependence is the basis for a committed relationship which he argues is the final stage of a successful relationship. Johanson and Vahlne (2009) in addition explains the situation of a new company on a market that manage to establish fruitful relationships to be a result of the investment of a high level of commitment and trust that results in a more efficient process. They also conclude that it improves the speed and intensity of the learning process. According to us the dependence and trust factors should be viewed as the basis for Smokefree Systems in their effort to uphold and improve the relationships since they depend on their partners to sell their solution and in order to achieve an efficient process. Smokefree Systems have only been on the Japanese market since 2008 but have managed to gain promising partners and customers with a goal of a long term relationship. As mentioned above Smokefree Systems want to develop their relationships to their partners in order to establish themselves on the Japanese market. They also try to imply their values on their partners so that they can replicate their Swedish organisation on this foreign market.

If a company feels that a relationship is not rewarding they will not increase their commitment and trust and a possibility of a decrease is more likely. A decrease of commitment and trust can also be a result of aims of building bridges to new networks and fill structural holes (Johanson & Vahlne, 2009). This is comparable to Rubore who has worked with their employee on the Japanese market by trying to adapt to and understand the foreign business environment. They have tried to maintain and establish good relationship to their customers, but only been able to obtain a market share of 4 %. Rubore made the choice of reducing the commitment to its former American employee on the Japanese market and replaced him since they were not satisfied with his performance. They hired a Japanese as a solution to increase sales and ease the relationship building process as a local person make it easier to get closer to the customers as he better understand the business culture and the procedures in the business situations. Johanson and Vahlne (2009) describe this further as a decision to improve the performance of the current business activities by increasing the knowledge vested in the company through new external knowledge, in this case the new Japanese employee. This we see as in consistence with Rubore hopes on that this change will prove to be rewarding for the company and alter their situation on the Japanese market. In order to ensure that they will put a lot of effort in this relationship. Johanson and Vahlne (2009) indicate that when a lot of endeavour is vested in a relationship it is a sign of that the level of commitment and trust in it is high and that the chance of an increase in the producing of knowledge would improve. A high level in the body of knowledge, trust and commitment is also essential as it affects the efficiency and speed of the learning process, something that is of importance for Rubore in their process of acquiring new customers and insidership in the complex networks that exists with cross ownerships.

According to us the establishment and development of relationships is closely connected to the commitment and trust invested in the relationship. Norden, Smokefree Systems and Rubore all have invested some amount in relationships on the Japanese market with different results. Norden's most important relationship on the Japanese market is their agent that handles sales and customer relations. Smokefree Systems have their Japanese sales partners and Rubore have their employee on the market that, just as Norden's agent,

handles the sales and customer relations. Considering the fact that all three companies have chosen different approaches towards their relationships acquiring process on this market, we notice that it results in that they differ in effort and circumstances occurring around them.

Norden started to work with an agent on the Japanese market and this relationship developed due to the increase of trust and commitment that was invested in it during that time due to the fact that both felt that the relationship was rewarding. Norden later chose to internalise their operations by setting up a subsidiary in Japan since they felt that they had the capabilities to do so in order to get closer to the customers that they had started to lose contact with. Rubore and Smokefree Systems have as Norden also made the choice to reduce commitment and trust to one or more relationships on the market but for another reason. In Rubore and Smokefree Systems case they did not feel that the relationship was rewarding enough to invest in trust and commitment in it. By instead devoting that trust and commitment on a new actor they create a new relationship and a chance of building bridges to new relationships and for Rubore a chance to fill structural holes recognised in the process. Another hope Rubore has with this new relationship is that it could alter the current situation on the Japanese market As this process of change started for Norden the ties the agent had with the customers became more visible and the strength of these ties took Norden with surprise as they were stronger than anticipated. We believe that they had overestimated the trust and commitment between them and their customer, in reality the agent that were the one handling the business situations sat on the trust and was the one the customer's commitment and loyalty were placed upon. For Rubore and Smokefree Systems they did not become the subject of the same issue as their former relationship did not have control over any relationship. In Smokefree Systems case it was due to the fact that they are new on the market and work with power control in their relationships. For Rubore it was because their former relationship had not succeeded well in the relationship building process on the market which was a reason behind the decrease of commitment towards him.

The fact that Norden had misjudged the strength of the ties between their customers and the agent and the level of trust built between them and their customers we see as a testimony of Norden's lack of knowledge about their relationships. After a few years of efforts in establishing the subsidiary the plans were sloped and they went back to their agent. The relationship between Norden and the agent was damaged due to the fact that there had been a decrease in commitment and trust. This took time to restore but is today a trustworthy rewarding relationship with restored commitment and trust.

Smokefree Systems as a company is dependent on relationships in their exertion of acquiring new customers on the market. This is in similarity to Rubore who hopes that with this new Japanese employee can create new relationships by building bridges to new networks not accessible with their former employee. In order to succeed with this Rubore put a lot of trust and commitment in the relationship. Something that we believe is of importance since it can increase the learning process and also make it more intense. Smokefree Systems tries to benefit from their relationships through high commitment in order to reach new customers from their partners' network. We are of the belief that an increase of trust can be a key to opening new doors and also a continuous work on developing and commit to their relationships in order to achieve a successful establishment of a platform for future growth. During the short time they have been present on the Japanese market Smokefree Systems have managed to attract partners with potential long term commitment. This is to us a sign of a high level of commitment and intensity in the learning process that we see as important especially in the early stage of the internationalisation. By imprinting their own values on their partners in order to replicate their Swedish organisation they at the same time show a commitment towards the partners for a long term relationship.

## 6. Conclusion

In this chapter we conclude what we have discovered in our research and we will hereby conclude what is important when managing business networks and business relationships on the Japanese market.

The network should be regarded as a very important factor when trying to establish a new operation on a foreign market. This is due to that firms which seek to expand their operations can create an awareness of opportunities and hereby draw advantages on their network to gain key components such as knowledge and understanding of a foreign market, through external and internal partners. We believe that gaining more knowledge on how a market values and act in different situations is vital for the success and future development of the firms operations on a foreign market.

When looking at our focal firms and the various degrees of internationalisation of their respective industry, we can conclude that the result will vary due to what industry the firms are acting within, the result will also be affected by the products or services that the firm provides. However by investigating the results and the development of our focal firms on the Japanese market it can be concluded that the lonely international are not as dependent on their business partners as the others. When analysing internationals among others, which implies that they have experience of foreign markets and thereby a higher degree of internationalisation, we conclude that their experience should provide them with better understanding of the Japanese market and provide them with the understanding needed to develop their business network, and in that sense the ability to establish themselves on the market.

### 6.1. Network components

Whilst discussing the Japanese market and our focal firms' establishment, we argue that many factors have to be taken into consideration. We argue that the success of a foreign establishment on the Japanese market depends on the time perspective and commitment that the firm are willing to make.

It is our belief that opportunities will arise and partially be created for those firms whom are engaged in networks and seeks to expand their operations.

The differentiation in how firms can use their network to establish themselves on this market can be seen when comparing our focal firms and the results they have achieved. Since the results vary we argue that some of the explanations is the factor of how the firms have acquired their knowledge base of this market, and by handling the challenges the Japanese market provide. By gathering information of their customers, in order to increase the knowledge of how they handle different situations, will be a determinant for the success of the establishment. It can prove to be a most difficult task for the firms to acquire the right information since the Japanese firms are seldom clear as on why a decision has been made. We believe that this factor is central in the process of determining how the relationship will develop and in time grow more successful.

When trying to enter the Japanese market and its business networks it has proven to be very important with a so called insider on the market for our focal firms. We argue that this insider is a necessity for a successful establishment on the Japanese market since this partner can present the firms with a potential customer base which in turn will lead to the establishment of relations to them. We argue that this insider can also help the firms by educating them in the way of handling a Japanese relationship. As we discuss in our analysis our focal firms got into contact with different insiders on the Japanese market and this in turn led to different customers and results. We argue that the most suitable way of acquiring an insider is to turn to your existing business network and attain information on actors that are operating on the Japanese market. This will be the most likely way of attaining a suitable insider in order to make the establishment on the Japanese market for the firm.

When researching and comparing our focal firms we have distinguished important factors that have contributed to the challenges when trying to establish a network and

relationships on the Japanese market. We argue that the lack of transparency of the Japanese business environment has been hard to deal with. Our focal firms have also stated that language barriers have been in place and it has been most difficult for them to bridge this distance. We argue that this can be avoided by hiring of local staff and educating them to a more westernised thinking. Further on we believe that the mutual trust can be used to bridge an understanding between the customers to avoid these challenges.

When looking at the power positions and the possibilities for partners to build them on the Japanese market we can conclude that due to the Japanese loyalty in their thinking this is a factor that Swedish companies have to be aware of. We believe that by keeping a broad relationship portfolio Swedish firms can avoid being in a power position relationship. It is our firm belief that due to the loyalty of the Japanese companies it is easier for a partner or subsidiary to build power positions on the Japanese market than anywhere else in the world. This is something Swedish companies must bear in mind when cooperating with a partner on this market, and also seek to avoid.

## 6.2. Building relationships

We have concluded that in order for a firm to obtain a successful establishment on the Japanese market a thriving relationship must be accessible. Smokefree systems used their relationship to ensure trust, which would in turn mean that their relationship will develop to a committed relationship. We believe that in order to successfully establish the firm on the Japanese market the firm must use this commitment to its partners and thereby achieve a better growth rate. All our research objects are working to build trust and commitment, this is something we believe is a necessity in order to be successful on the Japanese market. Once a relationship has been active for a time it is very difficult to transfer the trust and commitment from it, we think that this is very clear on the Japanese market because the Japanese are very loyal and seldom acts with an outsider even if it means that they come closer to the source of the product. By keeping a close relationship to its customers Norden has maintained a good relationship to its customers, even though



there have been few orders from them recently. We believe that their decision of keeping these relations active will prove most beneficial for them in the future.

We have identified another important aspect to consider besides trust and commitment when building relationships. When adopting an uncommon way of doing business firms need to prove the benefits of the offering for the customers before they can start to build the relationship. This is of course even more time consuming but can be solved by working closely with sales partners who we argue can convince a greater number of companies than the focal firm could do by itself.

Hereby we argue that in order to achieve a successful establishment for Swedish firms using their business networks, the firms must recognise the opportunities present on this market. The firms must also acquire a sufficient knowledge base to create an understanding of this market by using insiders on the market. When the knowledge base is acquired, the firms should seek to develop their business relations in order to create the trust and dependence. We believe that when this is achieved the relationship will develop even more to become a committed relationship. We argue that when this is achieved the Swedish firm has a better possibility of influencing their Japanese partners and create a greater understanding of the benefits of their products and services.

### 6.3. Concluding summary and recommendations

The Swedish firms in our study were faced with a number of challenges on the Japanese market. The liability of outsidership was a significant challenge for every company. The risk of letting a partner get a power position over the company is another task our research objects have to deal with. Our research objects try to establish a good relationship with an insider on the Japanese market to help them distribute their products. By supporting the partner and increase trust and commitment our focal firms attempt to strengthen the relationship in order for it to be even more successful. Regarding the network building during the economic recession the already established companies are just trying to hold on to their customers, while new actors may benefit from innovative

ideas and a new way of thinking in order to build a network even though the economic situation is poor.

We would recommend Swedish companies that are looking to establish or already are established on the Japanese market to actively seek out and also create opportunities. It is also imperative to as swiftly as possible seek out an insider to help with the establishment by mediating contacts. It is also a major advantage if this insider has extensive knowledge about the Japanese market preferably a Japanese person or company. When cooperating with a partner on the Japanese market it is important to not let this partner get a power position. To avoid this make sure to be in contact with the customers at least when finishing or negotiating a deal. To adopt Smokefree Systems approach with a number of different partners we feel is a good way to limit the risk of having a partner with a power position. It will be easier today for a company with an innovative and new product to penetrate the Japanese market. By creating a demand a company ensures that the Japanese do not have a previous supplier of the product and can therefore be more prone to accepting the offer. The final recommendation we give is that when establishing on the Japanese market, be patient. Japanese companies are always adopting a long term view and are very reluctant to change because of their loyalty. Relationships are not built directly; they take time and continuous effort. An establishment might take several years before any return on investment is shown so to stay committed and not to give up easily is our strongest recommendation.

Challenges	Effect on network and relationships	Recommendations
Liability of outsidership	Leads to less trust and commitment and hardships to establish operations on the market	Seek partners who have an understanding and experience of the market and develop long term relations to them.
Power positions	Leads to lack of control and influence	Establish a wide portfolio of partners
Lack of trust and commitment	Leads to disbelief and a less devoted cooperation	Think long term, the development of trust can take several years on the Japanese market

*Figure 6.1: Concluding summary and recommendations, Own table*

#### 6.4. Final reflections and further research

There is no doubt that the economic recession has affected our focal firms' networks and relationships, we argue that this is something that should be kept in mind since it is a factor that affects the business environment as a whole. However we argue that the growth of the firms after the recession can be effected in a positive sense, this can be achieved by maintaining good business relations with their respective partners. According to us a sufficient relationship would lead to that operations will be much easier to start when the effects of the recession has faded away. Companies who have a sufficient business network and relationship in place do not need to devote as much resources to acquire a new one and therefore save time and capital. According to us companies who do not have the proper networks and relationships in place will have to devote more resources and time to develop their position. By having an innovative offering and a new way of thinking we believe that firms can convince the Japanese in due time of the benefits even though the financial situation is poor.

Further studies on the influence of the Japanese business culture within international business networks would be interesting. A study with the goal to find the most suitable

mode of entry for the Japanese market would be another interesting topic. When doing our research we found that Smokefree Systems has a different business strategy than the others, therefore it would be interesting to study more companies that are newly established in Japan and find out which strategies they use.

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## 7.2. Interviews

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Laurin, Jacob, 100520

Järneström, P-A, 100524

## 8. Appendix

### 8.1. Interview Guide

Vad är din position i företaget?

*What is your position in the company?*

Hur ser er verksamhet ut idag på era internationella marknader?

*How does your operations today on your international markets characterise themselves?*

Är det viktigare med nätverksbyggande på den japanska marknaden?

- Om ja varför/hur?

*Is it more important with network building on the Japanese market?*

- *If yes why/how?*

Var du med från starten av eran internationalisering till Japan? Och när var det?

*Did you participate in the first internationalisation process to Japan? And when did it take place?*

Vilket var erat tillvägagångssätt vid den första internationaliseringen till Japan?

- Har det förändrats över tiden? Hur?

*What was your course of action during the first internationalisation to Japan?*

- *Has it changed over time? How?*

Hur ser er närvaro ut i Japan i dag?

*How does your presence on the Japanese market look like today?*

Hur länge har ni varit verksamma på den japanska marknaden?

*How long have you been active on the Japanese market?*

Hur kom ni i kontakt med er partner/partners i Japan?

- Hur hittade ni möjligheten? Tog de eller ni första kontakten?

*How did you come in contact with your partner/partners in Japan?*

- *How did you identify the possibility? Did you or they take the first contact?*



Hur många kontakter har ni idag på den japanska marknaden?

*How many contacts do you have today on the Japanese market?*

Hur ser ni på er relation till era samarbetspartner(s) på denna marknad?

*How do you view your relations with your partner(s) on the Japanese market?*

Hur gör ni för att vårda era relationer till de japanska samarbetspartnerna?

*How do you nurture your relationships with the Japanese partners?*

Hur anser ni att den japanska marknaden skiljer sig från de andra marknaderna ni är närvarande på?

- Svårt att komma in och bli accepterad i nätverk?

*How do you perceive that the Japanese market differs from the other markets you are present on?*

- *Has it been hard to penetrate the network and to be accepted in it?*

Vad anser ni vara den viktigaste beståndsdel (trust, commitment etc.) i er relation till de japanska partnerna?

*What do you perceive as the most important part in your relationships to your Japanese partner? (Trust, commitment etc.)*

Vilket inflytande har ni på er partner eller er partner på er?

*What influence do you have on your partners or does the partner have any influence on you?*

Hur anser ni att finanskrisen har påverkat era relationer på den japanska marknaden?

*How do you perceive that the financial recession has affected your relationships on the Japanese market?*

Hur jobbar ni för att utveckla ert samarbete med den japanska partnern?

- Har det varit tidskrävande?

*How do you work to develop your cooperation with your Japanese partners?*

- *Has it been time consuming?*

Hur svårt skulle det vara för er att byta partner i Japan?

*How hard would it be to substitute your partner on the Japanese market?*

Hur har ert samarbete med aktörer på denna marknad lett vidare till nya samarbeten med externa aktörer?

*How has your cooperation with the actors on this market contributed to further cooperation with external actors?*

Hur har ert kontaktnätverk vidareutvecklas på den japanska marknaden? (Efter initiala internationaliseringen)

*How has your contact network evolved on the Japanese market? (After the initial internationalisation)*

Vilka svårigheter har ni upptäckt med att ha en japansk samarbetspartner?

*Which difficulties have you discovered with having a Japanese partner?*

Hur har kunskapsutbytet mellan er och er partner(s) påverkat er?(utvecklat er relation)

*How has the exchange of knowledge between you and your partner(s) affected your relationship(s)?*

Vilka möjligheter har presenterat sig genom ert utbyte med den japanska partnern?

*What possibilities have presented themselves through your exchange with the Japanese partner?*

Vilka delar av erat företag har påverkats av era relationer till den japanska marknaden (Value chain)

*What parts of your company has been affected by your relationships on the Japanese market?*

Hur nöjda är ni överlag med ert samarbete?

*How pleased are you overall with your cooperation?*

Har betydelsen av relationer ökat över tiden på grund av globalisering/finanskrisen?

- om ja hur/varför?

*Has the meaning of relationships increased over time because of the globalization/economic recession=*

*- If yes how/why?*



## Linnéuniversitet – kvalitet och kompetens i fokus

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Den 1 januari 2010 gick Växjö universitet och Högskolan i Kalmar samman och bildade Linnéuniversitetet. Linnéuniversitetet är resultatet av en vilja att öka kvalitet, attraktionskraft och utvecklingspotential för utbildning och forskning, och spela en framträdande roll i samverkan med det omgivande samhället. Linnéuniversitetet erbjuder en attraktiv kunskapsmiljö med hög kvalitet och konkurrenskraftig kompetens.

Linnéuniversitetet är ett modernt internationellt universitet som betonar nyfikenhet, nytänkande och nyttiggörande. För oss är närhet till studenterna, världen och framtiden i fokus.

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