Influence of Internal and External Factors on Expansion Strategy

-Swedish Cleantech Subsidiaries in the US

Authors: Jungmin Choi, Master program in Marketing
Maria Mogyoro, Master program in Marketing

Tutor: Anders Pehrsson
Subject: International Marketing
Level and semester: Master level 30 credits, Spring 2011
ABSTRACT

**Title:** Influence of Internal and External Factors on Expansion Strategy  
-Swedish Cleantech Subsidiaries in the US

**Authors:** Jungmin Choi, Maria Mogyoro

**Purpose** The purpose is to contribute to the knowledge regarding internal and external factors’ influence on the expansion strategy of a foreign subsidiary in a growing market.

**Design/Methodology/Approach** Originating from the resource-based view and industrial organization view literature, an analysis model is developed. The model shows influences of internal and external factors on a subsidiary’s expansion strategy. Propositions were formulated based on the analysis model and five case studies of Swedish clean technology subsidiaries operating in the US were compiled.

**Findings** This study found that high business relatedness between a subsidiary and parent firm are positively associated with a broad market scope and differentiation strategy. Secondly, international experience is positively associated with a differentiation strategy. The study also found that perceived competition is positively associated with a broad market scope and perceived low competition influences a narrow product/market scope. Finally, perceived barriers positively impact a differentiation strategy.

**Implications** This study provides evidence that both internal and external factors have an influence on a subsidiary’s expansion strategy. The study also showed that there were linkages among factors. For example there were indications that external factor such as competition affects business relatedness. Hence, a revised model was developed demonstrating those relationships. For managers this research has importance since it has been shown that managers need to consider both the external and internal factors when they formulate strategy.

**Originality/value** By integrating insights from the resource-based view and industrial organization view literature, this thesis develops a unique analysis model where factors from both schools are used to study expansion strategies of subsidiary firms in a growing market.

**Keywords:** Expansion Strategy, Resource-based view, Industrial organization view, Foreign Subsidiary, Cleantech industry
Acknowledgements

This master thesis was written as the final examination assignment within the second-year master program in marketing at the School of Business and Economics, Linnaeus University, Växjö, 2011.

The authors would like to give special thanks to all interviewed persons at the case companies; Bo Nilsson at Thomas Concrete, Erik Jansson and Lotta Ehlin at Absolent, Bill Bayer and Brandon Richards at Millicenten, Oliver Coussit at Dustcontrol and Allan Jones at Skanska USA Building. We would also like to thank everyone at the Swedish American Chamber of Commerce (SACC) and especially Birgitta Arnsdotter at SACC USA, Bendikt Ibing, Emilia Kardell and Emilie Hilm at SACC Georgia and Thomas Swanson and James Kemper at SACC Carolinas. Without their help and participation we could never have collected all the information necessary to complete this thesis and we are thankful that they were able to share their time and knowledge. We would also like to express our appreciation to our tutor Anders Pehrsson and examiner Sarah Philipson who has guided us during our writing process and who has given us advice as well as constructive criticism. We would like to thank Ragnar Söderbergs Stiftelse for its financial support which allowed us to travel to United States and collect empirical data.

Lastly, the authors would like to thank friends and family for their ongoing support and understanding throughout this thesis.

Thank you all.

Linnaeus University, Växjö
School of Business and Economics
June 2011

Jungmin Choi                                      Maria Mogyoro
## Contents

1. INTRODUCTION .......................................................................................................................... 1  
   1.1 Background ............................................................................................................................ 1  
   1.2 Problem Discussion .............................................................................................................. 2  
   1.3 Research Question ................................................................................................................ 3  
   1.4 Purpose .................................................................................................................................. 3  
   1.5 Delimitations .......................................................................................................................... 3  
2. THEORY ......................................................................................................................................... 4  
   2.1 Internal Factors - Resource-Based View .............................................................................. 4  
      2.1.1 Business Relatedness ...................................................................................................... 4  
      2.1.2 Parent International Market Experience ....................................................................... 6  
   2.2 External Factor - Industrial Organization View .................................................................... 6  
      2.2.1 Competitive Environment and Competitors .................................................................. 6  
      2.2.2 Barriers ............................................................................................................................ 7  
   2.3 Expansion Strategy ............................................................................................................... 10  
      2.3.1 Product /Market Scope ................................................................................................. 10  
      2.3.2 Differentiation Strategy ................................................................................................. 11  
   2.4 Analysis Model ..................................................................................................................... 13  
3. METHODOLOGY ......................................................................................................................... 14  
   3.1 Research Design .................................................................................................................. 14  
   3.2 Population and Sample ......................................................................................................... 14  
   3.3 Data Collection ..................................................................................................................... 15  
   3.4 Operationalization of the Concepts .................................................................................... 16  
   3.5 Data Analysis ....................................................................................................................... 19  
   3.6 Validity and Reliability ......................................................................................................... 20  
4. EMPIRICAL DATA ....................................................................................................................... 22  
   4.1 US Cleantech Market ............................................................................................................ 22  
   4.2 Absolent Inc ......................................................................................................................... 23  
      4.2.1 Internal Factors ............................................................................................................... 23  
      4.2.2 External Factors .............................................................................................................. 24  
   4.3 Dustcontrol Inc .................................................................................................................... 27  
      4.3.1 Internal Factors ............................................................................................................... 27  
      4.3.2 External Factors .............................................................................................................. 28  
   4.4 Millicenten Inc ...................................................................................................................... 30
Appendix ........................................................................................................................................... 72

A. Interview Questions ....................................................................................................................... 72

B. Operationalization .......................................................................................................................... 74

C. Case study Absolent Inc .................................................................................................................. 76
   1. General Facts about Absolent AB ............................................................................................. 76
   2. Absolent Inc ............................................................................................................................... 79

D. Case study Dustcontrol Inc ............................................................................................................. 85
   1. General Facts about Dustcontrol AB ....................................................................................... 85
   2. Dustcontrol Inc ........................................................................................................................... 87

E. Case study Millicenten Inc ............................................................................................................. 94
   1. General Facts about Millicenten AB ....................................................................................... 94
   2. Millicenten Inc ........................................................................................................................... 98

F. Case study Skanska USA Building Inc ......................................................................................... 104
   1. General Facts about Skanska Group ....................................................................................... 104
   2. Skanska USA Building Inc ........................................................................................................ 107

G. Case study Thomas Concrete Inc ................................................................................................ 114
   1. General Facts about Thomas Concrete Group AB .................................................................... 114
   2. Thomas Concrete Inc ............................................................................................................... 116
1. INTRODUCTION

This chapter presents two different dominating views of strategy; industrial organization and the resource-based view. Their contribution regarding external and internal factors’ influence on the expansion strategy of a subsidiary in a growing industry is discussed. This chapter ends with a research question, purpose and delimitations.

1.1 Background

According to Gregersen & Black (1992) and Osland et al. (2001) rapid globalization of business has resulted in an increasing number of international strategic alliances, exporting, foreign subsidiaries, over sea representative offices and so on. Globalization has changed the competitive environment in which companies operate and it has prompted companies to seek more opportunities in growing industries where there is high potential for expansion. However, in a growing industry, competition has lower standards than a mature market (Bowman & Gatignon, 1995; Ramaswamy et al., 1994; Robinson, 1988; Soberman & Gatignon, 2005) and companies are facing extensive uncertainty when they assess the competition. Soberman & Gatignon (2005) state that there is limited knowledge about how market evolution and competitive dynamics interact. In addition, Pehrsson (2008c) notes that the formulation and implementation of successful international strategy is in practice difficult for firms to achieve. King & Tucci (2002) argue that it is of immense importance to be able to adjust and implement a strategy in a changing environment. Hence, it is crucial to study how international firms assess competition and formulate expansion strategies in growing industries.

There are vast amounts of research that have examined and studied expansion strategy. In strategy studies there are two main schools of thought; the industrial organization perspective and the resource-based view. These views can be seen as opposites and there are long standing discussions as well as arguments among scholars whether it is the internal or external factors that make a company successful (Hedman & Kalling, 2003).

In the industrial organization view, competition structure sets barriers which restrict entry into an industry or market. This view emphasizes industry structure as the primary determinant of competitive strategy (Porter, 1980). Industrial organization view was popular in the strategy discipline throughout the 1970s and 1980s with leading researchers such as
Bain (1956) and Porter (1980 & 1985). Porter has been very influential in the field of competitive strategy and is the dominating author in the school of industrial organization.

In the resource-based view Penrose (1959) argues that sustained competitive advantage of strategy derives from the resources and capabilities a firm controls, thus emphasizing the internal factors’ influence on strategy (Barney, 1991; Grant, 1991a; Rutihinda, 1996). The adoption and development of this view became popular in the 1980s after a publication of Wernerfelt (1984). The view of the competitive advantage arising from firm resources and capabilities was developed further by scholars such as Prahalad & Hamel (1990), Barney (1991) and Grant (1991a).

1.2 Problem Discussion
As mentioned the industrial organization and the resource-based view have been the dominating schools of strategy studies, yet there are weaknesses that need to be accentuated.

The industrial organization view assumes that industry is stable and suggests using different analysis tools such as competitor analysis and strategic groups. According to Pehrsson (2000) and Grant (1991b) industries are not always stable and in a dynamic industry where the environment changes and shifts, a static analysis of the industry is not an adequate means for formulating strategy. Pehrsson (2000) further argues that a major weakness of the industrial organization view can be neglecting the internal context of strategy.

In the resource-based view, firms’ primary focus is on the resources (Rutihinda, 1996). However, Penrose (1956) notes that external factors such as critical changes in the business environment may affect resources of the firm. Furthermore, Pehrsson (2000) states that the significance of a firm’s resources is determined from the external environment from which resources are originally drawn and valued.

There are emerging theories studying the influence of both external and internal factors (Zou & Cavusgil, 1995; Acquaah & Chi, 2007; Pehrsson 2002, 2008b; Grant 1991b; Porter 1991). Pehrsson (2002, 2008d) introduced the balance between internal and external firm factors influencing entry strategies and choice of entry modes. A market entry strategy is dependent on both external and internal factors to various extents. One weakness of relying on the external perspective can be that the internal context of a firm is neglected. However relying on only internal factors can underestimate the importance of the external environment
In addition expansion strategy entails the relationship between the parent company and the subsidiary which has received a lot of attention in the literature (Nohria & Ghosal, 1994). Chiao et al. (2008) argues that the parent-subsidiary relationship has been researched extensively from the parent view but there is a lack of studies from the subsidiary perspective, and studies have underestimated the foreign subsidiary as the unit of analysis. It is difficult to find research studying the influence of internal and external factors’ on expansion strategy in relation to parent and subsidiary context. Thus this is an interesting field that needs more research to be conducted and the research question of this study will follow.

1.3 Research Question
What internal and external factors influence the expansion strategy of a subsidiary of an international firm?

1.4 Purpose
The purpose of this thesis is to generate more knowledge on the influence of external and internal factors on subsidiaries’ expansion strategy formulation. In a more practical matter companies can use the findings to gain better insights in growing industries on the US market.

1.5 Delimitations
The research is delimited to study Swedish companies that have a subsidiary in the US; the research is conducted from the subsidiary level and does not include the view from the parent firm. The study is based on managers’ subjective views of the business environment and not an objective reality.
2. THEORY

This chapter introduces theories about internal and external factors influencing a firm’s market expansion strategy. Internal factors based on the resource-based view such as international experience and business relatedness is presented. External factors from the industrial organization view are external barriers and competition. Market expansion strategy consists of product/market scope and differentiation and how internal and external factors influences strategy is discussed. At the end of the theory chapter the analysis model summarizes the theories presented.

2.1 Internal Factors - Resource-Based View

The resource-based view, which has seen resurgence lately, holds that the firm’s resources are the very foundation of firm strategy and it’s competitiveness on the market (Pehrsson, 2008c). The view is based on Penrose’s (1959) work, in which the firm is seen as the center of productive resources and expansion arises from greater output of the resources that the firm possess or through diversification. According to Barney (1991) competitive advantage derives from the resources and capabilities a firm controls that are valuable and not substitutable. Early research focused on tangible assets but there has now been a shift towards including also intangible assets such as knowledge and experience, core competencies and learning (Pehrsson, 2001).

2.1.1 Business Relatedness

Business relatedness explains the relation of the core business of the corporation and different business units (Pehrsson 2000, 2001, 2006). Pehrsson (2010) state business relatedness consists of dimensions of product, market, and intangible resources. Business relatedness is conceptualized as similarities among organizational units along central dimensions (Pehrsson, 2006; Rumelt, 1982; St John & Harrison, 1999). When a subsidiary company has high business relatedness with the parent company it can acquire related knowledge on strategy regarding products, services and markets. In addition high relatedness hypothetically possesses a strong potential for success (Palich et al., 2000; Rumelt, 1982; Pehrsson, 2004).

Nayyar (1992) studied business relatedness using objective measures and perceived relatedness by managers and found a wide divergence between them. This inconsistency of managers’ view can be explained by business relatedness being an ambiguous reality
(Farjoun & Lai, 1997) that managers perceive differently (May, 2007). Essentially using a perceptive approach to business relatedness recognizes the significance of the spectrum of managers’ views on company’s choices of strategy (Nayyar, 1992; Pehrsson, 2006; St John & Harrison, 1999).

According to Pehrsson (2010) perceived high business relatedness between the subsidiary and the core business unit of the parent company determines the subsidiary’s ability to acquire the parent firm’s core competencies. A core competence is a source of a firm’s ability to deliver unique and differentiated value to its customers (Goddard, 1997). Prahalad & Hamel (1990) notes that a core competence provides potential access to many markets and adds value to the customer that is difficult for competitors to imitate. In addition, Marsh (1998) argues that high business relatedness makes it possible for subsidiaries to overcome barriers. Perceived high business relatedness represents a synergy potential between the parent firm and subsidiary (Slusky & Caves, 1991). Hence, high business relatedness enables a subsidiary firm to gain core competence from parent firm, differentiate to great extent and strive for broad market scope.

There have been a number of studies on the parent-subsidiary relationship (Picard et al., 1998; Bowman et al., 2000; Gupta & Govindarajan, 1991; Brock & Paterson, 2002) investigating various aspects of the relationship. If a parent company exercises too much control it can destroy value, Campbell et al. (1995). But on the other hand not enough control can also have a negative impact on the company (Bartlett & Ghoshal, 1989: 59). A study by Young et al. (1985) found that subsidiaries had a high degree of autonomy regarding production and marketing activities but also operational issues such as volume output, entering new markets, pricing and advertising and sales distribution were usually decentralized decisions. Further Hood & Young (1987) found that most subsidiaries conducted none or limited R&D, which was mostly done by the parent. Another study done by Bowman et al. (2000) examined to which extent multinational companies are able to make their own decisions. The study found that subsidiaries usually made operational decisions while strategic decisions were made by the parent company. The study also showed that most companies had extensive influence regarding decisions about product range. A subsidiary sometimes only performs a single activity or a complete chain of value activities (Birkinshaw & Hood, 1998).
2.1.2 Parent International Market Experience

In a foreign country, an operation is embedded in a set of social, cultural, political and often managerial environments that significantly differ from the parent company’s environments. Good knowledge of international market conditions strengthens the competence of the firm. According to Kogut (1983) new subsidiaries benefit from their parent companies’ previous foreign activities. In addition Johanson & Vahlne (1977) states that experience of a parent company affects the success of a foreign subsidiary. When the parent company’s experience increases (the firm acquires knowledge of foreign markets), it perceives less uncertainty, and becomes more confident of its ability to estimate risks and returns and manage foreign operations. Li (1995) states that previous international experience of parent company, directly affect managing and establishing foreign subsidiaries. Pehrsson (2010) showed that there is a positive relationship between experience and subsidiary differentiation. He also argues that the degree of foreign market importance reflects the international experience of the firm and it can be measured by the foreign market share of the annual revenue (Pehrsson, 2008b). High market share shows that it is important for the company to possess extensive international market experience.

2.2 External Factor- Industrial Organization View

The industrial organization view was dominating strategic management in the 70s and 80s. Porters book “Competitive Strategy” made a huge impact in the field and in the book he researched industry structure as the determinant of competitiveness and profitability (Pehrsson, 2008c). He describes strategy building as an instrument influenced by industrial factors and he pointed out the importance of creating a competitive advantage to outperform competitors in the industry (Porter, 1980).

2.2.1 Competitive Environment and Competitors

The thoughts of the competitive environment are based upon the perception of barriers to entry or expansion of a particular market by managers. This does not imply that an objective environment does not exist but the perception by managers is generally the basis of international strategy. The study of an environment based on perception were first introduced by Lawrence & Lorsch (1967), while earlier studies had assumed that the environment were only an objective reality. Managers choose, construe, and discuss information about competition; hence strategy is based on the subjective views, an intermediate variable of the
current environment. While managers face a high degree of uncertainty regarding the
environment, there is evidence that confidence increases over time as managers learn about
the nature of competition. Managers assess the competitive environment on a number of
factors including assessment of competitors scope of product range, customer types, the
amount of customers and where customers are geographically located (Pehrsson, 2008a).
Firms also engage in competitive analysis in order to better understand their competitors’
resources, capabilities and strategies (Porter, 1980). Pehrsson (2008a) further argues that the
assessment of a competitor’s product differentiation is important for managers since
competitors’ differentiation strategy becomes an entry barrier for the firm and impedes its
chances of implementing an international strategy.

According to Porac & Thomas (1990) competitors are those that have similar customers,
compete with the same resources and who are competitively interdependent. They suggest
that the choices of the firm, in seeking competitive advantage, needs to manipulate strategy
attributes (inputs, outputs, size, administrative, structure, technologies, skills) to achieve a
superior position relative to competitors. Firms monitor and balance similarities and
differences to those of its main competitors in order to achieve this. The competitive scanning
is narrowly focused because managers do not pay attention to all competitors in the
competitive environment but only the main competitors (Porac & Thomas, 1990; Ketchen &
Palmer, 1999; Pegels et al., 2000).

2.2.2 Barriers
Bain (1956) first introduced the concept of ‘barriers to new competition’ and has defined
barrier as an advantage of established sellers in an industry over potential entrants. According
to Porter (1980) barriers are obstacles that prevent entrant firms from being established or
expand in a particular market. Porter (1980) has written extensively on barriers and there are
seven major sources of barriers; Economies of Scales, Product Differentiation, Capital
Requirements, Customer Switching Costs, Access to Distribution Channels, Cost
Disadvantages Independent of Scale and Government Policy. Barriers are perceived
differently from company to company and from one individual to another (Karakaya & Stahl,
1989; Pehrsson 1990, 2004). Pehrsson (2009) have studied the impact of barriers and found
that companies that faces extensive barriers seems to choose broad product/market scope and
differentiate their products to a great extent.
Economies of Scale
Economies of scale refer to the decline of unit cost of an output when a firm’s absolute volume per period capacity is increased (Porter, 1980:7). Economies of scales may relate to an entire functional area or a particular operation. According to Bain (1956) economies of scale is a barrier when incumbents have already built efficient plants which are large relative to demand. Incumbents’ lower price can fall below the entrant’s unit cost. According to Robinson & McDougall (2001) economies of scale have a larger negative impact on a firm with a narrow product/market scope.

Product Differentiation
Product differentiation becomes a barrier when incumbents have brand identification and customer loyalties which originates from past advertising, customer service, product differences and early entrance (Porter, 1980: 9). Product differentiation barriers are important barriers since they create loyalties and relationships with buyers and sellers and accompany barriers for new entrant companies to access customers (Johansson & Elg, 2002). Product differentiation is considered as one of the toughest and most formidable barriers to entry (Bain, 1956; Porter, 1980; Karakaya & Stahl, 1989). Robinson & McDougall (2001) found that for a firm that has a narrow product/market scope the negative effect is larger than for a company with a broad scope.

Capital Requirements
Capital requirement is a barrier when there is a high need to invest financial resources to compete and in order to be firmly established in a market (Porter, 1980; Harrigan, 1981; Pehrsson, 2009). Capital requirements associated with market entry are barriers to most of entry firms (Karakaya, 2002). According to Robinson & McDougall (2001) capital need has a larger negative affect on a company if the product/market scope is narrow.

Customer Switching Costs
Switching cost is a one-time cost for a buyer to switch from one supplier to another (Porter, 1980). Klemperer (1992) argues that the main effect of customer switching costs is to give incumbent firms monopoly power over their existing customers, thus creating the potential for monopoly profits. He states major categories of customer switching costs as; need for compatibility with existing equipment, transaction costs of switching suppliers, costs of learning to use new brands, uncertainty about the quality of untested brands, discount
coupons and similar devices, and psychological costs of switching. Pehrsson (2008a) found in his study that customer switching costs had a negative effect on a narrow product/market scope.

**Access to Distribution Channels**

New entrants firms face obstacles to secure distribution channel access (Porter, 1980; Karakaya & Stahl, 1989; Han et al., 2001, Pehrsson, 2009). Incumbents can block access to distribution channels to limit the possibilities for the potential new entrants to sell their products (Klempemer, 1992; Pehrsson, 2004). Access to distribution channels is a larger obstacle when the scope of a firm is narrow (Pehrsson, 2008a).

**Cost Disadvantages Independent of Scale**

Incumbents may have cost advantages that are difficult for the entrant firms to follow, no matter their size and attained economies of scale. This is considered to be cost disadvantages independent of scale (Porter, 1980). The most critical factors are

- Proprietary product technology
- Favorable locations
- Favorable access to raw materials
- Government subsidies
- Learning or experience curve
- Government subsidies
- Learning or experience curve

**Government Policy**

Government can limit and control entry into industries with licensing requirements and restrictions (Porter, 1980). According to Hall (1992) government licenses are one of the intangible resources that can lead to sustainable competitive advantage for incumbents. Pehrsson (2001) found that changes in the regulative environment effects product/market scope. In addition Delmas et al. (2007) found that regulatory changes affect an incumbent’s market strategy.

Porter’s (1980) original proposal suggests seven barriers yet the economies of scale and cost disadvantages independent of scale are closely related. Many literatures suggest six barriers since these both pertain to the incumbents' having cost advantages (Karakaya & Stahl, 1989; Pehrsson, 2004). In addition there are other barriers apart from Porter (1980) appeared in the literature. In this study R&D barrier was added.
Research & Development

According Karakaya and Stahl (1989) an R&D barrier is usually short-lived but incumbents can prevent entrants by investing effectively in R&D, which increases technological scale economies. Harrigan (1981) state that there are two ways for incumbents to prevent entry of companies by investing effectively in R&D. The first is to increase technological scale economies and the second is to stimulate ongoing R&D in the industry which would make attempts of later entrants more difficult. A recent study by Zoe (2002) identifies that successful R&D expenses can create product differentiation advantage.

2.3 Expansion Strategy

According Pehrsson (2009) market strategy consists of product/market scope and product differentiation. These are crucial components of strategy for subsidiaries operating abroad (Birkinshaw & Pedersen, 2009; Chiao et al., 2008; Pehrsson, 2010). Several studies have examined the impact of barriers on product/market scope (Bonardi, 1999; Delmas & Tokat, 2005) and product differentiation (Pehrsson, 2009; Delmas et al., 2007).

2.3.1 Product /Market Scope

According to Shepherd & Shanley (1998) the breath of new businesses strategy has long been discussed in the literature. The product/market scope can be classified into three different levels compared to competitors of the company. Narrow- lower relative product/market scope; intermediate-comparable product/market scope; broad- higher relative product/market scope (Robinson & McDougall, 2001). In this thesis market scope has been split into two categories; geographical scope which corresponds to the targeted geographical location and market scope which corresponds to target customers.

Broad product/market scope

Pehrsson (2008a, 2009) argue that competitors are one of the main sources of barriers and they have an impact on product/market scope. Pehrsson (2008a) found that the impact of external obstacles was related to the breadth of the product/market scope of a firm and both Pehrsson (2008a) and Robinson & McDougall (2001) have shown the impact of barriers to be less when adopting a broad product/market scope. In addition, for firms with a broad product/market scope the obstacles to access customers were less limited. This is most likely because firms with a broad scope can more easily access and choose customers (Pehrsson, 2008a) and a broad scope for subsidiaries can reduce a firm’s weakness on relying on a few...
customers and reach more potential buyers (Miles & Snow, 1978). Other studies, for example Kunkel (1991) in Robinson & McDougall (2001), found mixed results of a broad strategy, but in general a broad strategy is better. Robinson & McDougall (2001) also found in their study that negative effects of barriers were smaller for broad scope ventures and that firms pursuing a broad product/market scope could realize cost savings by learning quicker and thereby moving faster on the experience curve. In addition, it was found that firms pursuing a broad scope strategy experienced greater sales growth than those with a narrow scope. Finally a broad strategy can help firms to overcome problems such as being new and small as well as overcoming barriers that established firms have created.

**Narrow product/market scope**

A narrow product/market scope is associated with a limited range of products and target markets. Porter (1980) suggests three generic strategies where focus is one of them. A focus strategy corresponds to a narrow product/market scope. The focus strategy entails limiting the scope and focusing on a specific group of customers, segment of the product line or geographical market. The focus strategy can thus take many forms and the main objective is to serve a specific group of customers well, which imply that the company is able to serve a specific group of buyers better than their competitors. The focus strategy means that the company is either differentiated, has low costs or both. This strategy creates defenses against competitors and can potentially lead to above-average returns. New start-ups are advised to pursue a narrow competitive scope in less competitive and underserved niche markets (Robinson & McDougall, 2001). Hence a focus strategy can be used to select target markets, where competition is less or where targets are least vulnerable to substitutes (Porter, 1980).

There are also risks inherent in the focus strategy; just as with the differentiation strategy. It can be difficult to maintain the focus and there is the risk of erosion of the competitive advantage as the industry progresses. Moreover, by focusing on only a small part of the market, there is a trade-off between volume of sales and profitability (Porter, 1980).

**2.3.2 Differentiation Strategy**

To provide something unique that customers find valuable gives a firm the opportunity to differentiate themselves from competitors. Differentiation strategy gives them the opportunity to sell their products at a higher price. But this is only true if the firm have focused on dimensions that buyers appreciate. A company can differentiate themselves on several
dimensions which can include product characteristics such as product quality, product features as well as other dimensions such as distribution, customer support, intangibles etc. When companies establishes international strategy and exploit competitive advantages based on differentiation, value-adding activities becomes crucial (Porter, 1985). Differentiation can be achieved by performing various value activities that affects buyers. Although single value activities does not cost much they can still have a large impact on differentiation. A firm can ultimately create value for buyers by lowering their costs, raising their performance and by impacting the value chain of the customer. Innovation can be one way of differentiating the product from competitors (Kustin, 2004). Another aspect of differentiation involves service activities. Usunier (1993) states that services related to products such as after-sales service are central to differentiation. Pehrsson (2009) suggests that attributes of differentiation to meet individual customer needs may give the firm competitive advantages.

Pehrsson (2008a, 2009) argue that competition is one of the main sources of obstacles to companies and have an impact on the differentiation strategy. According to Pehrsson (2008c) a differentiation strategy penetrating many segments lead to a positive result, but a broad market scope and differentiation can make it difficult to satisfy the wide needs of the customers. To be successful with a narrow product/market scope the company should focus on developing a strong differentiation in targeted markets; this will lead to strong place in the market. Therefore both the risks of having a broad and a narrow product/market scope must be taken into consideration.

**Competitive Advantage**

Porter (1980) has identified two ways to gain a competitive advantage; Differentiation and Cost Leadership. Product differentiation can be one source for competitive advantage but also other activities that the firm performs can lead to a competitive advantage (Porter, 1985). Competitive advantage can come from many different activities such as design, production, marketing, distribution, and supporting its products. Competitive advantage can be gained by performing these activities more cheaply or better than their competitors. Porter (1980) state that differentiation is a way of coping with competitive warfare and it increases the odds of achieving high financial performance.
2.4 Analysis Model

The Figure 1.1 below shows the analysis model for the study. The model consists of three components (internal factors, external factors, and expansion strategy of the foreign subsidiary). It is assumed that there are relationships between the internal factors and external factors, and the foreign subsidiary’s expansion strategy. These are the explicit propositions:

**Proposition 1**

Internal factors such as perceived business relatedness and international experience of the parent firm affect a foreign subsidiary’s expansion strategy.

**Proposition 2**

External factors such as perceived competition and barriers of expansion affect a foreign subsidiary’s expansion strategy.

![Figure 1.1 Analysis model](image_url)
3. METHODOLOGY

This chapter presents the research methodology and argue why a qualitative method such as case study has been chosen for this research mission. In addition techniques for empirical data collection and how the empirical data has been analyzed are introduced. This chapter finishes with discussing validity and reliability of the paper.

3.1 Research Design

Case study

A case study is an empirical method to investigate a contemporary phenomenon within its real-life context and to gain an in-depth understanding of a situation. The interest of this method lies in the context and interpretation of phenomena. The outcome of a qualitative case study is an intensive description and analysis of phenomenon (Merriam, 1998). Case studies can be used for purposes such as; to describe a phenomenon (Kidder, 1982), to test theory (Pinfield, 1986), or generate theory (e.g., Gersick, 1988). Eisenhardt (1989) argues that case study can be especially useful when a researcher wants to add theory in a research area that is in the early stages. The research is in an emerging area, where the resource-based view is combined with the industrial organization perspective; hence a case study could be an appropriate method. The major benefit is that it provides researchers with opportunities to experience something that other research methods cannot give. The goal of a case study is not to develop the right interpretation, but it is to broaden the scope of diverse interpretations (Yin, 1994). This master thesis intends to focus how internal and external factors influence the expansion strategy of subsidiaries, by studying the perception of managers. Yin (1994) argues that a qualitative case study will capture mechanisms of changes of highly dynamic and complex phenomena in detail. The case study method is an adequate choice for this study, because it focuses on dynamic and multi-sided influences of expansion strategy.

3.2 Population and Sample

The sample selection started with a list of 34 Swedish cleantech companies active in the US retrieved from the Swedish American Chamber of Commerce in New York. From this list eight companies that met the criteria of being a subsidiary of a Swedish company with a business in the Southeastern US were selected. The main criteria for the choice of companies were that the parent company was located in Sweden and had a subsidiary in the Southeastern part of the United States. Not all companies offered cleantech products as their primary
business, but all of them were involved in cleantech to some extent. This study consists of case studies of five companies active in clean technology. See table below.

<table>
<thead>
<tr>
<th>Company</th>
<th>Industry</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absolent Inc</td>
<td>Air Cleaning</td>
<td>Raleigh, NC</td>
</tr>
<tr>
<td>Dustcontrol Inc</td>
<td>Air Cleaning</td>
<td>Wilmington, NC</td>
</tr>
<tr>
<td>Millicenten Inc</td>
<td>Contract Manufacturing</td>
<td>Atlanta, GA</td>
</tr>
<tr>
<td>Thomas Concrete Inc</td>
<td>Mix Concrete</td>
<td>Atlanta, GA</td>
</tr>
<tr>
<td>Skanska USA Building Inc</td>
<td>Construction</td>
<td>Durham, NC</td>
</tr>
</tbody>
</table>

*Table 3.1 Case company information*

The companies have been chosen for convenience of location and on the availability of the respondents. Initial contact was made through email where the purpose of the study was explained. After the initial email contact, companies were followed up with a phone call. Three of the companies agreed to an interview. One company denied an interview due to time constraints, one company had moved to another state while a third one did not have a subsidiary but only a sales agent in US. Additional searches for companies were done through the internet and lists of Swedish companies operating in the US were retrieved from SACC USA and SACC North Carolina. Six more companies were contacted, but only two companies agreed to an interview with the help of SACC Georgia. Unfortunately one interview was cancelled and one company was interviewed in Atlanta, but during the interview it was found that they did not have any sales in the US, and it was excluded from the study. Hence, in total 5 out of 16 identified companies were interviewed that fulfilled the criteria (31.25%).

**3.3 Data Collection**

Data can be classified as primary or secondary (Bryman & Bell, 2007). Primary data has been collected with the intention of answering the research question. Secondary data such as annual reports, information from companies’ website and other websites have been used as background information. The most common sources for collecting information for case studies are documentation, archival records, interviews, direct observation and participant observation (Yin, 2009). For this study, semi-structured interviews are used as primary data and documents such as annual reports, company presentations are used as secondary data.
Primary Data

The empirical foundation of this master thesis is recordings and transcripts of interviews with managers. The primary data was collected through semi-structured interviews based on interview guidelines (See Appendix) with either managing directors or market/sales managers that were knowledgeable about the firm’s expansion on the US market. Six interviews were done on location in the US. To let the interviewees prepare and gather information that they might be lacking, the questions were emailed to companies approximately one week before the interview took place. The interviews lasted approximately 1-1.5 hours and were recorded. The objective of the interviews was to capture the managers’ perception of how external and internal factors have influenced the subsidiaries expansion strategy.

Semi-structured Interviews

One of the most important parts of a case study is interviews. The aim of conducting an interview for a case study is to get a flowing interview, rather than a structured query (Yin, 2009). According to Tierney (1991) the researcher should let the interviewee “offer their interpretations of reality”, hence structured interviews are not suitable. Semi-structured or unstructured interviews will allow the researcher much more freedom to move in ways that seem interesting to them (Walizer & Wienir, 1978).

Secondary Information

There are abundant documentations that can be used in case study research. Sources include annual reports, minutes of meetings, administrative documents etc. Documents are mainly used in case study research to affirm and reinforce other sources. Hence, annual reports, company information from websites etc. are used to support and corroborate the information in the interviews conducted (Yin, 2009).

3.4 Operationalization of the Concepts

Operationalization shows how theoretical concepts moves from the abstract to measurement of empirical material collection. In other words it is a process of moving the real world to research (Shields & Tajalli, 2006). Operationalization was conducted to formulate interview questions based on the conceptual analysis model (Figure 1.1) and make the concept measurable in form of variables. This model illustrates the assumed relationships between the internal and external factors and the subsidiary’s expansion strategy. Interview questions and the summarized operationalization table can be found in Appendix.
Question 1-3 describes the background of the company and the respondent. These questions are intended to provide general information and facts.

Question 4-6 concerns the market expansion strategy of the subsidiary. Question 4 “What products/service do you offer in the US? In Sweden and other markets?” and question 5 “What are your target customers and what geographical regions do you turn to?” are connected to theory by Robinson & McDougall (2001) and Pehrsson (2009) on product/market scope. Question 4 intends to gain knowledge about the kind of products/services that the company offer in the US and other markets, and if they differ. The aim of question 5 is to gain knowledge about whom and what geographical area the company aims to target; for example market segments and which states in the US. These questions intend to find out whether the company has a broad or narrow product/market scope, which is related to Porter’s (1980) focus strategy. According to Pehrsson (2009) it is interesting to study this phenomenon, since there is not enough knowledge about how product/market scope affects market strategy. Question 6 state “What value do you offer the customer? What do you want to communicate to the customer? What are your competitive advantages?” These questions derive from Porter’s (1980) differentiation strategy. The aim of the question is to understand what the company wants to convey to the customers. It is to understand how managers perceive their offers to the customers. Pehrsson (2009) suggests that by focusing different variables in a market strategy that aims to meet individual needs of customers may give a firm a competitive advantage towards competitors.

Question 7-9 seeks to understand the relation between internal factors and subsidiary’s expansion strategy.

Question 7 “What was your revenue in 2010 in the USA?” is based on Pehrsson’s (2008b) argument that the amount of revenue on a market is a measurement of its importance and reflects the international experience of the firm.

Question 8 “Describe the establishment of the company in the US from the beginning. How have you developed on the US market?” The intention of the question is to generate in-depth information about the establishment in the US, especially about the influence the parent company had on the product/market scope and differentiation strategy. It is to answer if the subsidiary’s strategy is similar or different from the parent company and how independent it is. This is referred to in theory as business relatedness (Pehrsson 2000, 2001, 2010). Palich et
al. (2000) and Rumelt (1982) argue that if a subsidiary has high relatedness with the parent company, it is possible to acquire related strategic knowledge about products, services and markets.

The intention of question 9 “Does the parent company have other international experience?” is to generate information about the parent company’s previous experience and if it has affected the US subsidiary in terms of product/market scope and differentiation strategy. Kogut (1983) argues that subsidiaries can benefit from parent companies previous international experience.

Question 10-15 seeks to understand the relation between external factors and subsidiary’s expansion strategy.

Question 10 “What are the external obstacles to compete in your market?” serves to gain knowledge about how the company perceives some of the most important external barriers when expanding on a market. According to Porter (1980) barriers are obstacles preventing entrant firms from being established or expand in a particular market. Hence, it is important to gain knowledge about the barriers that are most troublesome. Question 11 “Are there any other important obstacles experienced by the company that were not mentioned?”, is a follow up question to acquire better understanding of other barriers that companies face. Porter’s theory on barriers has been the dominating theory for most industries, yet there can be emerging barriers that have not been studied or new aspects of barriers.

With question 12 “Did the barriers influence your product/market scope? Did it influence how you differentiate yourself from competitors?”, our intention is to gain knowledge if external factors in the environment had an impact on the company’s strategy. Have barriers influenced their choice of broad or narrow product/market scope and have they influenced the way they differentiate themselves from competitors. According to Pehrsson (2008a) the impact of barriers is a consequence of the degree of breadth of the product/market scope. By having a broad product/market scope access to customers were easier.

Question 13 “How do you view competition? Do you do competitor analysis?” serves to gain insight about companies’ perception of the competitive climate in their industry. According to theory, managers’ perceptions of the external environment are based on subjective views. Managers use different variables to assess the environment such as product range, customer types, number of customers, and location of customers (Pehrsson, 2008a). Porter (1980)
argues that competitor analysis can be used to gain better understanding of the competitors’ resources, capabilities and strategies. Hence, it is of interest to know if companies perform competitor analysis and how they do it.

To examine if the company is knowledgeable about their competitors and the competitors market strategy, question 14 was posed “Tell us about your major competitors. What products do they sell? What customers do they target? What are their advantages?” According to Porac & Thomas (1990) managers only pay attention to their main competitors. To gain competitive advantage firms need to manipulate strategy attributes to differentiate themselves from competitors.

Finally question 15 “How do competitors influence you?” was posed to gain knowledge if competitors influence companies choice of broad or narrow product/market scope and if it has influenced the way they differentiate themselves from competitors?” Pehrsson (2008a) states that the assessment of a competitor’s product differentiation is important since competitors’ differentiation strategy can impede it chances of implementing strategy.

3.5 Data Analysis

There are no established standards on how to conduct case studies and the following analysis (Yin, 2009). Case study as a method is still emerging and unlike other methods there are not many textbooks and research standards are lacking. There are various approaches (Yin, 2009) and in this study a cross-case analysis was chosen (Eisenhardt, 1989). In the empirical chapter, the reader has been provided with a summary of the collected empirical information. This has been the foundation of the cross-case analysis and it has been used to search for common patterns between the cases. According to Eisenhardt (1989) when doing cross-case analysis, it is important to look at data in different ways not to reach premature and false conclusions and to offset bias from the researcher. Dimensions can be suggested by the research question, literature or dimensions that are found in the empirical material. For the cross-case analysis the individual cases was compared with the theory analysis model. The main idea of the cross-case comparison is to move beyond initial impressions and go deep into the issue; to look at it from different angles and positions. This structured and hence profound method will allow for theory development that has a close fit with the data collected and by using cross-case analysis it is more likely to get new insights. There are some drawbacks that should be mentioned. One of the problems with building theory from
empirical data is that it can be very complex, but at the same time very limited and peculiar (Eisenhardt, 1989).

### 3.6 Validity and Reliability

Validity concerns the integrity of the conclusions that are generated from the research. Reliability concerns whether the results gathered are repeatable if conducted by different researchers (Bryman & Bell, 2007).

**Validity**

Internal validity concerns whether there is a good match between researcher’s observations and the theoretical ideas. The interview guidelines, which were the core measurement of the empirical data were based on the theory model (Figure 1.1). In addition each question and steps was explicitly operationalized to strive for high validity. Interviews lasted one to one a half hour which enabled the researchers to ask detailed follow up questions. Clarification process was done when faced with unclear points, via emails and telephone. In addition the retrieved empirical data was analyzed based on the theory analysis model. According to Yin (2009) there are four case study tactics to achieve internal validity, which are pattern matching, explanation building, address rival explanations and using logical models. To arrive at high internal validity this thesis has used most of the tactics for the data analysis. For instance, the data was first analyzed by explaining the individual cases and then matching the pattern to the cases. Lastly throughout the whole process of analyzing the data, the theory analysis model has been used extensively. Thus this thesis results have high internal validity. However it is challengeable whether this study can be generalized to other industries, yet to some extent the results can be useful to provide insights regarding foreign subsidiaries’ expansion strategies. Only five companies were used for analysis which is 31.25% of the initial sample, yet multiple cases was conducted in different business areas and analytical generalization was achieved, rather than striving for statistical generalization.

**Reliability**

Reliability questions whether the results gathered are repeatable or not. There is high reliability in this thesis. Interview questions were formulated in a clear and unambiguous way with follow up question to increase the reliability. Hence, future researcher using the same questions can get similar answers while minimizing interpretation errors. There were two researchers, who conducted the interviews together, and all the interviews were recorded and
transcripts were made. According to Yin (2009) one of the goals of reliability is to minimize errors and biases in the study. Yin (2009) suggests making as many steps as operational as possible to get high reliability. The interview strictly followed the interview guideline which was documented as a transcript. After the transcripts, the interviews were written as case studies followed by the analysis model structure. Even though this study did not contain large number of case studies, it was possible to find patterns from the empirical data. If the research would be repeated the choice of companies may affect the findings. However, when using the same population and sampling method, there is high possibility for future researchers to get same results. Thus it can be more difficult or easy to find patterns depending on the companies but the study will result in similar findings.
4. EMPIRICAL DATA

In this chapter general information about US cleantech market and five case studies are introduced. It is presented according to the components of Figure 1.1 analysis model and findings are summarized in the tables at the end of the chapter. All the detail empirical findings of the case studies are presented in the Appendix.

4.1 US Cleantech Market

Clean Technology is defined by the European Commission Environmental Technology Action Plan (ETAP) as “Any technology whose use is less environmentally harmful than relevant alternatives” (ETAP, 2011). According to Cleantech Group definition, Cleantech should not be confused with the term ‘environmental technology’ which was popularized in the 1970s and 80s. “Cleantech is new technology and related business models that offer competitive returns for investors and customers while providing solutions to global challenges.” According to this definition the clean tech market is divided into 13 main categories such as Air & Environment, Energy Efficiency, Energy Storage, Recycling & Waste, Materials, Water & Wastewater, Agriculture, Wind, Solar, Smart Grid, Biofuels & Biomaterials, Transportation and others. (Cleantech Group LLC, 2011) However in this study, only relevant cleantech industries will be discussed more in-depth.

The clean technologies market has been growing steadily in the last few years and the United States is the world’s largest producer and consumer of environmental technologies and products (New Zealand Trade and Enterprise, 2009). In 2007 the cleantech market in US was worth 54.2 while in 2008 it was worth 57.8 billion. In 2013 it is believed that the market should reach 88.6 billion, suggesting an annual growth rate of 8.9%. Clean energy is the biggest part of the market, generating 18.7 billion in 2007 and 26 billion in 2008. In 2013 the market is believed to increase to 30.6 billion which suggest a growth rate of 3.4%. Clean building is the second largest segment worth 24.4 billion in 2007; the market decreased in 2008 but is believed to be worth 28.2 billion in 2013 (BCC Research, 2009). It is expected that the growth of cleantech will be sustained in the coming years. The growth will mainly be driven by increasing consumer demand, newly commercialized technologies, government initiatives and a trend towards sustainability (New Zealand Trade and Enterprise, 2009).

The empirical setting of this research is Swedish cleantech subsidiary companies operating in United States. Cleantech as an industry has received a lot of attention lately, in Sweden and
around the world. Sweden has many companies with advanced clean technology, but they do not export extensively although export is becoming more important (Swentec, 2009a, 2009b). According to Lena Malmberg, CEO of LMBroking there is huge potential for Swedish cleantech companies in US and Swedish companies are market leaders when it comes to cleantech. Thomas Swanson, president of SACC Carolinas says that it is important for Swedish companies to understand legal issues in US.

“The way you do business in Sweden and US is different regarding legal issues and risk issues” (President Thomas Swanson, SACC Carolinas, 19 March 2011)

According to Benedikt Ibing, vice president of SACC Georgia, competition is fierce in US because it is mainly on price. He also states that “Made in America” is an issue which mandates the Congress to purchase US-made goods and services. These regulations make it difficult for Swedish companies to compete with US companies.

4.2 Absolent Inc

Absolent Inc offers oil mist and oil smoke filters in 40 states. Their customers can mainly be found in the automotives, medical machining and aerospace industry. The interview was conducted on March 21st 2011, with Business Development Manager Erik Jansson and Accounting and Administration Lotta Ehlin.

4.2.1 Internal Factors

Absolent has high business relatedness with the parent company seeing that the core business unit in US and Sweden is the same; oil mist and oil smoke filters. When entering the US market the parent company decided to focus on oil mist and oil smoke filters but they might consider selling dust collectors in US in the future. The core products are the same as in Sweden but the choices of customers were different due to the distributors they work with in the US have different kinds of customers. The parent company influences which distributors to work with and make decisions about this together with Absolent, but when they first entered the market in 2002 the distributor that Absolent worked with introduced other distributors. Thus although the parent company has some influence when choosing customers it is the distributor who makes the final decision and chooses the end customer. Hence, the parent company’s influence on the market scope can be said to be limited.

The differentiation strategy that Absolent follows was set by the parent company in Sweden when they first entered the American market, thus the influence of the parent company can be
said to be high. There are also high resource attributes relatedness in R&D activities since the parent company share their knowledge and resources with the US subsidiary.

The international experience of the parent company, gained through its own customers entering other foreign markets, heavily influenced the establishment of its subsidiary in the US. Absolent first decided to enter and establish on the American market due to high demand for their products and great interest from the distributor who wanted to sell Absolent’s products on the American market. The experience of the parent company also influenced Absolent’s product range, for example the knowledge gained from the Nordic and European market inclined them to focus on oil mist and oil smoke products on the American market. The parent company already had all the products before they expanded to the United States but they make constant improvements to products based on their customer needs. Moreover the experience gained from selecting distributors in previous foreign markets has also influenced Absolent and thus parent company can be said to affect the market scope of Absolent. Absolent in US contributed with an average of 32.5% of the parents’ revenues between 2006 and 2009 which makes it the single largest market for Absolent. Thus the international experience has had a great influence on the subsidiary and the US market shows great importance for the parent company.

4.2.2 External Factors
Absolent competes in the air cleaning sector which grew heavily during the 80s and 90s but has stagnated during the 21st century. The market is driven by regulations which have seen very little change in the last few years. The federal law, the Clean Air Act, is a statute written by Congress that gives the American Environment Protection Agency (EPA) the authority to establish regulations, policy, and guidance to protect air quality (EPA, 2011). There are however significant differences in regulations between the states. Compared to Sweden the regulations in US are considerably less strict and Erik Jansson says that stricter regulations would benefit the company. Therefore highly efficient air cleaning products can be redundant on the American market, a situation Absolent has experienced since many companies find highly efficient filters unnecessary (Swedish trade, 2011a).

Absolent does not perceive high competition due to their superior technology when compared to their competitors. However they still monitor and analyze competitors but they focus primarily on their major ones. Absolent has analyzed and tested 2-3 of their competitors’
products which were sent to Sweden for testing. Competitors are trying to differentiate themselves by price, but Absolent is not influenced by their low cost strategy. Competitors only influenced their choice of product scope and in addition Absolent can be said to use a focus strategy and is a highly differentiated company with a narrow product/market scope. According to Erik Jansson, Absolent has been highly profitable due to their focus strategy and their success on the American market validates and confirms this choice of strategy. Thus the choice of their target market scope is influenced not by competitors, but more by the distributors and the customers that they have.

There are also several external barriers that have an influence on Absolent. One of the biggest obstacles for Absolent is government policy, not because they find it difficult to cope with regulation but due to less regulation in the US as compared to Europe. If government policies where stricter Absolent would benefit from this and be able to reach and interest more customers due to their advanced technology.

Access to distribution channel was another barrier for Absolent. Finding a good distributor became an obstacle for Absolent when they wanted to expand further on the American market. Attempting to secure a distributor has influenced their market and product scope because distributors have a different range of customers and demand a different range of product scope.

Competitors R&D activities influence the differentiation strategy of Absolent; for example there have been several attempts from competitors to copy their products. Erik Jansson says that Absolent continues with product development in order to increase the technology gap with competitors which have resulted in their competitive advantage. Local technology adaption was not perceived as a difficult barrier, but it had an influence on the product scope of Absolent. The standards in US and Sweden are different so products need to be tested and proved. This was mentioned by Erik Jansson as another reason why they decided to not sell the dust collectors in the US.

Competitors’ economy of scale is not really a problem for Absolent.

“There is so much knowledge into this product that competitors won’t be able to copy our product and gain economies of scale.” (Business Development Manager Erik Jansson, Absolent, March 21, 2011)
In addition, because of Absolent’s highly differentiated strategy, competitors’ differentiation strategy has not been an obstacle to them. Other barriers do not have great influence on product/market scope and differentiation.
4.3 Dustcontrol Inc

Dustcontrol Inc offers stationary and mobile dust collectors to niche markets in 50 states in the US. Their main customers are lab sciences and pharmaceutical plants. The interview was conducted on March 21st 2011, with National Sales Manager Oliver Coussit. Oliver Coussit has worked at Dustcontrol for 19 years.

4.3.1 Internal Factors

National Sales Manager Oliver Coussit says that the products and services offered are the same throughout all of Dustcontrols’ geographical markets. They always sell their products in the whole country and target the same niche markets. Moreover their world-wide markets are approximately 80% the same. Thus Dustcontrol has high product/market relatedness between parent and subsidiary. Moreover the differentiation strategy followed by the US subsidiary is the same as applied by the parent company, thus the parent company influences to a great extent both product/market scope and differentiation of Dustcontrol. This is complemented by great financial success of the subsidiary.

Within the company most tasks are performed in Sweden but sales, some manufacturing and customer service is conducted in the US. Most strategic decisions are made by the parent but in Dustcontrols’ case this is also true for some operational decisions such as marketing. Hence, Dustcontrol applies a rather centralized business model where the subsidiary does not take many decisions on its own.

Dustcontrol benefit from the parent’s previous experience and gains confidence with the backup from the parent company, thus the parent company influences Dustcontrols’ business extensively. Dustcontrol have not made major changes in their strategy since the start of the business in the early 70s. They have expanded slowly into new international markets implementing the same strategy in all of these markets. Therefore the parent company’s international experiences in other markets have confirmed their success with implementing their corporate strategy.

The US subsidiary contributes with an average of 13.2% of the parent company’s total revenues. Considering that Dustcontrol have sales offices in six countries and distributors in 15 others, the US market is an important market for Dustcontrol.
4.3.2 External Factors

Dustcontrol competes in the air cleaning and environment market which as mentioned previously has seen a decline in the 21st century. However Dustcontrol has been able to expand their business in the US and would benefit more from stricter regulations since this is the main factor that drives the market forward.

Dustcontrol formulated their strategy when the company was founded in the 70s and the strategy has not changed significantly since the establishment. Competitive environment and competitors did not have a large affect on their market strategy but they have been able to gain a competitive advantage over competitors by manipulating strategic attributes. Dustcontrol experiences that competition in the market is low and they mainly pay attention to the three companies that they meet in most of their international markets. However most of the time these competitors do not enter into Dustcontrols’ markets and are therefore not a major threat to their business. Moreover Oliver Coussit states that:

“The market is so huge so there is business for everyone right now” (National Sales Manager Oliver Coussit, Dustcontrol, 21 March, 2011)

Dustcontrol do not perform competitor analysis but they monitor them and know when they have to bid against competitors for business deals.

“We know what competitors are doing and when we have to fight against them on a project” (National Sales Manager Oliver Coussit, 21 March, 2011)

Their biggest competitor Nederman has a competitive advantage over Dustcontrol according to Oliver Coussit; this is because they have a larger selection which means that they can offer complete packages of products to their customers.

“Dustcontrol only have parts of a package” (National Sales Manager Oliver Coussit, Interview, 21 March, 2011)

Dustcontrol are not aiming for this market and has found their niche market where they can operate rather independently from the influence of competitors. Dustcontrols’ competitors Nederman and Pullman Ermatur have similar pricing, technique and quality but according to Oliver Coussit Dustcontrol have superior customer service which gives them a competitive advantage.
“We are considered the Rolls Royce of Vacuum systems” (National Sales Manager Oliver Coussit, Dustcontrol, 21 March, 2011)

Dustcontrol focus on quality and customer service and which allows them to thrive on the market. Dustcontrol has experienced increasing sales since the establishment of the subsidiary in 2006, hence their strategy of focusing on special niche markets can be said to have been a success in US.

Dustcontrol do not systematically monitor their competitors and competitors did not influence them to develop new products but to meet the needs of the customers they constantly develop and update their products.

There are several barriers that influence Dustcontrol. Competitors’ investment in R&D is one of the barriers that have affected them. Oliver Coussit says that previously Dustcontrol was ahead of their competitors but now competitors have caught up which have made them invest more. Moreover when using a focus strategy it is important to continuously evaluate their competitive advantage as the market develops. Pricing of competitors product also affects them although the effect is not great.

Several other barriers had an influence on Dustcontrol’s possibilities to expand within the American market. Government policy has a reverse affect on Dustcontrols’ business since the lack of restrictions limits their ability to expand into new markets.

“I am lobbying a lot to get more regulations like in Europe” (National Sales Manager Oliver Coussit, Dustcontrol, 21 March, 2011)

Government policy has an effect on them in the traditional sense since the “Made in America” policy has restricted their access to government projects. It has forced them to look for new markets and consequently it has affected their market scope.

Economies of scale is another barrier that has affected Dustcontrol. For Dustcontrol their biggest competitor Nederman offer a lot of different products and are ten times bigger than Dustcontrol. Dustcontrol’s strategy is not to compete on price but rather on quality; however Nedermans lower prices can be somewhat an obstacle for them. Another barrier experienced by Dustcontrol is the volatility of the currency.

“Such as now when the Dollar is weak we have to spend more money on currency trading” (National Sales Manager Oliver Coussit, Dustcontrol, 21 March, 2011)
4.4 Millicenten Inc

Millicenten is a simulated name due to reasons of confidentiality. Millicenten Inc is a contract manufacturer in Atlanta, GA and works with Information Technology, Industry, Clean Tech business areas. The interview was conducted on March 16th 2011, with the Managing Director Bill Bayer and Customer Account Manager Brandon Richards. Bill Bayer has worked at Millicenten Inc for 4 years Brandon Richards for 7 years.

4.4.1 Internal Factors

Millicenten has acquired related core competence knowledge from the parent on their product and market attributes. All the Millicenten plants operate in similar businesses although the US plant does not have as extensive manufacturing as in Sweden. Millicenten group shares knowledge among the parent and subsidiaries about their products, engineer and designer expertise, skills and quality of product.

“We can do anything within a profitable model” (Customer Account Manager Brandon Richards, Millicenten Inc, 16 March, 2011)

Millicenten works within a corporate framework set up by the parent and strategic decisions are made in Sweden, but promotion and marketing is conducted in US. Millicenten’s strategic decisions regarding final customer selection are made by the parent company but operational decisions are made by the subsidiary within a framework provided by the parent. In addition Millicenten offers services that are different from the parent company. Thus the parent company has an effect on Millicenten’s differentiation strategy but they are also able to formulate their own strategy to some extent. For example added value that the company wants to communicate with the customers, are different in Swedish and US. Millicenten Inc can be said to have limited business relatedness with the parent company.

Millicenten Group has extensive experience in foreign markets such as in China, Poland, Finland, UK and Norway which benefits Millicenten US in various ways. For example Millicenten is confident due to its parent companies’ expertise and network with other foreign plants. Additionally the parent company’s international experience has enabled them to gain competitive advantage. Global presence has influenced Millicenten Inc to deal more confidently with its international customers.

“We are bigger than we are here in US and this is our competitive advantage”(Managing Director Bill Bayer, Millicenten Inc, 16 March, 2011)
4.4.2 External Factors

According to an article of Business and Finance (2010), as the cleantech industry develops, there is great opportunity for contract manufacturing to expand their business area to cleantech. However a lot of contract manufacturing companies perceive risks. Cleantech industry’s demand is still mainly derived from state government policy change and a fragile global economy (Business and Finance, 2010). Millicenten is primarily involved in the recycling industry within the US cleantech market. In the US, the recycling industry is very large and it is believed that it will continue to grow because of increasing costs for the disposal of garbage. However the amount of waste has stagnated and competition has affected the industry negatively. There are also large regional differences regarding the regulations which can make it difficult for companies enter new markets (Swedish Trade, 2011b). In sum, price and demand issues that are connected with government regulations are important issues for the recycling industry as well for Millicenten.

Managing director, Bill Bayer says that Millicenten does competitor analysis, for example, by screening various industry reports as well as also monitoring competitors directly, one of the ways is to listen to their customers. He says that competitors mainly influence Millicenten’s pricing. Regardless of this Bill Bayer argues that competitor’s price has never been a major concern for them; they consider the influence of market and customers more important.

Millicenten’s strategy can be best summarized by this statement:

“We try to stay ahead of our competitors so that the competitors match Millicenten and not so that Millicenten needs to match competitors” (Customer Account Manager Brandon Richards, Millicenten, 15 April 2011)

Therefore although competitors influences Millicenten’s strategy to some extent their aim is higher; they want to lead the market instead of following.

They have done this for example by using their skills of the American market and matching it with the needs of Scandinavian customers. In this way they are unique on the market. Bill Bayer further explains that one of Millicenten’s main differentiation points is their global and local presence in the US. Millicenten has manufacturing facilities with access to expertise in Sweden, Poland and China which are available to all of their subsidiaries. They also differ from competitors by bringing postponement manufacturing to the Southeastern US region.
They are the only Scandinavian contract manufacturer of their size who has manufacturing facilities in the US.

“We are a one-stop shop.” (Managing Director Bill Bayer, Millicenten Inc, 16 March, 2011)

According to Bill Bayer, Millicenten US can take on any size of project and can handle most business areas. Hence Millicenten has a well developed differentiation strategy and have found their niche in the market where there is no direct competition from the same Scandinavian companies in the US.

Bill Bayer says that their competitors do not influence their market scope since their strategy is to target Scandinavian customers. Hesitantly Bill Bayer admits that a potential threat could be if a competitor moved into their market and this could mean they might change their business area but they do not think about this now. Product scope of Millicenten is more influenced by their customers than competitors.

To sum up competitors influence them mainly regarding pricing but customers rather than competitors has the most influence on Millicenten.

Regarding external obstacles, Brandon Richards and Bill Bayer think that none of the barriers have a major influence on Millicenten. Economies of scale, customers switching costs, capital requirements and R&D have a small but not significant influence. According to Bill Bayer customer switching costs affects their differentiation strategy; how they want to present themselves to the customers. This is because it is important to differentiate themselves from others in a business where competition is mainly on price.

Contract manufacturing requires extensive capital to buy machinery etc. Millicenten has good access to capital to buy machinery, yet it does have some affect on their product scope since it limits the product range that they can offer. However as Bill Bayer says it has never hindered them to go anywhere.

Economies of scale of competitors or competitors’ low prices have made Millicenten to look for industries where they see a growth potential. Moreover the barrier also influences them to focus on service instead of price which is the common way to compete in the contract manufacturing industry.

Millicenten do not conduct extensive R&D since it is their clients that carry out most of the R&D for their own products and therefore investment in R&D is not very important for
Millicenten. The barrier also has an effect on their market scope and differentiation strategy because they focus on high technology customers and the strategy that comes with this focus. Government policies do not affect Millicenten’s business directly but it can have an impact on their customers. Access to distribution channel is another obstacle that does not really influence Millicenten since they have a great supply chain according to Bill Bayer.

Competitors’ product differentiation has not been an issue for Millicenten since they have good product differentiation compared to competitors. Thus external barriers do not have an extensive affect on Millicenten and this is most likely due to Millicenten having a well developed differentiation strategy. They focus on their business and do not let themselves get influenced by competitors and other external obstacles.

When asked about additional external obstacles that hinder their expansion on the American market Bill Bayer and Brandon Richards mentioned two important barriers; Pricing and Currency/exchange rate. They explain that pricing poses a difficult obstacle for Millicenten because they compete in a global market. Low cost manufacturing is today readily available in other countries but at the same time Millicenten’s presence in Poland and China can help them to overcome this obstacle. This can be seen a great resource for Millicenten when compared to other contract manufacturers. Bill Bayer and Brandon Richards explain that when working as contract manufacturer in the US a lot of their business is related to the exchange of the currency. Their customers are very price sensitive and currency changes can work either for or against them. It is difficult to meet profitable price range for both customers and Millicenten.
4.5 Skanska USA Building Inc

Skanska USA building offers construction services in 20 states. Their main customers are in healthcare, education, commercial offices, retail, life sciences, government etc. The interview was conducted on March 21st 2011, with the Sr. Vice President, Allen H. Jones. Allan Jones has worked at Skanska USA Building for 25 years.

4.5.1 Internal Factors

Skanska USA Building has limited business relatedness with the parent company. The main service attributes are similar but other resource attributes are different in Sweden and the US. Skanska USA Building was able to acquire related knowledge on its strategy from the parent company, yet the construction industry operates differently according to its locations. Skanska USA has grown mainly through acquisitions within the US. According to Sr. Vice President, Allen Jones, Skanska USA acquired contractor companies in North East, South East and North Mid West that had their own market strategies which explains the somewhat different business areas compared to Sweden. The parent company has limited influence on its service and resource attributes but has high influence on decisions regarding new market selection for Skanska USA Building. They have intermediate service scope compared to that of competitors but the scope was not highly influenced by the parent company. In addition, parent company’s differentiation strategy had a low influence on Skanska USA Building.

The influence of the parents’ international experience on Skanska USA buildings product/market scope and differentiation strategy is not high due to the localized characteristics of the construction industry. Skanska has extensive international experience but it only benefits decisions regarding starting new business units and risk. For example Skanska had long international experience in the commercial segment which has benefited the start of the commercial market in the US. The US market is important for the Skanska Group since it is the single biggest market by revenue, contributing with an average of 27%. However international experience influence is still limited due to different local market characteristics.

4.5.2 External Factors

In a report from McGraw-Hill Construction’s (2011) ‘Green Outlook 2011: Green Trends Driving Growth’, the current value of green building construction is valued at $71 billion and
accounts for 25 percent of all construction in 2010. In addition green building, which valued $42 billion in 2008, is projected to increase 31% and be worth $135 billion by 2015.

According to Harvey M. Bernstein, vice president of Global Thought Leadership and Business Development of McGraw-Hill Construction there is great opportunity for green building industry even when the construction market is extremely challenged and companies that specialized in this area will gain competitive advantage (Chicago Agent Magazine, 2010). Skanska USA Building was ranked the number one green builder in the Green Contractors Survey conducted by McGraw-Hill’s Engineering News-Record in 2007 (Environmental Leader, 2007). This shows Skanska’s competitiveness in the green building industry, yet Allen Jones states that the construction industry itself is struggling with high competition. There are both large and local competitors for Skanska USA Building and the competition is perceived as high in the market.

“Competition in construction is brutal. It’s a price war.” (Sr. Vice President Allen Jones, Skanska USA Building, 21 March, 2011)

Competitor influences on Skanska USA Building is high regarding price. Many competitors lower their price which hinders Skanska to attract certain customers and market segments. Thus competitors and high levels of competition influence Skanska USA Building’s service and market scope.

“Skanska USA Building does not compete in residential services due to level of risk in the market” (Sr. Vice President Allen Jones, Skanska USA Building, 21 March, 2011)

Differentiation is difficult in the construction industry due to the nature of the industry. According to Allen Jones it is difficult to provide added value in the construction industry but they try to differentiate themselves by the way they behave.

Barriers have great influence on differentiation strategy and product/market scope. Capital requirement and switching cost are some of the most troublesome barriers. Allen Jones mentioned that capital requirement is a barrier for the customers but not for them thus it influences the scope of market and the customers they pursue.

“We try to work with owners where we can add value; we do not want to be a low cost provider” (Sr. Vice President Allen Jones, Skanska USA Building, 21 March, 2011)
Customer switching cost is another obstacle due to high price competition which affects service/market scope and differentiation strategy. Other competitors strive for a low cost differentiation strategy to obtain more customers, but Skanska USA Building tries to differentiate itself by the attitude with which they deliver services by creating relationships.

“Skanska might have great technology today but competitors will copy it soon. However what they can’t copy is the way we behave” (Sr. Vice President Allen Jones, Skanska USA Building, 21 March, 2011)
4.6 Thomas Concrete Inc

Thomas Concrete offers one product, ready-mix concrete and some additional services in the states of Georgia, North Carolina and South Carolina. They target everyone including constructors, homeowners, residential and commercial segments. The interview was conducted on March 14th 2011, with executive chairman Bo Nilsson. Bo Nilsson has worked at Thomas Concrete, Atlanta for 11 years.

4.6.1 Internal Factors

Thomas Concrete can be said to have limited relatedness with the parent company in Sweden. Product relatedness is intermediate since the core product; ready-mix concrete is the same however they offer some additional services which are different from the parent. The main difference from the parent company is how the subsidiary conducts business and approaches customers. When comparing with competitors it is found that Thomas Concrete has an intermediate product scope. However the products and services offered on the markets are very similar and the main difference is what kind of services are offered to the customers. Although Thomas Concrete offer the same product as the parent, the influence from the parent on the product scope can be said to be low because according to Bo Nilsson the US subsidiary independently decide which products and services to offer on the market.

“Most Swedish companies are trying to do business the same way in the US as in Sweden; for example through a centralized business. It is more localized in US thus Thomas has decided for a decentralized organization” (Executive Chairman Bo Nilsson, Thomas Concrete USA, 14 March, 2011).

In Sweden the business is centralized while in the US they work with a decentralized model. According to Bo Nilsson the markets in Sweden and US are different and therefore you cannot export the Swedish business model to the US.

“For example in Sweden the market is dominated by big players like Skanska and NCC while in the US the market is more fragmented and consists of medium and small companies” (Executive Chairman Bo Nilsson, Thomas Concrete, 14 March, 2011)

Thomas Concrete has a broad market scope seeing as they target everyone from residential, commercial and constructors. However the parent company does not influence the market scope. Moreover there is medium relatedness in resource attributes since Thomas Concrete Group AB shares R&D between the companies. In the US, geographical scope is narrow and
this is the same for the business in Sweden. AB Färdig Betong is mainly active in the southern part of Sweden. However the strategy, as mentioned, is not influenced by the parent so this can be said to be merely a similarity between the companies.

Bo Nilsson says that the parent company also does not influence the differentiation strategy of Thomas Concrete since decisions on strategies are taken in the US. Thomas Concrete invests substantially in their marketing and they consider themselves a branded company.

“Having a branded image is important for business in B2B” (Executive Chairman Bo Nilsson, Thomas Concrete, 14March, 2011)

International experience influence on product/market scope and differentiation is low. Thomas Concrete Group AB also has subsidiaries in Germany and Poland but Thomas Concrete work independently from the parent company in Sweden and other subsidiaries and the parent’s experience from other markets do not influence the business in the US.

The US market is important for Thomas Concrete although the recession in US has hit the company hard. Between 2006 and 2009 the US subsidiary contributed with an average of 51.5% of total revenues making it the single most important market for the parent company. This shows great US market importance for the parent company although the international experience influence on the business is low.

4.6.2 External factors

According to the National Ready Mix Concrete Association the sustainable development and green building movements will continue to shape the future of the construction industry together with the concrete industry (Nrmca, 2008). In 2008 the U.S. market for green building materials was worth approximately $12.8 billion while in 2009 the market declined to $9.6 billion due to the recession. It is projected to grow to nearly $31.4 billion between 2009 and 2014, at a compound rate of 26.7% (BCC Research, 2010). The specific ready-mix concrete market was also hit hard by the recession but the industry has been supported by the increased substitution of concrete in building materials. The industry is also set to benefit from the recovery in the residential market although the public and non-residential construction market will continue to suppress the market in the short term (Ibisworld, 2011).

Thomas Concrete was hit hard by the recession in the building industry and saw their revenues decrease more than 50% between 2006 and 2009. Considering the prognosis for the future, business is looking better for Thomas Concrete especially in the residential segment.
The perceived competition is high and Thomas Concrete competes with large vertically integrated companies as well as many small local ones.

“There are many small mom and pop businesses and a few larger vertically integrated companies but no one is doing only concrete like Thomas Concrete does” (Executive Chairman Bo Nilsson, Thomas Concrete USA, 14 March, 2011)

Thomas Concrete conducts competitor analysis using different tools such as SWOT analysis to keep track of their competitors. They also monitor them in an effort to try to find out how they operate their business, how they acquire raw materials, how much they sell and how their management functions. Thus Thomas Concrete has a good understanding of the market place within which they operate which gives them the opportunity to differentiate themselves from competitors and gain a competitive advantage.

Competitors influence on Thomas Concrete is high regarding the geographical scope.

“Competitors influence us in the way that we try to enter the easiest market where there are less competitors” (Executive Chairman Bo Nilsson, Thomas Concrete USA, 14 March, 2011)

Bo Nilsson accentuates that the most important thing for Thomas Concrete is to focus on their business; thus they do not let competitors influence their product scope. Moreover competitors do not influence their differentiation strategy. Thomas Concrete has a well developed differentiation strategy. They are a relationship company and offer full service to the customer. Most competitors sell concrete as a commodity but Thomas Concrete has showed that by differentiation they have been able to gain a competitive advantage against competitors. They offer a product and service that is distinct from competitors’ offers on the market.

“Thomas Concrete is the best in the market” (Executive Chairman Bo Nilsson, Thomas Concrete, 14 March, 2011)

Thomas Concrete differentiates themselves on several dimensions:

“No job is too big or too small” and “We work 24/7, 365 days a year” (Executive Chairman Bo Nilsson, Thomas Concrete, 14 March, 2011).

Thus Thomas Concrete has been able to create a competitive advantage for by offering the customers something unique. Moreover differentiation can allow a company to sell their products at a higher price which has also been achieved by Thomas Concrete.
Several barriers influence Thomas Concrete ability to expand within the American market. The barrier that has had the greatest affect on them is capital requirement which has influenced their geographical scope. Concrete is a fresh produce and therefore plants need to be located close to customers. Hence in order to expand their business Thomas Concrete need to make a Greenfield investment, joint venture or acquire a new company. Access to distribution channel is connected to capital requirement and because of the investments required to build the distribution chain the market scope is affected by this barrier.

“Thomas Concrete would like to see more environmental regulations” (Executive Chairman Bo Nilsson, Thomas Concrete USA, 14 March, 2011)

Government Policy is another barrier that affects Thomas Concrete’s market scope. If policies were stricter as they are in Europe, Thomas Concrete would be able to sell more of their product since they have a more advanced technique than most of their competitors. The market scope is also indirectly affected by customer switching costs since it is easy for the customer to change supplier. Hence several barriers affect Thomas Concretes’ ability to expand on the American market and barriers have had the most significant effect on the market scope of the company. Capital requirements have the strongest effect and this is likely to be so also in the future. However the barriers do not affect Thomas Concretes product scope and differentiation strategy.
4.7 Overview of Interview Results

The following tables show the summary of the five case companies. More information is provided in the Appendix. In the tables blue color cells indicate similar answers from all the companies. Companies can be categorized into two groups. The yellow marked companies, Dustcontrol and Absolent have answered in similar ways and orange marked companies Skanska USA Building and Thomas Concrete shared similar answers.

4.7.1 Expansion strategy summary

<table>
<thead>
<tr>
<th>Expansion Strategy</th>
<th>Absolent</th>
<th>Dustcontrol</th>
<th>Millicenten</th>
<th>Skanska Building</th>
<th>Thomas Concrete</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product Scope</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Broad</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intermediate</td>
<td></td>
<td></td>
<td>IT, industry, cleantech</td>
<td>Construction &amp; 7 services</td>
<td>Concrete &amp; several service areas</td>
</tr>
<tr>
<td>Narrow</td>
<td></td>
<td></td>
<td>Oil mist/smoke filters</td>
<td>Statuary &amp; mobile dust collectors</td>
<td></td>
</tr>
<tr>
<td><strong>Market Scope</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Broad</td>
<td></td>
<td></td>
<td>&quot;We can do anything&quot;</td>
<td>Construction management</td>
<td>&quot;We target everyone&quot;</td>
</tr>
<tr>
<td>Intermediate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Narrow</td>
<td></td>
<td>Niche market</td>
<td>Niche market</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>US Geographical Area</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Broad</td>
<td>40 States</td>
<td>50 States</td>
<td>Operate in GA: all US</td>
<td>19 states</td>
<td>3 States</td>
</tr>
<tr>
<td>Intermediate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Narrow</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Differentiation Strategy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>Service, Quality, Consistency, Longevity, Cleanness</td>
<td>Service, Quality, Turnkey systems/ green system</td>
<td>Service, Global &amp; US presence, Postponement manufacturing</td>
<td>Service/Narrow Product/ Branding</td>
<td></td>
</tr>
<tr>
<td>Intermediate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Table 4.1 Expansion strategy summary*
<table>
<thead>
<tr>
<th>Internal Factors</th>
<th>Absolent</th>
<th>Dustcontrol</th>
<th>Millicenten</th>
<th>Skanska Building</th>
<th>Thomas Concrete</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Relatedness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>Same core products, similar market &amp; intangible resource</td>
<td>Same offer on all markets &amp; intangible resource</td>
<td>-</td>
<td>Operate within framework but localized marketing</td>
<td>Independent but has similar areas</td>
</tr>
<tr>
<td>High Focused</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Limited</td>
<td>Operate within framework but localized marketing</td>
<td>Localized business but similar service areas</td>
<td>Independent but has similar areas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Very Low</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Relatedness – phenomenology</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parent Subsidiary</td>
<td>High</td>
<td>High</td>
<td>Limited</td>
<td>Limited</td>
<td>Limited</td>
</tr>
<tr>
<td>Int. Market Experience Influence</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>Previous experience inf.</td>
<td>Int. plants work together</td>
<td>Int. plants work together</td>
<td>Affects risk &amp; entering markets but markets are totally different</td>
<td>Int. markets are different</td>
</tr>
<tr>
<td>Medium</td>
<td>Same strategy in all int. markets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Low</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

*Table 4.2 Internal factor summary*
### 4.7.3 External factors summary

<table>
<thead>
<tr>
<th>External Factors</th>
<th>Absolent</th>
<th>Dustcontrol</th>
<th>Millicenten</th>
<th>Skanska Building</th>
<th>Thomas Concrete</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Perceived Competition</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>Price Competition but “We don’t compete on price”</td>
<td>Global pricing scale</td>
<td>“Brutal price war”</td>
<td>Mature market</td>
<td></td>
</tr>
<tr>
<td>Medium</td>
<td>“Competitors don’t enter our markets”</td>
<td>Competitor analysis, monitoring, industry reports, Word of mouth</td>
<td>Take every opportunity to get information</td>
<td>SWOT, info volumes, operations, materials etc</td>
<td></td>
</tr>
<tr>
<td>Low</td>
<td>Competitor analysis, competitors’ products tested in Sweden</td>
<td>Global, US, Internal</td>
<td>Few large &amp; many local competitors</td>
<td>Large Integrated &amp; small local</td>
<td></td>
</tr>
<tr>
<td><strong>Competitor Analysis</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Few large &amp; many small competitors</td>
<td>Global, US, Internal</td>
<td>Competitor analysis, competitors’ products tested in Sweden</td>
<td>Global, US, Internal</td>
<td>Large Integrated &amp; small local</td>
<td></td>
</tr>
<tr>
<td><strong>Competitors influence</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enter market only with core products</td>
<td>Competitors influence where R&amp;D is spent</td>
<td>Competitor analysis, competitors’ products tested in Sweden</td>
<td>Global, US, Internal</td>
<td>Large Integrated &amp; small local</td>
<td></td>
</tr>
<tr>
<td>Do not enter low price market</td>
<td>Enter markets where competition is less</td>
<td>Competitor analysis, competitors’ products tested in Sweden</td>
<td>Global, US, Internal</td>
<td>Large Integrated &amp; small local</td>
<td></td>
</tr>
<tr>
<td><strong>Market scope</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Differentiation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pricing</td>
<td>Competitor analysis, competitors’ products tested in Sweden</td>
<td>Global, US, Internal</td>
<td>Global, US, Internal</td>
<td>Large Integrated &amp; small local</td>
<td></td>
</tr>
</tbody>
</table>

*Table 4.3 External factors: competition and competitors summary*

In this table of barriers the numbers of bars, 1 to 5, indicate perceived difficulties of the barriers. 5: Very important, 4: Quite important, 3: Fairly important, 2: Slightly important, 1: Not at all important.
5. ANALYSIS AND DISCUSSION

A cross case analysis was conducted to find similarities and differences between the five cases. The analysis is presented according to the two propositions.

5.1 Proposition 1

Internal factors such as perceived business relatedness and international experience of the parent firm affect a foreign subsidiary’s expansion strategy positively.

Business Relatedness

Figure 5.1 Business relatedness affects the firm’s geographical scope and differentiation positively (A: Internal Factor, C: Expansion Strategy)

Business relatedness explains the relation between the core business of the parent company and the subsidiary (Pehrsson, 2000, 2001, 2006). The US subsidiaries of Dustcontrol and Absolent perceived to have high business relatedness with their parent company. The level of business relatedness can be measured by comparing product, market, and intangible resource relatedness (Pehrsson, 2010). The subsidiaries of Absolent and Dustcontrol exploit core competences of the parent company, such as product/market attributes and intangible resources. For example both companies have the same core product attributes and technology competence as the parent firm. Thus, managers of Absolent and Dustcontrol perceived to have high business relatedness. According to Palich et al. (2000) and Rumelt (1982), when subsidiaries have high business relatedness with the parent company they gain related knowledge on strategy regarding products, service and markets. The subsidiaries of Absolent and Dustcontrol perceived high business relatedness which allowed them to gain related knowledge more easily from the parent company’s core competence and this knowledge was transferred to the US market. This possibly gave them an opportunity to expand geographically and differentiate to a great extent in the market place. The two companies are targeting the US market as a whole and have the competence to follow their customers to new
markets. This finding corresponds to Pehrsson (2010) that high business relatedness influences differentiation and broad market scope.

Hence, the analysis of Absolent and Dustcontrol showed that business relatedness affects the expansion strategy positively according to the analysis model (Figure 1.1). High business relatedness allows subsidiaries to gain core competence more easily, which makes it possible for them to reach broad geographical scope and a differentiated strategy compared to the ones that had limited business relatedness. It was difficult to find a positive relation between business relatedness and expansion strategy among the companies that had limited business relatedness.

**International Experience**

![Figure 5.2](image-url)

*Figure 5.2 International experience affects the firm’s differentiation strategy positively (A: Internal Factor, C: Expansion Strategy)*

Good knowledge of international market conditions strengthens the competence of the firm. According to Kogut (1983) new subsidiaries benefit from their parent companies’ previous foreign activities. Absolent and Millicenten parent companies’ international market experiences had great influence on their differentiation strategy, which is in accordance to Pehrsson (2010) who showed that there is a positive relationship between experience and subsidiary differentiation. Millicenten’s international experience and its global presence added value to their customers and made it possible for them to differentiate in the US. Absolent’s international market experiences influenced them to choose a focus strategy on a certain product scope. This focus strategy corresponds to Porter (1980). According to Johanson & Vahlne (1977) parent company’s experience positively affects the success of a foreign subsidiary and Absolent has benefited from its parent firm’s past experiences in Europe. In general all companies’ international experience was first gained in Europe before entering the US market. They also had experiences from other parts of the world mainly Europe and Asia. When the parent company’s international experience increases it perceives less uncertainty, and becomes more confident of its foreign operations (Johanson & Vahlne, 1977). In addition Li (1995) argues that parent companies’ previous international experience
directly influence the establishment of a foreign subsidiary. Thus, these theories seem to hold for all the companies because they first acquired knowledge from European markets and this probably influenced their successful establishment in the US. However international experiences did not have high influence on expansion strategy for most of the companies. For three of the case companies, it was difficult to find a strong correlation between parent company’s international experiences and expansion strategy, but for Absolent and Millicenten the correlation was strong.

According to Pehrsson (2008b) subsidiary’s high share of the annual parent company revenue indicates that it is critical for the parent company to have extensive international experience. In this study Thomas Concrete has the highest revenue share, contributing with 50% of parent’s revenues. However the parent firm had the least international experiences and low influence on the US subsidiary compared to other case companies. Dustcontrol only contributes with 13.2% share to its parent company’s revenue, but it has the most international experiences and the international experience has low influence on the subsidiary. Hence, it is difficult to find the influence and relation between parent firm’s international experience and subsidiary share.

In sum, international experience had less impact on expansion strategy compared to business relatedness but when the influence is high it affects the differentiation strategy positively. International experience of the parent company shows high possibility to influence the success of the subsidiary’s establishment.
5.2 Proposition 2

External factors such as perceived competition and barriers of expansion affect a foreign subsidiary’s expansion strategy positively.

**Competition & Competitors**

![Figure 5.3 Competition affects the firms’ market scope positively (B: External Factor, C: Expansion Strategy)](image)

The competitive environment is assessed by managers on a number of factors such as a competitor’s product scope, customer types, amount of customers and where customers are located (Pehrsson, 2008a). In the five cases firms did not pay attention to all competitors, only the main ones, which corresponds to theory by Porac & Thomas (1990). All firms’ managers said that major competitors were a few large companies that were national or international and many local companies. Yet in general they perceived only a few major competitors. Although most managers said that competitors do not influence them to a great extent, they monitor them to keep track on what products they offer and how they operate. This could be interpreted as firms are more concerned and influenced by their competitors than they think.

When companies experienced intensive competition (see Figure 5.3) as Skanska USA Building, Millicenten and Thomas Concrete, the influence from competitors may lead to a broad market scope. Millicenten claims that competitors only influence their pricing; however their choice of a broad market scope is motivated by a “we can do everything” attitude (Brandon Richards, 2011). This may show that their choice of a broad strategy is somewhat motivated by the intensive competition in the contract manufacturing industry. Thus it seems like when companies experience intensive competition, companies strive for a broad market scope to reach more customers which corresponds to theory (Miles & Snow, 1978; Pehrsson, 2008a).
Absolent and Dustcontrol experienced competition as low to medium and are not highly influenced by competitors. It seems like low perceived competition led them to choose a narrow product/market scope. Hence, it has been shown that low competition leads to a narrow product/market scope which helps to protect them against competitors since they are less vulnerable to substitutes (Porter, 1980).

Thus the analysis showed that competition and competitors affects the expansion strategy positively according to the analysis model. When companies experienced high competition the influence from competitors was mainly on market scope and companies chose a broad market scope to reach more customers. When companies experienced low competition, companies operated with a narrow product/market scope which protects them against competition. Differentiation was high for both firms that experienced high and low competition.

**Barriers**

Barriers are perceived differently by companies and individuals (Karakaya & Stahl, 1989; Pehrsson, 1990, 2004) and have different affects on the companies. In general all the companies perceived barriers and these had some influence on their product/market scope and differentiation strategy. There were barriers such as R&D, capital requirements, government policy, distribution channel and switching cost that had an effect on the case companies’ expansion strategy. In the following analysis each barrier’s influence on the companies will be discussed and barriers in general affecting the choice of market expansion strategy will be analyzed according to the proposition.

Customer switching cost is perceived as a high barrier for Skanska USA Building and intermediate for Thomas Concrete. For Skanska USA Building this was a temporary barrier due to the economic recession in US. In contrast for Thomas Concrete, it is a constant barrier because it is easy for customers to switch supplier. Pehrsson (2008a) found that switching
cost had a larger negative effect for a firm with a narrow product/market scope however this study showed that switching cost was mainly a barrier for firms with a broad scope.

The government can limit and control entry into industries with licensing requirements and restrictions (Porter, 1980). Thomas Concrete, Absolent and Dustcontrol experienced this to be an obstacle. For Dustcontrol it had a negative influence on the company as government policy barriers benefited only American companies according to the “Made in America” policy. It has forced Dustcontrol to target other market segments than government projects such as the food industry and cleanroom applications. Thus the barrier has affected their market scope. This is in accordance with findings by Delmas et al. (2007). They found that the regulatory environment affects an incumbent’s market strategy.

High capital requirements have had an effect on Thomas Concrete’s choice of a narrow geographical scope because of industry characteristics. High transportation costs because of low value per ton, necessitates having concrete facilities close to customers, making it expensive to expand geographically. Hence, large financial resources are important to expand the firm’s business (Porter, 1980; Harrigan, 1981; Pehrsson, 2009). This barrier impedes Thomas Concrete’s chances of extensive expansion. Skansa, Absolent and Dustcontrol have also experienced this barrier. Robinson & McDougall (2001) found that capital requirements had a larger negative effect on firms with a narrow product/market scope but for the case firms it affected all. It was also confirmed that it had mostly a negative effect on firms with a narrow scope and in particular a geographical scope as in the case of Thomas Concrete.

![Figure 5.5 Perceived barriers affect the firms’ differentiation strategy positively (B: External Factor, C: Expansion Strategy)](image)

It was also possible to analyse the combined influence of different barriers. Pehrsson (2009) states that a company that faces extensive barriers seems to choose a broad product/market scope and differentiate their products to a great extent. This study only found a correlation between perceived high barriers and differentiation. Absolent, Dustcontrol and Thomas Concrete faced many barriers compared to other companies. They perceived four to five
major barriers and one of the strategy choices they made was to differentiate themselves to a
greater extent. Hence, it seems likely that when companies perceive high barriers it
influences them to chose a differentiated and focused strategy.

![Diagram](image)

Figure 5.6 R&D barrier affects the firms’ differentiation and focus strategy positively (B: External
Factor, C: Expansion Strategy)

Regarding single barriers there was only a correlation between intensive R&D activities and
differentiation. According to Karakaya & Stahl (1989) R&D activities of competitors can be
a barrier when companies must invest heavily in R&D. It was perceived as an intermediate
barrier for Absolent and Dustcontrol and competitors’ intensive R&D has influenced them to
choose a differentiated & focus strategy.

In sum it was difficult to analyze and find any correlation regarding a single barrier’s
influence on the choice of expansion strategy but it was found that when companies face
multiple barriers they strive for a differentiated strategy.

5.3 Discussion

This research was conducted by using an analysis model (Figure 1.1) presented in the theory
chapter, where perceived internal and external factors affected the expansion strategy of a
subsidiary. The results show that there is a positive relationship between external and internal
factors on the expansion strategy of a firm. The model does not pay attention to possible
interactions affecting the two propositions as well as between the factors. However there
were indications of interactions which will be discussed below.

There were two main clusters found among the case companies and different interactions
between the factors for these companies. One cluster consists of Absolent and Dustcontrol
which are following very similar highly differentiated strategies, narrow product/market
scope and a broad geographical scope. The other cluster consists of Thomas Concrete and
Skanska USA Building and they have a broad market scope, intermediate product scope and
pursue a strategy of differentiation. Millicenten has similar product/market scope and
perceived competition as Skanska and Thomas Concrete, yet the differentiation level,
business relatedness and parent firm’s international experience is similar to Absolent and Dustcontrol. Therefore, Millicenten was difficult to analyze together with the other company clusters.

**Absolent and Dustcontrol**

![Diagram of Absolent and Dustcontrol analysis discussion]

*Figure 5.7 Absolent and Dustcontrol analysis discussion*

There was high business relatedness for both Absolent and Dustcontrol and this has affected all areas of their expansion strategy (a, b and c). They perceived low to medium competition which affected their narrow product/market scope (e). It is also possible that the affect goes the other way. It is difficult for competitors’ to influence them extensively since they pursue a narrow product/market scope (f). This corresponds to Porter (1980) who states that a focus product/market scope creates defence against competitors. Furthermore low perceived competition influenced the companies to have high business relatedness (g).

Dustcontrol have always targeted the same niche segments with the same product offering on the international markets that they have entered, which is their parent firm’s corporate strategy. Thus this decision has also had an effect on their choice of a narrow product/market scope (b). In regards to Absolent, their international experience has affected the narrow product/market scope since it taught them to focus on their oil mist and oil smoke filters.

Absolent’s broad geographical scope was also affected by the fact that the first distributor they choose to work with was present on a wide geographical area of the market. High business relatedness (c) and perceived high barriers (d) lead to a differentiated strategy.
Skanska and Thomas Concrete

For Skanska and Thomas Concrete business relatedness was limited, which was due to industry characteristics, local market situation and acquisition of local businesses in the US. In the construction industry it is difficult to have high resource relatedness with the parent company due to certain market characteristics and this situation made the companies strive for more localized business attributes. There is perceived high competition and this seems to have influenced both companies to aim for a more independent business where the subsidiary could make decisions according to how they perceive the local market and competition (a). Limited business relatedness also influenced them to choose a product scope with the best fit to the local market, leading to a somewhat different product scope, compared to the parent (b). In addition, compared to Absolent and Dustcontrol it was difficult for Skanska and Thomas Concrete to have high business relatedness, since they entered the US through acquisition of companies.

Millicenten

Figure 5.9 Skanska and Thomas Concrete analysis discussion

Figure 5.10 Millicenten analysis discussion
Millicenten’s parent firm’s extensive international experience had positively affected Millicenten to formulate a differentiated strategy in the US (a). In addition, perceived high competition influenced Millicenten to strive for broad market scope (b). However for Millicenten other interactions besides the theoretical model were not found.

Revenues of the companies were not analysed but it could have had an effect on their expansion strategies. All companies have been extensively affected by the recession in the US and seen their revenues decline. For Absolent and Dustcontrol the impact was mainly in the years 2008 and 2009, but in 2010 revenues was increasing again. The revenues of Skanska and Thomas Concrete are still declining and 2010 was the worst year for both of them. Thus the large impact of the recession makes it difficult to evaluate the firm’s perception of competition and its competitors. It seems likely that companies with a narrow product/market scope can handle a downturn in the economy better. However, it is difficult to confirm whether these differences are really due to choice of product/market scope or characteristics of the construction industry.
6. CONCLUSION

The purpose of this thesis was to study external and internal factors influence on the market expansion strategy of foreign subsidiaries and one research question was posed:

What internal and external factors influence the expansion strategy of a subsidiary of an international firm?

To answer this question, this study concentrated on Swedish cleantech companies’ market expansion in the US. Due to our small sample of only five cases the results cannot be generalized, however the findings provide indications and insights.

Proposition 1: Internal factors such as perceived business relatedness and international experience of the parent firm affect a foreign subsidiary’s expansion strategy.

In this research it was found that business relatedness affects foreign subsidiaries’ market expansion strategy positively by affecting broad geographical scope and differentiation which have been illustrated by the cases of Absolent and Dustcontrol. International experience had less impact on a foreign subsidiary as compared to business relatedness. It was only found for Absolent and Millicenten that numerous international experiences affected the differentiation strategy of the subsidiary positively.

Thus it has been shown that internal factors positively affect the expansion strategy, and internal factors had more impact on differentiation strategy than product/market scope.

Proposition 2: External factors such as perceived competition and barriers of expansion affect a foreign subsidiary’s expansion strategy.

This proposition has been supported by all case companies. In this research it was found that intensive competition lead to a broad market scope as shown by Millicenten, Skanska and Thomas Concrete. The reversed relationship was also supported for Absolent and Dustcontrol which showed that low competition leads to a narrow product/market scope. Finally it was found that high perceived barriers affects a firms differentiation positively and leads to a differentiated strategy, this was illustrated by Absolent, Thomas Concrete and Dustcontrol.
Thus it has been shown that external factors positively affect expansion strategy. It was clearer to find correlations of external factors’ influence on product-market scope than differentiation.

However as mentioned in the beginning of the chapter due to limited number of case companies the findings of this study is difficult to generalize. If the study would have consisted of 8-10 cases as the researchers intended, the results could possibly have offered richer insights and more chances for generalization. To validate the findings of this study, the model needs to be further tested by the use of a quantitative research method. Nevertheless the main purpose of this study has been to illustrate and provide insights by the use of case companies and the five cases provide readers with in-depth knowledge of how external and internal factors influence a foreign subsidiary’s expansion strategy.

6.1 Theoretical Implication

This research was conducted by using an analysis model (Figure 1.1) developed by the authors. This model was presented in the theory chapter where internal and external factors affected the expansion strategy of a subsidiary. Internal factor components originates from the resource-based view and external factors originates from the industrial organization view. It was found in the analysis that both internal and external factors influence expansion strategy which demonstrates the importance of seeing subsidiaries environment from both perspectives. As mentioned in the introduction, there is a lack of research studying both internal and external factors, however there are emerging theories that underscores both external and internal factors and which support the developed analysis model of studying both factors.

In “Competitive Advantage of Nations”, Porter (1991) states the importance of the nation environment and the role of resources and capabilities as major source of competitive advantage. Porter’s previous studies, “Competitive Strategy (1980)” and “Competitive Advantage (1985)” focused on industry environment in determining strategy and the use of the value chain as a mean for analyzing opportunities for competitive advantage. According to Grant (1991b), Porter’s “Competitive Advantage of Nations” implicitly endorses the resource-based approach by establishing a pivotal role for resources and capabilities as sources of competitive advantage and this approach is related to studies of Barney (1986), Diericks & Cool (1989) and Rumelt (1984). In addition, Porter’s previous studies were
focused on static analysis of the industries which Pehrsson (2000) states as major weakness of the industrial organization perspective. However, Grant (1991b) argues that in “Competitive Advantage of Nations”, Porter has a new dynamic analysis approach of competitive advantage.

There are also other works, for example by Zou & Cavusgil (1995) who tried to bridge the industrial organization and resource-based view within the area of global strategy. They argue that global strategy should not be studied from either an industrial organization view or a resource-based view but rather the perspectives must be linked together in order to provide a stable ground for studying strategy. Another study by Acquaah & Chi (2007) examined how different indicators of firm resources and their interactions with industry characteristics influences profit, and in their study they found evidence that industry characteristics do moderate this relationship. Thus there are several emerging theories that support and confirm the use of both internal and external factors when studying strategy.

In the analysis there were indications of interactions between internal and external factors such as competition affecting business relatedness which could not be analyzed with the analysis model. Hence, a revised model were developed demonstrating those relationships.

**Revised Model**

![Diagram of Revised Model]

*Figure 7.1 Revised analysis model*

In sum, Figure 7.1 revised analysis model has been developed from Figure 1.1 analysis model to explain the different influences which was found in the analysis. The developed model needs to be further tested among more firms to validate these opposite relationships since
they were only found in some of the cases. In addition new propositions has been added which can used for further studies.

**Proposition 1**

Internal factors such as perceived business relatedness and international experience of the parent firm affect a foreign subsidiary’s expansion strategy positively.

**Proposition 2**

External factors such as perceived competition and barriers of expansion affect a foreign subsidiary’s expansion strategy positively.

**Proposition 3**

There is an interaction between internal and external factors which affects expansion strategy.

**6.2 Managerial Implications**

Several insights can be offered to business managers of subsidiary firms in growing industries. Businesses that are competing in global and growing industries must evaluate both the external environment and internal resource factors before formulating an expansion strategy. Performance can be maximized if the business units can develop and transfer core competence from the parent company or respond to external challenges with appropriate localized strategy. In addition, external factors affected expansion strategy especially for companies that perceive high competition, hence it is important for managers in highly competitive industries to monitor competitors and respond to the local environment.

**6.3 Suggestions for Further Research**

The authors would like to give these suggestions for further research.

- Extend the model developed by the authors by including more case companies to further test the model using empirical data
- Put the model through empirical testing in another industry or country setting in order to see if the there are differences between industries and countries
- Study the internal and external factors with the view from both the parent and foreign subsidiary in the same study
- Further develop the model by adding performance components
7. REFLECTIONS

The results of this study would have been improved and provided more understanding if it included more information on the establishment and development of the company on the US market, this could have produced a more nuanced picture of the company.

Further if more time was allotted for the interviews it would have been possible to ask for more detailed questioning concerning the four factors impact on expansion strategy. The study confirmed that companies had been affected but the impact could have been developed further if more information was available.

Lastly, mainly secondary data were used for empirical material for the parent company, and this might have reflected the results. Thus the study would have improved if primary data were collected from both parent company and the subsidiary.
List of References

Articles


**Books**


Electronic sources


Case Study Reference

Absolent


Dustcontrol


**Millicenten**
Retrieved Date: 2011-04-11.

Retrieved Date: 2011-04-11.

Retrieved Date: 2011-04-11.

Retrieved Date: 2011-04-11.

Retrieved Date: 2011-04-11.

**Skanska**
Retrieved Date: 2011-04-11.


Presentation 2010 “Capital Market activities”


**Thomas Concrete**


**Internal Documents**


**Interviews**

Allen H. Jones, Sr. Vice President, Skanska USA Building, Raleigh NC, March 21, 2011.

Benedikt Ibing, SACC Georgia Vice President, March 16, 2011.

Bo Nilsson, Executive Chairman, Thomas Concrete, March 14, 2011.

Bill Bayer, Managing Director & Brandon Richards, Customer Account Manager, Millicenten Inc, Atlanta GA. March 16, 2011.


Oliver Coussit, National Sales Manager, Dustcontrol, March 21, 2011.

Thomas Swanson, SACC Carolinas President, March 19, 2011.
Appendix

A. Interview Questions

1. What is your position?
2. How long have you been working for this company?
3. When did you enter the US market? How many employees do you have?
4. What products do you sell in the US? In Sweden and other markets?
5. What are your target customers and what geographical regions do you turn to?
6. What value do you offer to the customers? What do you want to communicate to the customers? What are your competitive advantages?
7. What was your revenue in 2010 in the USA?
8. Describe the establishment of the company in the US from the beginning. How have you developed on the US market?
   a. How did the parent/Swedish company previous experience influence the choice of product range, market scope?
   b. How you differentiate yourself to customers?
9. Does the parent company have other international experience?
   a. How did the parent/Swedish company international experience influence the choice of product range, market scope?
   b. How you differentiate yourself to customers?
10. What are the external obstacles to compete in your market?

<table>
<thead>
<tr>
<th>External Obstacles</th>
<th>Scale 1-5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economies of scale</td>
<td></td>
</tr>
<tr>
<td>Product differentiation</td>
<td></td>
</tr>
<tr>
<td>Access to distribution channel</td>
<td></td>
</tr>
<tr>
<td>Switching costs</td>
<td></td>
</tr>
<tr>
<td>Capital requirements</td>
<td></td>
</tr>
<tr>
<td>Government Policy</td>
<td></td>
</tr>
<tr>
<td>R&amp;D</td>
<td></td>
</tr>
</tbody>
</table>
11. Are there any other important obstacles experienced by the company that were not mentioned?

12. Did the barriers influence your product/market scope? Did it influence your how you differentiate yourself from competitors?

13. How do you view competition? Do you do competitor analysis?

14. Tell us about your major competitors. What products do they sell? What customers do they target? What are their advantages?

15. How do competitors influence you?
   a. Do and how do they influence your market scope (customers/ geographical)?
   b. Do and how do they influence the products you offer?
   c. Do they and how do they influence your differentiation strategy or how you position yourself on the market compared to other actors?
### B. Operationalization

<table>
<thead>
<tr>
<th>Question</th>
<th>Theory</th>
<th>Motivation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Background Information</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Question 1-3</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concerning background information about the respondent and company</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Market Expansion Strategy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Question 4</td>
<td>Product/Market Scope Porter (1980), Pehrsson (2009, 2010), Robinson &amp; McDougall (2001)</td>
<td>Knowledge about the kind of products or services that the company offer in the US and other markets and if they differ. Broad or narrow product/market scope.</td>
</tr>
<tr>
<td>What product/service do you offer in the US? In Sweden and other markets?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Question 5</td>
<td>Market Scope Porter (1980), Pehrsson (2009, 2010), Robinson &amp; McDougall (2001)</td>
<td>Knowledge about who and where the company aims to target, for example which industries and which states. If they have a broad or narrow market scope in the US.</td>
</tr>
<tr>
<td>What are your target customers and what geographical regions do you turn to?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>What value do you offer to the customers? What do you want to communicate to the customers? What are your competitive advantages?</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Internal Factors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Question 7</td>
<td>International experience Pehrsson (2008 b)</td>
<td>Generate information about financial results of the US subsidiary to compare with parent company to see the importance of their US establishment</td>
</tr>
<tr>
<td>What was your revenue in 2010 in the USA?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Question 8</td>
<td>Business Relatedness Palich et al. (2000), Rumelt (1982), Pehrsson (2000, 2006, 2010)</td>
<td>Generate in-depth information about the establishment on the US market especially about the influence the parent company had on the product/market scope and differentiation strategy. Are strategies similar or different and how independent are they from the parent.</td>
</tr>
<tr>
<td>Describe the establishment of the company in the US from the beginning. How have you developed on the US market?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Question 9</td>
<td>International experience Kogut (1983), Johanson &amp; Vahlne (1977), Li (1995), Pehrsson (2008b)</td>
<td>Generate information about previous experience of the parent company and if it has affected the US subsidiary in terms of product/market scope and differentiation strategy.</td>
</tr>
<tr>
<td>Does the parent company have other international experience?</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>External Factors</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Question 10</td>
<td>Barriers Porter (1980), Bain (1956), Karakaya &amp; Stahl (1989), Pehrsson (2009)</td>
<td>Gain knowledge about how the company perceives some of the most important external barriers when expanding on a market.</td>
</tr>
<tr>
<td>What are the external obstacles to compete in your market?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Question 11</td>
<td>Are there any other important obstacles experienced by the company that were not mentioned?</td>
<td>Barriers Karakaya &amp; Stahl (1989), Pehrsson (2004)</td>
</tr>
<tr>
<td>Question 12</td>
<td>Did the barriers influence your product/market scope? Did it influence your how you differentiate yourself from competitors?</td>
<td>Barriers Porter (1980) Product/Market Scope (Porter, 1980; Pehrsson 2008a)</td>
</tr>
<tr>
<td>Question 13</td>
<td>How do you view competition? Do you do competitor analysis?</td>
<td>Competitive environment and Competitors Pehrsson (2008a), Porac &amp; Thomas (1990)</td>
</tr>
<tr>
<td>Question 14</td>
<td>Tell us about your major competitors. What products do they sell? What customers do they target? What are their advantages?</td>
<td>Competitive environment and Competitors Porac &amp; Thomas (1990) Pehrsson (2008a)</td>
</tr>
<tr>
<td>Question 15</td>
<td>How do competitors influence you?</td>
<td>Competitive environment and Competitors Porac &amp; Thomas (1990)</td>
</tr>
</tbody>
</table>
C. Case study-Absolent Inc

The case study is based on information collected from Absolent’s home page, annual reports and an interview at Absolent Inc, Raleigh NC. The interview was conducted on March 21st 2011, with Business Development Manager Erik Jansson and Accounting and Administration Lotta Ehlin. Erik Jansson has worked 10 years at Absolent and Lotta Ehlin.

1. General Facts about Absolent AB

- Founded in 1993
- Active markets in Europe, US and Asia
- Products: Oil mist, Oil smoke filters and Dust collectors
- Customers: Industrial based manufacturers such as Alcoa, Bosch, Volkswagen, Volvo
- President and CEO: Tony Landh
- Chairman of the Board: Lennart Mikael Ekdahl

(Absolent 2011, AffärsData 2011)

- Financial information

<table>
<thead>
<tr>
<th>Period of annual account</th>
<th>200901-200912</th>
<th>200801-200812</th>
<th>200701-200712</th>
<th>200601-200612</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>25</td>
<td>28</td>
<td>24</td>
<td>20</td>
</tr>
<tr>
<td>Revenue (TSEK)</td>
<td>49 611</td>
<td>96 654</td>
<td>83 297</td>
<td>68 960</td>
</tr>
<tr>
<td>Revenue Growth (%)</td>
<td>-48.67</td>
<td>16.04</td>
<td>20.79</td>
<td>12.05</td>
</tr>
<tr>
<td>Earnings Before Tax (TSEK)</td>
<td>3 893</td>
<td>19 332</td>
<td>16 278</td>
<td>12 096</td>
</tr>
<tr>
<td>Net Income (TSEK)</td>
<td>2 883</td>
<td>12 892</td>
<td>11 074</td>
<td>7104</td>
</tr>
<tr>
<td>Total Assets (TSEK)</td>
<td>50 349</td>
<td>54 348</td>
<td>44 805</td>
<td>44 146</td>
</tr>
<tr>
<td>Return on Assets (%)</td>
<td>5.73</td>
<td>23.72</td>
<td>24.72</td>
<td>16.09</td>
</tr>
</tbody>
</table>

Table C1. Absolent Financial Information (AffärsData 2011)

Absolent had 25 employees in 2009, compared to 20 in 2006. Revenues increased in 2007 and 2008 but saw a sharp drop and almost halved in 2009, this was mainly due to the recession. Net Income had the same pattern of development. Return on Assets followed revenue development and in 2006 ROA was 16% with a peak of almost 25% in 2007 but hit a low of less than 6% in 2009.

1.1 Business Concept

“We focus strongly on innovation and individually custom-made complete solutions. Our ambition is to be world leader in oil-mist and oil-smoke filtration and to be one of the most successful companies in dust filtration” (Absolent 2011)
1.2 Absolent AB’s Vision

“Our vision is to be world leaders in process-air cleaning equipment for industrial applications with a brand that stands as a guarantee for environmental responsibility.”

(Absolent 2011)

Core values: Quality/ Innovation/ Customer focus/Responsibility (Absolent 2011)

1.3 Milestones in the Company’s Development

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Milestones</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993</td>
<td>Founded in Lidköping</td>
</tr>
<tr>
<td>1998</td>
<td>Absolent AB sees first potential in the US market and starts corporation with an American company</td>
</tr>
<tr>
<td>1999</td>
<td>Export starts to grow and starts business in Czech Republic and the UK</td>
</tr>
<tr>
<td>2000</td>
<td>Absolent AB starts subsidiary in Chicago</td>
</tr>
<tr>
<td>2001</td>
<td>New sales office in Spain, France and the US</td>
</tr>
<tr>
<td>2003</td>
<td>Two new products are launched. Business success in Austria, Germany and the Czech Republic. In the US a sales organization is established in Michigan to focus on the Detroit region</td>
</tr>
<tr>
<td>2004</td>
<td>Expansion in Europe and US. New product launch in Sweden and US</td>
</tr>
<tr>
<td>2005</td>
<td>Market expansion continues in North and South Americas</td>
</tr>
<tr>
<td>2006</td>
<td>Growth in all 3 main markets; Sweden, Europe and North American</td>
</tr>
<tr>
<td>2007</td>
<td>New sales channels in the form of local distributors in Russia, Belgium, Mexico, Texas, the US and Canada. Sales increases in China</td>
</tr>
<tr>
<td>2008</td>
<td>New Absolent Sales Office in Beijing, China. Revenue positive everywhere except North America. New systems distributors in Baltic countries and central America</td>
</tr>
<tr>
<td>2009</td>
<td>Absolent opens its second sales office in China. Recession has impact on the company and customers</td>
</tr>
<tr>
<td>2010</td>
<td>Absolent AB acquires Filtermist Ltd., a UK manufacturer of compact oil mist filters. Orders increases</td>
</tr>
</tbody>
</table>


1.4 Product Scope

Absolent AB has established itself as a prominent and high competent supplier of oil smoke, oil mist and dust filters. Absolent AB has products that clean contaminated air in various metalworking, die casting, cold forming and welding machines by collecting oil mist, oil smoke and dust. They focus strongly on innovation and individually custom-made complete solutions (Absolent 2011).

Absolent AB has 5 main products and each has different range in size.
• **Absolents oil-smoke filter ODR** applications: Heat-treatment/ Cold-drawing/ Gear cutting/ Grinding with straight oil/ CNC turning with straight oil/ Forging operations and cold pressing

• **Absolents oil mist filter ODF** applications: Grinding (cutting fluid emulsion)/ Turning (cutting fluid emulsion)/ Milling (cutting fluid emulsion)/ Electrical discharge machining/ Machining, using straight oil and moderate loads

• **Absolent A•mist** applications: Same as Absolents oil mist filter ODF applications

• **G•ONE** applications: Water based coolants (emulsions) and straight oils for low to medium loads of oil-mist. Driling/ Turning/ Miling/ CNC operations

• **A•dust** applications: where dry dust is generated/ Welding/ Laser cutting and plasma cutting/ Grinding and polishing

(Absolent 2011)

1.5 Market Scope

**Geographic Market:** The headquarter of Absolent AB is in Lidköping, Sweden and they have sales offices in Raleigh, USA and in Beijing, China. The company has system providers in Spain, Italy and in Mexico and also warehouses in Virginia, USA (Carlbrant & Hedin, 2010). Distributors are mainly located Europe in Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, UK, Italy, Norway, Poland, Rumania, Russia, Slovak Republic, Slovenia, Spain, Switzerland and the Netherlands. In the Americas they are present in Canada, Mexico and Puerto Rico and in Asia they have distributors in South Korea and Singapore (Absolent, 2011).

**Customers:** Most of Absolent’s customers are industrial companies. For instance leading manufacturers like: Alcoa, Bosch, Volkswagen, Volvo and many more (Absolent 2011). According to Carlbrant and Hedin (2010) the CEO of the company Tony Landh says that their customers are mostly from the automobile industry but also from all industries where they are processing materials of metal. There are also other industries like the food industry where the filters are used to reduce cooking fumes. Often Absolent follows their large customers into new markets when they are expanding.
2. Absolent Inc.

- Founded in 2002
- Headquarter: Raleigh, NC
- Market Segments: Automotives, Medical machining and Aerospace
- Number of employees: 2
- Business Development Manager: Erik Jansson
- USA locations: Most of the US; 9 distributors active in 40 states. 2 in South America.

*(Interview, Absolent, 21 March, 2011)*

- Financial Information

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>US Revenue (MUSD)</td>
<td>3</td>
<td>2</td>
<td>4.4</td>
<td>4.5</td>
<td>4.2</td>
</tr>
<tr>
<td>% of Parent Revenue</td>
<td>26</td>
<td>29</td>
<td>35</td>
<td>40</td>
<td></td>
</tr>
</tbody>
</table>

*Table C3. Absolent Financial Information (Annual Reports 2006-2009: AffärsData 2011) Revenues has been converted from SEK to USD with an exchange rate of 6.5*

![Image](image.png)

*Figure C1. Absolent Inc Revenue*

Revenues for Absolent US increased slightly between 2006 and 2007. In 2008 revenues decreased somewhat but more than halved in 2009 to 2 million USD. This was due to the economic recession. Revenues increased to 3 million USD in 2010. Numbers of employees were at a constant of 2. From 2006 to 2009 Absolent Inc contributed with an average of 32.5% to parent revenue.
2.1 Establishment in US

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Establishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>First interest in the US market</td>
</tr>
<tr>
<td>2002</td>
<td>Sales office establishes in North Carolina with a Swedish employee</td>
</tr>
<tr>
<td>2003</td>
<td>US sales organization is established in Michigan to focus on Detroit region</td>
</tr>
<tr>
<td>2004</td>
<td>Expansion in US. New product launch in US</td>
</tr>
<tr>
<td>2005</td>
<td>Establishment continues in Canada, Mexico and US</td>
</tr>
<tr>
<td>2006</td>
<td>Growth in North America</td>
</tr>
<tr>
<td>2008</td>
<td>Sales decrease in North America</td>
</tr>
<tr>
<td>2009</td>
<td>Recession has negative impact on the company and customers</td>
</tr>
</tbody>
</table>

*Table C4. Absolent Inc Milestones (Annual Reports 2002-2008: AffärsData 2011)*

2.2 Internal Factors

2.2.1 Business Relatedness

According to Erik Jansson Absolent’s product range is similar in the US and Sweden. In Sweden they sell oil mist and oil smoke as core products and dust collectors but in the US they decided to focus on oil mist and oil smoke. The dust collectors are sold in Europe and China and they might consider selling dust collectors in the US in the future but this is not considered at the moment. Erik Jansson says that the decision regarding the product scope was completely made by the parent company in Sweden. Moreover all international markets carry the oil mist and oil smoke filters but some distributors focus on Absolent’s small scale products and other distributors on their large scale products.

There is some influence on the market scope from the parent. The first distributor that Absolent worked with on the US market introduced other distributors. These distributors already had a customer base to where Absolent products are now marketed. However the parent has some say about which distributors that are appropriate for Absolent Inc to work with. The differentiation strategy was set by the parent company in Sweden and Absolent Inc. follows the same strategy, thus parent influence differentiation strategy.

2.2.2 Parent Company’s International Experience

The parents company’s international experience has influenced the US subsidiary. Erik Jansson says that the parent company has learnt from their European endeavor that when choosing distributors it is important to choose a distributor that has previous experience with dust and smoke. He also says that when continuing to expand in Europe and the US they focused more and more on distributors with this knowledge. The parent company’s first international market was Germany; this market was entered because they followed one of their customers there. This is how most of their expansion has happened; following their
customers’ to new markets. After Germany they entered The Netherlands, Belgium, The Czech Republic, France, Spain and Italy (independent distributors). In China they have established a sales office just as in the US.

Erik Jansson says that the international expansion has influenced their product scope in the US since their international experience from Europe lead them to focus on oil mist and oil smoke. He also mentions that Absolent continuously keep updating their products to the needs and wants of the customers. The international experience also affected their differentiation strategy since they learnt from previous experience what marketing activities were working the best in the market place.

2.3 External Factors

2.3.1 Competitive Environment and Competitors

Erik Jansson says that competition in the market is mainly on price. This is not the strategy that Absolent is pursuing. Absolent’s strategy is to develop high quality products. Many competitors will try to change their strategy but Absolent has a well developed strategy which they do not change due to competitors’ moves. Erik Jansson mentions several times during the interview that it is important to stay focused on your own task. Absolent does not follow competitors and will not start a new line of filters just because a competitor has a new line.

Absolent perform competitor analysis and they have sent 2-3 of competitors’ products for analysis to their R&D department in Sweden. At this moment no competitor is close to beating their advanced technology.

In the US market they have one main competitor which is Donaldson-Torit. This company is much larger than Absolent and has a wide range of products. Erik Jansson appreciates that for Donaldson-Torit oil mist filters is around 5% of their total sales. Donaldson-Torit is the competitor that has tried the hardest to copy their filters but so far they have been unsuccessful in their attempts. Donaldson-Torits’ strategy is to sell more units with less efficiency while Absolent focus on producing highly efficient filters that last a long time. When comparing the two companies Absolent sales consist of as much as 85% of units and only 15% of filters. For Donaldson-Torit, Erik Jansson believes that their unit sales are around 35% and filters around 65%. Other competitors include United Air Specialist, Micro Air, Filter Mist and Losma but there are also many small companies active on the market.
Erik Jansson says that a large part of Absolent business comes from replacing faulty products from competitors.

Regarding the product range Erik Jansson says that competitors did have an influence on them. They decided not to sell the dust collectors on the US market because competitors have similar products and technologies; so competition would have been too fierce. Regarding the market scope competitors did not have a large influence but it indirectly it affects them because Absolent do not want to sell their products with a distributor that also sells competing products. Due to the fact that it is difficult to find distributors this may limit them on certain geographical markets.

Erik Jansson says that competitors’ differentiation strategy has not had an influence on Absolent’s’ core differentiation strategy; the differentiation strategy has been built since the founding of the company. They do not change the strategy because of competitors’ moves.

2.3.2 Barriers
There are several barriers that affect Absolent negatively. The biggest external obstacle for them is government policy. According to Erik Jansson this is because the regulations in the US are not strict enough as compared to Europe; stricter regulations would be more beneficial for the company since they have more advanced technology as compared to their competitors. Another troublesome barrier is access to distribution channel. Erik Jansson says that it is very hard to find good distributors and it takes a lot of time. They had to cut cooperation with around 5 to 6 distributors.

Capital Requirement can be a barrier especially in times of recession. During the latest recession capital requirements posed a big obstacle for them, but the economy is improving at the moment so this hindrance is decreasing. Competitors R&D activities has been an obstacle mainly because competitors have tried to copy their products. Erik Jansson says that Absolent have superior technique compared to competitors but despite of their advantage they continue with product development to increase the gap between them and the competitors. Most of their competitors also have a broader product scope which mean that they cannot focus on product development of their filters to the same extent as Absolent does. R&D is completely done in Sweden.

Customers can quite easily change to another product which makes customers switching cost somewhat a problem to them. Another issue can be that manufacturers and customers have
long working relationships and strong ties between them; hence the customer is hesitant to change supplier.

Competitors’ economy of scale is not really a problem for Absolent.

“There is so much knowledge into this product that competitors won’t be able to copy our product and gain economies of scale” (Business Development Manager Erik Jansson, Absolent, March 21, 2011)

Product differentiation of competitors’ product also does not pose a large problem for Absolent since Absolent have superior products compared to competitors. According to Erik Jansson Absolent’s competitors have so many different products that they do not have the same resources as Absolent to focus on their oil mist filters.

Another external obstacle mentioned by Erik Jansson is China and with this he means that US production companies are moving to China, so there is less opportunity for Absolent to do business on the American market. There are also more competitors from abroad selling in the US.

According to Erik Jansson access to distribution channel influences the market scope. This is because access to a distribution channel can be problematic since it is difficult to find good distributors. He also says that although R&D has some influence on their differentiation strategy they have a well developed differentiation strategy which they stay focused on so the influence is not great.

2.4 Market Strategy

2.4.1 Product/Market Scope

In the US market Absolent offers oil mist and oil smoke filters. In Sweden and in some other markets they also sell dust collectors. Absolent cover the whole US market through distributors. They started the business on the east coast, grew into the middle and finally went to California. They are active on niche markets such as the automotive, medical engineering and aerospace. At their sales office in Raleigh, North Carolina the two employees Erik Jansson and Lotta Ehlin of Absolent Inc are located. How the distributors work differ to some extent; some of them have Absolent products as their main focus while for others the distributor may carry many other products. In the US they have a total of 9 distributors. The North Carolina distributor is the biggest and has an area covering 12 states. This distributor is
also the one selling the largest quantities. The most successful markets change over time and at the moment there is a lot of business in Ohio and Indiana.

“There is not so much demand in the Detroit area as you would think” and “This is because the car industry is declining” (Business Development Manager Erik Jansson, Absolent, 21 March, 2011)

2.4.2 Differentiation Strategy

“Quality, longevity, consistency, cleanliness, customer first” (Business Development Manager Erik Jansson, Absolent, 21 March, 2011)

These are the main differentiation points for Absolent. Absolent offer high quality products that require less maintenance and last longer than filters from competitors. They also offer their customer a one year guarantee which most competitors do not do. There are also not many companies just selling these kinds of specialized high quality filters but most of them are active in other areas. Moreover no other competitor is as good as them according to Erik Jansson. Most of competitors’ strategy is to sell as many filters as possible while Absolent makes quality filters that last longer. Absolent has a well developed differentiation strategy that they stick to but they try to improve all the time.
D. Case study Dustcontrol Inc

The case study is based on information collected from the annual reports 2006-2009, the company’s home page, and an interview. The interview was conducted on March 21st 2011, with National Sales Manager Oliver Coussit. Oliver Coussit has worked at Dustcontrol for 19 years.

1. General Facts about Dustcontrol AB

- Founded in 1972
- Active markets in USA, Germany, Finland, Austria, England and distributors in other 15 markets
- Business Area: Statuary and mobile dust collectors
- President and CEO: Johann Karl Haberl
- Chairman of the Board: Johann Karl Haberl

(Affärsdata, 2011a, Dustcontrol, 2011 a, Interview, Dustcontrol, 21 March, 2011)

- Financial Information

<table>
<thead>
<tr>
<th>Period of annual account:</th>
<th>200901-200912</th>
<th>200801-200812</th>
<th>200701-200712</th>
<th>200601-200612</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>125</td>
<td>138</td>
<td>132</td>
<td>103</td>
</tr>
<tr>
<td>Revenue (TSEK)</td>
<td>187 889</td>
<td>201 263</td>
<td>200 270</td>
<td>160 669</td>
</tr>
<tr>
<td>Revenue Change (%)</td>
<td>-6.65</td>
<td>0.50</td>
<td>24.65</td>
<td>20.37</td>
</tr>
<tr>
<td>Earnings Before Tax</td>
<td>-5 584</td>
<td>8 824</td>
<td>20 382</td>
<td>7 157</td>
</tr>
<tr>
<td>Net Income</td>
<td>-5 429</td>
<td>4 904</td>
<td>14 147</td>
<td>4 834</td>
</tr>
<tr>
<td>Total Assets (TSEK)</td>
<td>101 900</td>
<td>122 258</td>
<td>111 235</td>
<td>91 571</td>
</tr>
<tr>
<td>Return On Asset (%)</td>
<td>-5.3</td>
<td>4</td>
<td>12.7</td>
<td>5.3</td>
</tr>
</tbody>
</table>

Table D1. Dustcontrol financial information (Annual Reports 2006-2009; Affärsdata, 2011a; 2011b)

Dustcontrol saw an increase in their revenues in 2007 and 2008 but in 2009 revenues decreased. In 2009 Net income was negative and they made a loss of 5, 5 MSEK. Employees increased in the same years but followed the revenues development in 2009 and decreased from 138 in 2008 to 125 in 2009. Return on assets followed the same pattern of development as revenues (Affärsdata, 2011a).

1.1 Business Concept

“The company’s business idea is to meet customers’ needs for a cleaner and more efficient production, better product quality as well as cleaner and more safe work environment by developing and selling suction systems for dust, smoke and chips” (Dustcontrol, 2011 a)
1.2 **Milestones in the Company's Development**

<table>
<thead>
<tr>
<th>Year</th>
<th>Milestones</th>
</tr>
</thead>
<tbody>
<tr>
<td>1972</td>
<td>Dustcontrol is established</td>
</tr>
<tr>
<td>1976</td>
<td>The breakthrough comes with an order from ASEA and they move their business to Norsborg outside Stockholm</td>
</tr>
<tr>
<td>1980</td>
<td>Expansion continues</td>
</tr>
<tr>
<td>1985</td>
<td>Dustcontrol start selling in the US through a distributor</td>
</tr>
<tr>
<td>2006</td>
<td>Dustcontrol forms their own subsidiary in the US</td>
</tr>
</tbody>
</table>

*Table D2. Dustcontrol milestones (Interview Dustcontrol 21st of March, 2011, Dustcontrol 2011b)*

1.3 **Product /Services Scope**

Dustcontrol supplies mobile dust extractors and stationary high vacuum extraction systems. They offer mobile dust extractors for industrial and construction usages, liquid extractors, pre-separators, air cleaners, fixed extraction installations, peripheral equipment and accessories. Dustcontrol supplies a complete range of dust collector products and accessories for large and small companies in many industries. They can also custom made orders (Dustcontrol, 2011c). 90% of sales in the US are statuary products compared to 70% in Sweden. The mobile market targets the construction industry and has two products; source extraction and portable units. In Sweden 30% is mobile and in the US 10%, but their aim is to sell more portables on the US market (Interview, Dustcontrol, 21 March, 2011).

1.4 **Market Scope**

Dustcontrol target industries such as: Construction & Rental, Pharmaceutical, Fiber Glass & Composite, Food Processing, Bakery, Carpentry & Education, Printing Press, Waste Management & Heating Plants and Metal (Dustcontrol, 2011d).

They have active markets in USA, Germany, Finland, Austria and England and has distributors in another 15 markets (Dustcontrol, 2011a). Oliver Coussit says that they always target the whole country.
2. Dustcontrol Inc

- Entered the US market through a distributor in 1985 and established a subsidiary in 2006
- Active markets in the whole US but strongest east of the Mississippi river
- Business Area: Statuary and mobile dust collectors

*(Interview, Dustcontrol, 21 March, 2011)*

- Financial information

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>19/20</td>
<td>19/20</td>
<td>19/20</td>
<td>19/20</td>
<td>8</td>
</tr>
<tr>
<td>North &amp; South America</td>
<td>5</td>
<td>3.8</td>
<td>3.4</td>
<td>6</td>
<td>2.5</td>
</tr>
<tr>
<td>Revenues (MUSD)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of Parent Revenue</td>
<td>13</td>
<td>10.9</td>
<td>19.4</td>
<td>9.9</td>
<td></td>
</tr>
</tbody>
</table>

*Table D3. Dustcontrol North & South America revenues (Annual Reports Dustcontrol 2007-2009). Revenues have been converted from SEK to USD with an exchange rate of 6.5.*

*Figure D1. Dustcontrol Inc Net Sales*

Revenues increased substantially between 2006 and 2007. Due to the financial crisis sales dropped in 2008 and 2009 and were as low as 3.4 million USD in 2008. In 2010 sales picked up and revenues increased to 5 million USD. Between 2006 and 2009 the US subsidiary contributed with an average of 13.3% of parent company’s total annual revenues. In 2006 when Dustcontrol acquired their distributor Transmatic there were only 8 employees but today Dustcontrol has approximately 20 employees and this number has been constant since the acquisition in 2007.
2.1 Establishment in US

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Establishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>Enter the US market through distributor Transmatic</td>
</tr>
<tr>
<td>1989</td>
<td>Transmatic locates to Wilmington, NC</td>
</tr>
<tr>
<td>2006</td>
<td>Transmatic goes bankrupt. Dustcontrol acquires Transmatic and a new subsidiary is formed</td>
</tr>
<tr>
<td>2011</td>
<td>40% growth since the acquisition in 2006, expects more expansion</td>
</tr>
</tbody>
</table>

*Table D4. Dustcontrol USA milestones (Interview, Dustcontrol, 21 March, 2011)*

Oliver Coussit says that Dustcontrol first entered the US market in 1985 through a distributor called Transmatic which manufactured parts for transit buses. Transmatic was looking for someone who could supply them with vacuum systems to clean buses that they could further sell to transit garages. Transmatic was a large company located in Detroit with offices spread all over the US. This was one of the main reasons why Dustcontrol chose Transmatic as their distributor. Dustcontrol’s customers are located in the whole country, hence they needed a distributor that covered all the market. Moreover their corporate strategy is always to target the whole country.

Oliver Coussit says that Transmatic was the sole distributor of Dustcontrol’s products in the US and Transmatic were only selling Dustcontrol’s products. In 1989 Transmatic moved to Wilmington, NC but after some time Transmatic’s business was declining and ultimately went bankrupt in 2006. In order to keep their business in the US, Dustcontrol decided to buy Transmatic. Since the acquisition Dustcontrol has expanded to a great extent and they have seen a growth of 40%, with their best year in 2010 despite of the economic recession. According to Oliver Coussit the business has not changed very much since the acquisition, the major difference is that the sales force was exchanged and business is going better these days. In 2006 they only had 8 employees but now they are 20 and expect to hire more people in the coming year.

2.2 Internal Factors

2.2.1 Business Relatedness

Oliver Coussit says that the products and services offered are the same on all of Dustcontrols’ national and international markets. They always target the whole country and the same niche markets. According to Oliver Coussit their worldwide markets are approximately 80% the same. Most decisions are taken in Sweden but sales, some manufacturing and customer service is conducted in the US.
2.2.2 Parent Company International Experience

Oliver Coussit says that the Swedish market is small and from the start Dustcontrol had the intention to expand abroad. The first international market that they entered was Germany and this was because one of the owners is from Austria. There was language and similar culture advantage in Germany. Thereafter Dustcontrol expanded into France, Austria, Finland, Norway and the UK. In 2006 they established a subsidiary in the US and this was their first big market outside Europe. Since then, expansion has continued and other international markets now include Russia, South Korea and Malaysia.

According to Oliver Coussit the parent company’s international experience influence them to some extent but the market strategy is the same as from the start of the business. Oliver Coussit says that not much has changed since the start.

2.3 External Factors

2.3.1 Competitive Environment and Competitors

“The market is so huge so there is business for everyone right now” (National Sales Manager Oliver Coussit, Dustcontrol, 21 March, 2011)

According to Oliver Coussit there are many competitors in the US but Dustcontrol have three main competitors that they face on all of their international markets. These competitors are Nederman, Pullman Ermatur and Nilfisk. Nederman competes with Dustcontrol on the vacuum market but Nederman also have other products such as welding and fume extractors. Dustcontrol is not active in those markets and for the vacuum market Dustcontrol and Nederman usually target different niche markets. Nederman does have a competitive advantage over Dustcontrol and this is because they have a larger selection which means that they can offer complete packages of products to their customers.

“Dustcontrol only have parts of a package” (National Sales Manager Oliver Coussit, Interview, 21 March, 2011)

Their biggest American competitor is Donaldson–Torit which mainly produces bigger systems but they compete with them from time to time. Their other main competitors for mobile units are Tiger Vac, DCM and Clayton. Then there are many small companies in every state, “too many to count”, according to Oliver Coussit. In Europe the competition is harsher and this is because most of the companies in the industry are originally from Europe
and Oliver Coussit says that surprisingly most of them are actually from the Nordic Europe countries.

Dustcontrol does not do competitor analysis and according to Oliver Coussit this is not necessary since there is enough room for everyone. Furthermore they do not have the resources for it. The parent company in Sweden has more resources and does competitor analysis. For example they buy competitors’ products and compare them to Dustcontrol’s products but the US subsidiary does not have the resources for this but:

“We know what competitors are doing and when we have to fight against them on a project”
(National Sales Manager Oliver Coussit, 21 March, 2011)

Oliver Coussit says that the two main influences from competitors are on R&D and competitors prices. When competitors launch new products Dustcontrol will try producing a similar or better product. The competitors also influence their pricing to some extent. Dustcontrol does not want to offer low price products but they cannot be too expensive in comparison so they try to get their price in line with competitors.

Competitors do not influence their market scope. By history Dustcontrol and Nederman target different markets, Dustcontrol started with construction and Nederman with fume extraction. They usually do not go into each other’s markets but sometimes this occurs such as in the fiberglass market where both of them are active. The other smaller competitors do not influence Dustcontrol that much; for example one of their competitors Eurovac mainly competes on price. When a project is all about the price for a potential customer, Dustcontrol will not lower their prices in order just to win a deal. They do not like to lose a deal but their strategy is not about price but quality. Oliver Coussit also says that competitors also do not really influence their differentiation since they do not see them that much in the market.

2.3.2 Barriers

The biggest obstacle for expanding on the American market is Government Policy according to Oliver Coussit. The US governmental policy “Made In America” policy which purports that 51% of the product should be made in America has had an adverse affect on their sales. It is only government organizations that have this demand so therefore they have decided to target different markets and focus on other industries such as the food industry and clean room applications. According to Oliver Coussit these two industries are growing markets and
on these markets they can expand quickly. Other regulations are not seen as an obstacle and Dustcontrol want stricter regulations.

“I am lobbying a lot to get more regulations like in Europe” (National Sales Manager Oliver Coussit, Dustcontrol, 21March, 2011)

This is because Dustcontrol has leading technology which would benefit from stricter regulations. Competitors’ economies of scale have some affect on Dustcontrol. Their biggest competitor Nederman is ten times bigger. Nederman sell a lot of different products and not only for dust cleaning, thus they have more capital than Dustcontrol.

Capital requirement is another obstacle that they struggle with. Competitors’ product differentiation is somewhat an obstacle to Dustcontrol but Oliver Coussit emphasizes that the products offered are the same everywhere and they have the same product differentiation everywhere hence competitors product differentiation do not directly influence Dustcontrol.

R&D or more specifically the R&D department has become a problem for Dustcontrol recently. Previously they had superior technology compared to their competitors but now competitors have started to catch up. This has induced them to invest more in R&D and hire engineers from competitors. The purpose has been to speed up product development and to introduce more new products faster in different markets.

Regarding other barriers Oliver Coussit says that a troublesome obstacle for Dustcontrol is the volatility of the currency. Such as now when the dollar is weak against the Swedish Krona they have to spend more money on money trading.

To sum up governmental regulations is the barrier that affects Dustcontrol the most. Because of the “Made in America” regulation they have had to look for other markets. The barriers have not influenced their product scope. The influence that the barriers have had on their differentiation strategy is limited since most of market strategy is formulated in Sweden.

2.4 Market Strategy

2.4.1 Product/Market Scope

According to Oliver Coussit Dustcontrol offer the same range of products in all their markets. They have one main manufacturing plant which is located in Sweden. They sell statuary (central) and mobile (portable) dust collectors. In the US market 90% of revenue comes from the statuary market compared to 70% in Sweden. The statuary products are custom designed
of standard products to each application. They are also active in the mobile market which caters to construction customers and has two products: source extraction and portable units. These products are standardized. In the US only 10% of revenues extend from these products compared to 30% in Sweden. The aim for the US subsidiary is to sell more portables.

Their target market in all of their active markets is the same. When they enter a market they target the whole country, it is the same whether they use a distributor or have their own subsidiary. Their strategy is to target small niche markets. Their main market for statuary products is lab sciences and pharmaceutical plants. The second market is aviation, followed by printing press such as newspapers and commercial. Bus transit is another niche market and other markets that produce dust. They also target the same niche markets in all of their active markets with only smaller regional differences. They are mostly present in the east of the Mississippi river but they sell to all over the US, in 50 states and Mexico (Interview, Dustcontrol, 21 March, 2011).

2.4.2 Differentiation Strategy

Oliver Coussit says that most customer relate Dustcontrol with high quality products.

“We are considered the Rolls Royce of Vacuum systems” (National Sales Manager Oliver Coussit, Dustcontrol, 21 March, 2011)

Their products are very dependable but also expensive. Instead of focusing on price their aim is to communicate to their customers that they offer high quality products. To differentiate themselves from customers they focus a lot on customer service. They offer turn-key systems from startup, maintenance and upgrades. They also offer customers service contracts and spare parts; and this is where most of their revenues come from. American based companies can be a bit cheaper but for their main competitors such as Nederman and Pullman Ermatur the products, quality, technique and pricing are similar. According to Oliver Coussit their main advantage is their customer service.

Dustcontrol have many customers that come back year after year although for mobile units there are sometimes one time buy customers. Oliver Coussit says that of course they do not get all the projects from their customers but quite many returns.

Their differentiation strategy mainly springs from the parent company. The Swedish head office is responsible for most of their marketing. The parent company decides how they differentiate themselves. They want to be known for their technique and their focus on the
customer. According to Oliver Coussit Nederman looks a lot like Dustcontrol but Dustcontrol offer much better support to their customers.

Since about one year back Dustcontrol has a new image; they want to be seen as an environmental company. The green system is their new position and those products are more expensive. They offer products that can go into sleeping mode which means less electricity costs for the customers and a smaller carbon footprint. A customer can save up to 50-70% on energy costs. In the US 80% of the statuary products sold are green systems. Oliver Coussit says he is not sure if Dustcontrol's products are greener or better than their competitors. He also do not know if the green marketing is working but they are expanding in the US and had their best year in 2010 despite of the recession (Interview, Dustcontrol, 21 March, 2011).
E. Case study Millicenten Inc

Millicenten is a simulated name due to reasons of confidentiality. The case study is based on information collected from annual reports, Millicenten’s home page, documents published on their homepage and an interview at Millicenten, Atlanta GA. The interview was conducted on March 16th 2011, with the Managing Director Bill Bayer and Customer Account Manager Brandon Richards. Bill Bayer has worked at Millicenten Inc for 4 years and Brandon Richards for 7 years.

1. General Facts about Millicenten AB

- Founded in 1413 as a copper mining company
- Active markets in Europe, U.S. and Asia
- Business Area: Defense & Maritime, Industry, Information Technology, MedTech & Instrumentation, CleanTech and Point of Sale Applications
- President and CEO: Rolf Borkmallsson
- Chairman of the Board: Pontus Kristoferson

(Annual Report, 2010)

- Financial information

<table>
<thead>
<tr>
<th>Period of annual account</th>
<th>200901-200912</th>
<th>200801-200812</th>
<th>200701-200712</th>
<th>200601-200612</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>1 382</td>
<td>1 670</td>
<td>1 868</td>
<td>1 747</td>
</tr>
<tr>
<td>Revenue (TSEK)</td>
<td>2 156 336</td>
<td>2 540 587</td>
<td>2 656 981</td>
<td>3 067 160</td>
</tr>
<tr>
<td>Revenue Growth (%)</td>
<td>-15.12</td>
<td>-4.38</td>
<td>-13.37</td>
<td>51.65</td>
</tr>
<tr>
<td>Earnings Before Tax (TSEK)</td>
<td>-22 807</td>
<td>9 192</td>
<td>-34 188</td>
<td>161 705</td>
</tr>
<tr>
<td>Net Income(TSEK)</td>
<td>-21 517</td>
<td>5 191</td>
<td>-24 777</td>
<td>122 616</td>
</tr>
<tr>
<td>Total Assets (TSEK)</td>
<td>1 287 654</td>
<td>1 389 913</td>
<td>1 454 193</td>
<td>1 637 748</td>
</tr>
<tr>
<td>Return on Assets (%)</td>
<td>1.67</td>
<td>0.37</td>
<td>-1.70</td>
<td>7.49</td>
</tr>
</tbody>
</table>

Table E1. Millicenten Group Financial Information (AffärsData 2011)

Millicenten’s revenue decreased between 2006 and 2009 and showed a radical decrease between 2006 and 2007. Number of employees has decreased since 2008. Return on assets has improved steadily during the years. Due to the economic recession Millicenten showed lower sales performance but the company restructured its business at an early stage and has been proactive in adapting to market fluctuations (Annual Report 2009).
1.1 Business Concept
Millicenten develops and manufactures products under contract for companies with leading positions in selected business-to-business sectors of the European market. Millicenten is a contract manufacturer and they try to enhance the profitability and competitiveness of their customers by delivering services throughout the value chain – from components to integrated systems and complete products (Annual Report 2010).

1.2 Millicenten's Vision

“Our vision is to be the obvious choice for business-to-business contract manufacturing”
(Annual Report 2010)

1.3 Milestones in the Company's Development

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Milestones</th>
</tr>
</thead>
<tbody>
<tr>
<td>1413</td>
<td>Millicenten starts up as a copper mining company</td>
</tr>
<tr>
<td>1889</td>
<td>Millicenten begins making furniture and office equipment</td>
</tr>
<tr>
<td>1924</td>
<td>Production starts up for mechanical calculators</td>
</tr>
<tr>
<td>1956</td>
<td>Designs the first Swedish computer</td>
</tr>
<tr>
<td>1967</td>
<td>Production of electromechanical calculators expands</td>
</tr>
<tr>
<td>1976</td>
<td>Business partners with IBM on contract manufacturing assignments</td>
</tr>
<tr>
<td>1989</td>
<td>Business changes its name to Millicenten. Combination of mechanics and electronics becomes a key niche. Enters medical manufacturing market</td>
</tr>
<tr>
<td>1993</td>
<td>Business focuses entirely on external contract manufacturing</td>
</tr>
<tr>
<td>1997</td>
<td>Quoted on the O list of the Stockholm Stock Exchange</td>
</tr>
<tr>
<td>1999</td>
<td>Acquires 3 mechanical companies</td>
</tr>
<tr>
<td>2000</td>
<td>Begins operating in US and China. Acquires another company</td>
</tr>
<tr>
<td>2001</td>
<td>After acquiring two polish companies, begins operating in two Polish cities and wins business in Central Europe</td>
</tr>
<tr>
<td>2002</td>
<td>Acquires a company in Sweden. Focusing on purchasing/logistics and after sales. The company positions itself as a supplier of total solutions</td>
</tr>
<tr>
<td>2003</td>
<td>Acquires another company in Sweden. Millicenten’s machining operations are incorporated into the new unit. Forming one of Sweden’s largest and most advanced production facilities in the sector</td>
</tr>
<tr>
<td>2005</td>
<td>Acquires a company in Finland</td>
</tr>
<tr>
<td>2006</td>
<td>Millicenten begins operating in the UK and Norway. Acquires a company in UK and one in Norway.</td>
</tr>
<tr>
<td>2007</td>
<td>A new CEO and President takes over</td>
</tr>
<tr>
<td>2009</td>
<td>New customer orientation and restructuring program is completed, Millicenten is going from 15 to 10 facilities with common processes and customer focused mini factories</td>
</tr>
<tr>
<td>2010</td>
<td>A new CEO and President takes over</td>
</tr>
</tbody>
</table>

*Table E2. Millicenten Group Milestones* (Millicenten 2010a)
1.4 Product Scope

Millicenten offers a full range of contract manufacturing services that deals with machining, electronics, sheet metal working and systems integration. Millicenten develops and manufactures electronic, mechanical and mechatronic products. Millicenten is active within six markets which are Defense & Maritime, Industry, Information Technology, MedTech & Instrumentation, CleanTech and Point of Sale Applications (Annual Report 2010).

Defense & Maritime This market area has been Millicenten’s customer for decades. The area is characterized by long-term relationships. Millicenten manufactures mechanical and electronic components, primarily for radar, communications and other equipment used by the defense and oil industry.

Medtech & Instrumentation This market area requires vital combination of technical, regulatory and market expertise. Millicenten can boast of long, successful participation in medical device production, including blood analysis, dialysis, radiology and anaesthesia equipment, allergy and DNA testing instruments, and PCBA for various types of instruments.

Point of Sale Applications This market area is dependent primarily on commercial and legal requirements, such as security and traceability. Millicenten has superior precision mechanics skills that are decisive to functional solutions in this area. Products are cash handling systems, card readers, printers for terminals and cash registers, and equipment for paper handling and other advanced flexible mechanics.

CleanTech This market area has a lot of potential growth, the evolution is often powered by political and legislative decisions. As a result, production is project-oriented, subject to strict speed and capacity requirements. Millicenten has the knowledge and experience that the complex manufacture of products in this area demands. Among such products are recycling and reverse vending machines, heat pump systems, LED lighting systems and other energy savers.

The Industry This market area involves the contract manufacturing components and products for operator terminals, power & range control units and a number of other segments. Millicenten manufactures systems for remote reading of electrical meters, control units for revolving doors, forklifts and industrial robots.
The Information Technology This market area often receives orders for the production of advanced encapsulated electronics. Products for information technology are a powerful driver of the expansion of Millicenten's global structure, given that their size and their range of applications are frequently appropriate for large-scale production in Eastern Europe or Asia. Some of the products they manufacture are security cameras, broadband routers, videoconferencing systems, base station antennas, microwave links and terminals for information systems and industrial robots.

1.5 Market Scope

Geographic Market: Millicenten has plants in Sweden, Norway, Finland, Poland, the UK, the United States and China. In order to ensure the best possible service, Millicenten has set up local customer centers in each market where it operates (Annual Report 2010). Contract manufacturers fall into two main categories which are global and regional players. Global players consist of a few companies that manufacture products and electronic components for the computer, consumer and telecommunications industries with large-scale production. They have access to large plants in low-cost countries, a global supply chain and the ability to ramp production both up and down. On the other hand regional players are those that primarily manufacture products or electronic components for the business-to-business market, usually on a more limited scale. They operate regionally in the sense that one or more countries may be involved. Such contract manufacturers often focus on a small number of specific segments and adapt their offering accordingly. The category consists of only a few larger companies (one of which is Millicenten) that can offer a broad range of production and service options while often participating in product development efforts. These large companies can manufacture in low-cost countries and have a more extensive global supply chain and purchasing network than smaller players, which manufacture exclusively at the local level in proximity to their customers (Annual Report 2009). The breadth of Millicenten's total customer offering resembles that of global players even though it produces on a smaller scale and its products are for the business-to-business market (Annual Report 2010).

Customers: Millicenten is a strong contract manufacturer for both big and small manufacturers, primarily in the business-to-business sector. Millicenten believes its secure market position is due to their wide-ranging customers (Annual Report 2010). Most of Millicenten’s customers are in Europe, but they operate in China and the United States as well to provide a local presence when needed.
2. Millicenten Inc

Millicenten Inc has the expertise in market areas of Information Technology, Industry, Clean Tech and Services (distribution and logistics).

- Founded in 2000
- Customer Center USA in Atlanta, GA
- Market Segments: Information Technology, Industry, Clean Tech
- Revenue: Confidential
- Managing Director: Bill Bayer

*(Interview, Millicenten, 16 March, 2011)*

- Financial Information:

<table>
<thead>
<tr>
<th>Period of annual account</th>
<th>2010</th>
<th>2009</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>32</td>
<td>21</td>
<td>20</td>
<td>18</td>
</tr>
<tr>
<td>US Revenues (USD)</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
</tbody>
</table>

*Table E3. Millicenten Inc Financial Information (Annual Report 2008-2010)*

Despite the economic recession number of employees has increased during the years.

2.1 Establishment in the US

According to Bill Bayer, around 2000 the Swedish parent company decided to build a plant in the US, which was a green field investment. During this time the telecom communication industry was growing rapidly and one of the reasons Millicenten opened its plant was because of their commitment to their customers, they need to be close to them. Atlanta was chosen because of its various benefits. From Atlanta it is easy to reach 80% of the population within 2 hours by air, 2 days by truck. In addition major headquarters of OEM companies are in Atlanta.

2.2 Internal Factors

2.2.1 Business Relatedness

Millicenten Group and Millicenten in the US have similar business areas. As mentioned previously Millicenten Inc has expertise in market areas of Information Technology, Industry, Clean Tech, and Services (distribution and logistics) but in the US they are not active in Defense & Maritime, MedTech & Instrumentation, and Point of Sale Applications. According to Bill Bayer all Millicenten plants operate in similar business areas and they have the same strategy while promotion and marketing is regionalized. In addition Millicenten subsidiaries are free to act rather independently within the corporate framework set up by the parent company. For example if they find a new customer the decision has to be signed off by
the CEO. The reason is that the corporate has to consider how the new customer folds into Millicenten’s business areas and to see if it impacts other agreements they may have, they have to consider if there is a competitive issue at hand. Millicenten US differentiation is influenced by the parent company. Their global and US presence strategy was initiated by the parent but Millicenten US have freedom to operate within the framework set up by the parent.

2.2.2 Parent Company’s International Experience
Bill Bayer believes that the international experience of the parent company has influenced Millicenten Inc in a positive way. The Swedish parent company has experience from China, Poland, Finland, UK and Norway which makes Millicenten in the US much stronger. Bill Bayer explains that the plants of Millicenten group work together and they can move around expertise. Millicenten group has specialized engineers and design engineers which is a competitive advantage over competitors. These engineers help each other out with other plants. Moreover parent company’s core market knowledge helps Millicenten. Thus Millicenten has competence in dealing with international customers. The business area in the US is influenced by parent company’s extensive product, expertise, skills and quality of product. Moreover the international experience of the company influenced strategy in the US to deal more confidently with its international customers.

2.3 External Factors
2.3.1 Competitive Environment and Competitors
Millicenten is one of the biggest business-to-business contract manufacturers. They differ radically from large global players, which they do not consider as their competitors. Other players with Millicenten's orientation – Kitron, Benchmark, Enics, Note and Scanfil – all have a strong regional base and global operations proceeding from Europe and Asia (the United States as well in Millicenten's case). Millicenten also has local competitors in individual geographic markets, but they operate in only a few disciplines and do not compete in any real sense with Millicenten's total offering (Annual Report 2010). At this moment none of Millicenten’s Scandinavian competitors is operating in the US. If one of their Scandinavian competitors would enter US market, this might affect their business area but this is not something that they are taken into consideration at this moment according to Bill Bayer.
Millicenten does competitor analysis for example there are multiple reports that are issued about the contract manufacturing industry which the parent company gets access to and passes around to the subsidiaries. According to Bill Bayer, they also monitor the competitors, and one way is to listen to their customers. However their customers can also be their biggest competitors. As a contract manufacturing company, they have customers (OEM companies) that have to make a decision whether to outsource the manufacturing or manufacture it themselves. Therefore there could be an internal resistance to outsource from the customers perspective. For the cleantech industry internal competitors could be Millicenten’s biggest competitors. According to Brandon Richards, cleantech is a growing industry and large companies invest and want to grow their own cleantech businesses. They do not want to use contract manufacturing because they do not trust it. Cleantech industry has been around but it is still relatively a young growing market. Thus it has not reached the size for contract manufacturing compared to IT, medical and industrial telecom businesses. When considering external competitors, there are a lot of similar contract manufacturing companies in the US, both bigger and smaller companies.

“If we are in the same category I think we have a lot to offer” (Managing Director Bill Bayer, Millicenten, 16 March, 2011)

According to Bill Bayer competitors’ main influence on Millicenten Inc is on their pricing. Millicenten has a very competitive price because they need to compete on a global pricing scale. However competitors’ price has never been their major concern. The biggest influence on their strategy is their customers, their market and the ones that can be potential customers.

“We adjust ourselves to meet our customers and market” (Managing Director Bill Bayer, Millicenten Inc, 16 March, 2011)

2.3.2 Barriers
Among the external market expansion barriers, Millicenten Inc did not perceive any significant barriers. Four barriers have limited affect on their market strategy. Customer switching cost is one of them but is not considered a major problem for Millicenten:

“If a customer is talking to us they usually have a pretty good idea that it is going to cost them money to move along. That is already expected; they do not have problems with that” (Customer Account Manager Brandon Richards, Millicenten, 16 March, 2011)
According to Bill Bayer the customer switching cost do not affect product/market scope but it has some affect on how they present themselves to the customers like what kind of services they offer their customers.

Capital requirements is another barrier that has some affect on their product scope since to be able to compete they need machinery but Millicenten has access to capital so it does not pose a big problem for them, it has never hindered them to go anywhere.

Economies of scale of competitors influence them in the way that they focus on industries where they see growth. The barrier also influences them to focus on service instead of price which is the common way to compete in the contract manufacturing industry.

Competitor’s R&D affects Millicenten to update their machinery. This also has an effect on their market scope since they chose high technology customers which are their focus area. The differentiation strategy is also influenced by competitors’ R&D since they focus on high tech products which they communicate to the customers (telephone interview, Millicenten, 12 May, 2011).

Government policies are not an issue for Millicenten but rather for their customers. Bill Bayer says that Millicenten has better understanding about government policies, thus they can help customers with better knowledge and in this way regulations can be an advantage for Millicenten. For instance in Millicenten’s Annual Report 2004, customer Biotage says that if they offer a new product and market them in the United States, Millicenten’s legal knowledge and experience with FDA inspections will benefit them.

Millicenten Inc also says that they have a great supply chain so access to distribution channel is not a barrier. Further the company has good product differentiation strategy compared to competitors thus differentiation is not considered a barrier (Interview, Millicenten, 16 March, 2011).

However there are other significant barriers for Millicenten such as price and competitors products. Pricing is a difficult barrier due to globalization of manufacturing. These days low cost manufacturing is readily available. Moreover currency/exchange rate is a barrier for them. As a contract manufacturer in the US, their business depends on the currency, and often it is difficult to achieve the right price. Millicenten’s customers are sensitive to currency changes and currencies can both be an advantage and disadvantage to them (Interview, Millicenten, 16 March, 2011).
2.4 Market Strategy

2.4.1 Product/Market Scope
Millicenten Inc has mostly large Scandinavian or European customers, which are OEM companies. These companies are mostly business to business with a US presence. These companies have an international market and in the US they have only sales office and the manufacturing is done at Millicenten Inc. They also have some US companies as their customers. In the cleantech area they have customers that are active in recycling and heating thermal. Millicenten has wide product scope that can be offered to customers within Information Technology, Industry and Cleantech. Part of their service offer is also distribution and logistics which is something that Millicenten Inc offers uniquely in the US. Millicenten Inc works with after sale services for their customers that has a presence in the US. Among Millicenten’s services are warehousing near the end-customer, maintenance, repair and distribution, including customized logistics services (Annual Report 2010).

2.4.2 Differentiation Strategy
Millicenten’s main differentiation is that they have global presence and at the same time a local presence in the US.

“We are bigger than we are here in the US and this is our competitive advantage” (Managing Director Bill Bayer, Millicenten Inc, 16 March, 2011)

Millicenten has expertise that they move around internationally to help each other out. According to Brandon Richards, Millicenten has always done business as one organization which has been their focus. As a US facility Millicenten is unique due to its Scandinavian roots and their long experience and have a good reputation in the US. Moreover Millicenten Inc has wide range of business areas.

“We can do anything within profitable model” (Customer Account Manager Brandon Richards, Millicenten Inc, 16 March, 2011)

Millicenten has access to its Poland and China Millicenten. Thus within in Millicenten there is very limited outsourcing.

“We are a one-stop shop” (Managing Director Bill Bayer, Millicenten Inc, 16 March, 2011)

Millicenten focuses on manufacturing so that it will allow customers to focus on their R&D. Another different value Millicenten offer is their postpone manufacturing. They consider themselves as a leader and are the first European contract manufacturer to bring
postponement manufacturing to this area. Postponement manufacturing is postponing the final part of manufacturing to the end point.
F. Case study Skanska USA Building Inc

The case study is based on information collected from annual reports 1999, 2009-2010, Skanska’s home page, documents published on their homepage and an interview at Skanska USA Building, Raleigh NC. The interview was conducted on March 21st 2011, with the Sr. Vice President, Allen H. Jones. Allan Jones has worked at Skanska USA Building for 25 years.

1. General Facts about Skanska Group

- Founded in 1887 as Aktiebolaget Skånska Cementgjuteriet
- Active markets in Europe, U.S. and Latin America
- Business Area: Construction, Residential Development, Commercial Property Development, Infrastructure Development
- President and CEO: Johan Karlström
- Chairman of the Board Sverker Martin-Löf

*(Annual Report, 2010)*

- Financial Information

<table>
<thead>
<tr>
<th>Period of annual account</th>
<th>200901-200912</th>
<th>200801-200812</th>
<th>200701-200712</th>
<th>200601-200612</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>52 931</td>
<td>57 815</td>
<td>60 435</td>
<td>56 085</td>
</tr>
<tr>
<td>Revenue (TSEK)</td>
<td>136 946 000</td>
<td>144 550 000</td>
<td>139 183 000</td>
<td>125 967 000</td>
</tr>
<tr>
<td>Revenue Growth (%)</td>
<td>-5.26</td>
<td>3.86</td>
<td>10.49</td>
<td>0.70</td>
</tr>
<tr>
<td>Earnings Before Tax (TSEK)</td>
<td>5 021 000</td>
<td>4 410 000</td>
<td>5 667 000</td>
<td>4 985 000</td>
</tr>
<tr>
<td>Net Income (TSEK)</td>
<td>3 628 000</td>
<td>3 157 000</td>
<td>4 121 000</td>
<td>3 655 000</td>
</tr>
<tr>
<td>Total Assets (TSEK)</td>
<td>81 410 000</td>
<td>83 478 000</td>
<td>78 941 000</td>
<td>71 307 000</td>
</tr>
<tr>
<td>Return on Assets (%)</td>
<td>4.45</td>
<td>3.78</td>
<td>5.22</td>
<td>5.12</td>
</tr>
</tbody>
</table>

*Table F1. Skanska Group Financial Information (AffärsData 2011)*

Skanska’s revenues and Net Income increased between 2006 and 2007 but saw a decrease in 2008 and 2009 due to the economic recession and decreased investment in the construction industry. Employees and Return on Assets has seen the same development. During the recession Skanska had to stop some projects and postpone new residential and commercial project start-ups (Presentation 2010). The rapid economic fluctuations of recent years have influenced Skanska’s recovery in a relatively slow pace (Annual Report 2010).

1.1 Business Concept

Mission: Our mission is to develop, build and maintain the physical environment for living, traveling and working.
Goals: Skanska’s overall goal is to generate customer and shareholder value. Projects are the core of the Group operations, and value is generated in well-implemented and profitable projects. Skanska will strive to be a leader, in terms of size and profitability, within its segments in the home markets of its construction business units, focusing on “Outperform” margins and cash flow. Skanska shall be a leading project developer in local markets and in selected product areas such as residential, office, retail and selected types of infrastructure development projects (Annual Report 2010: 6).

1.2 Skanska’s Vision

“Skanska shall be a leader in its home markets - the customer's first choice – in construction and project development” (Skansa 2011a)

1.3 Milestones in the Company’s Development

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Milestones</th>
</tr>
</thead>
<tbody>
<tr>
<td>1887</td>
<td>Rudolf Frederik Berg establishes and starts Aktiebolaget Skånska Cementgiuteriet</td>
</tr>
<tr>
<td>1897-1920</td>
<td>International Expansion: Finland, Russia, The UK</td>
</tr>
<tr>
<td>1950’s</td>
<td>Skånska Cementgiuteriet makes a major move into international markets</td>
</tr>
<tr>
<td>1965</td>
<td>Listed on the Stockholm Stock Exchange</td>
</tr>
<tr>
<td>1984</td>
<td>“Skansa” becomes the Group’s official name</td>
</tr>
<tr>
<td>1990’s</td>
<td>Skanska initiates its most expansive phase globally both through acquisition and organic growth</td>
</tr>
<tr>
<td>2000’s</td>
<td>Profitability rather than growth is a strong focus. Streamlines operations in construction and development of residential, commercial and infrastructure projects in selected home markets in Europe and America</td>
</tr>
</tbody>
</table>

Table F2. Skanska Group Milestones (Skansa 2011)

1.4 Service Areas

Skanska has expertise in Construction, Residential Development, Commercial Property Development and Infrastructure Development.

The Construction business stream operates through nine business units in selected home markets – Sweden, Norway, Finland, Estonia, Poland, the Czech Republic and Slovakia, the United Kingdom, the United States and Latin America. In addition, there is a pan-Nordic business unit for construction-related industrial production.
The Residential Development business stream initiates and develops residential projects for sale. Homes are designed for selected customer categories. Skanska, one of the leading residential developers in the Nordic countries, also has a sizeable presence in the Czech Republic and Slovakia. The business stream operates in Sweden, Norway, Finland and Estonia, the Czech Republic and Slovakia. Residential Development business units are now also being started in the United Kingdom and Poland.

Commercial Property Development initiates, develops, leases and divests commercial property projects, with a focus on office buildings, shopping malls and logistics properties. The business stream operates in markets where Skanska has construction business units in the Nordic countries, Central Europe and the United States, as well as in Denmark and Hungary.

Infrastructure Development develops, manages and divests privately financed infrastructure projects such as highways, hospitals, schools and power generating plants. The business stream focuses on creating new potential for projects in markets where Skanska has construction business units. It works through the Skanska Infrastructure Development business unit.

(Annual Report 2010)

1.5 Market Scope

Geographic Market: As shown in Figure F1, Skanska Group is active in Europe, the US and Latin America. In the Nordic Europe countries, Czech Republic, Slovakia and Poland. Skanska’s operations cover construction and investment businesses. In the UK, Skanska is a leading player in construction as well as within Public-private partnerships (PPP). The US construction market is the world’s largest market and Skanska building and civil construction is leading in the US. In Latin America oil, gas and energy sector and PPP are their main areas (Annual Report 2010).

Customers: Skanska’s customers include companies of varying sizes, authorities, investors and private persons. Skanska’s customers include
many world-leading Fortune Global 500 companies and they have clients such as Boeing, Ericsson, Harvard, HCA, IKEA, ING, Nissan, Petrobras, Pfizer, Statoil, Hydro, Volvo, Rodamco and Wyeth. Most of Skanska’s revenue, 40% is generated from the Nordic countries including the home market Sweden. United States generates 28% as a single market which makes it the biggest single market by revenue (Annual Report 2010).

2. Skanska USA Building Inc

Skanska USA has four business units operating in the U.S.: USA Building, USA Civil, Infrastructure Development and Commercial Development. In this chapter focus will only be on Skanska USA building.

- Incorporated 1971 in New York, US
- Headquarter: Parsippany, New Jersey
- President : William Flemming
- Market Segments:
  - Public & Commercial including Healthcare, Education, Commercial Offices and Retail, Sports, Life Sciences, Government, Mission Critical/Data
- Service Areas:
- Skanska USA locations: As shown in Figure 3 for Skanska USA building they are located in North East, South East, Texas, Arizona, and West Coast in US. According to Allen Jones there are a total of 26 offices in US and they are active in 19 states.
  
  (Presentation 2010, Skanska USA, 2011)

- Financial Information:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of employees</td>
<td>3000</td>
<td>3000</td>
<td>3,700</td>
<td>4000</td>
<td></td>
</tr>
<tr>
<td>Revenue (USD)</td>
<td>3.2 billion</td>
<td>$4 billion</td>
<td>4.6 billion</td>
<td>4 billion</td>
<td>3.7 billion</td>
</tr>
<tr>
<td>% Parent Revenue(Civil &amp; Building)</td>
<td>28.0%</td>
<td>19.0%</td>
<td>29.0%</td>
<td>28.0%</td>
<td>30.0%</td>
</tr>
<tr>
<td>Operating Margin</td>
<td>1.8</td>
<td>1.7</td>
<td>1.5</td>
<td>1.1</td>
<td></td>
</tr>
<tr>
<td>Market Share (Civil &amp; Building)</td>
<td>~1.0</td>
<td>~1.0</td>
<td>~1.0</td>
<td>~1.0</td>
<td>~1.0</td>
</tr>
</tbody>
</table>

Table F3. Skanska USA Building Financial Information (Presentation 2008-2010, Skanska Internal Presentation received from Shana Bitterman, U.S. Publications Manager)
In 2006 Skanska USA Building had revenues of 3.2 billion USD. Skanska USA Building’s revenue as well as number of employee has decreased since 2008. In 2010 revenues had decreased to 3.2 billion USD. This was due to the economic recession in United States and all the construction industry was affected (Interview, Skanska USA Building, 21 March, 2011). However despite of the recession they have had a stable market share during the last years. During 2006 to 2010 Skanska USA revenue has contributed with an average of 27% to parent company’s total revenue.
2.1 Establishment in US

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Establishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971</td>
<td>Incorporated in New York</td>
</tr>
<tr>
<td>1990</td>
<td>Acquires Sordoni in NJ</td>
</tr>
<tr>
<td>1994</td>
<td>Acquires Beers (Southeast) and Barney (NY)</td>
</tr>
<tr>
<td>1997</td>
<td>Acquires Beacon in MA</td>
</tr>
<tr>
<td>1999</td>
<td>Acquires A.J. Etkin (MI and CO.); Gottlieb Group</td>
</tr>
<tr>
<td>2000</td>
<td>Acquires Barclay White (PA) and Baugh (WA and OR)</td>
</tr>
<tr>
<td>2003</td>
<td>Acquires BFW (TX)</td>
</tr>
</tbody>
</table>

Table F4. Skanska USA Milestones (Skanska Internal Presentation received from Shana Bitterman, U.S. Publications Manager)

Skanska has grown mainly through acquisition in the US. According to Allen Jones, Skanska USA acquired contractor companies in North East, South East, North Mid West, and North West. In the early 2000’s Skanska combined all the companies that it had acquired and made it to one brand. Skansa USA did not acquire any other companies after the establishment of the brand and has no intention to grow through acquisition but through organic growth. Skanska has had one culture and one brand since early 2000 (Interview, Skansa USA Building, 21 March, 2011).

2.2 Internal Factors

2.2.1 Business Relatedness

Allen Jones is not aware of in detail what the parent company in Sweden is doing or what Skanska is doing in other foreign markets. The Swedish parent company does not really influence the work that Skanska USA Building pursues. For example Skansa in Sweden has the residential segment as one of their core business units but the companies that Skansa USA bought did not have a residential segment. Thus there has not been any focus on the residential segment in the USA. The parent influences more regarding the risk that Skansa USA takes and what they will allow Skansa USA to do. However they do not get into a level to decide what specific project Skansa USA Building should work with. This is due to the fact that USA and Sweden works independently. Parent company experiences do not directly influence Skansa USA Building since certain knowledge requires moving the construction people to the US. However to some extent both countries’ business is related. Allen Jones says there are creative techniques in Sweden such as modular thinking that influenced the US to apply modular bath room, corridor etc. However business relatedness influence can be vice versa. Previously the Swedish parent company had more knowledge of
green buildings but now US is further ahead with regards to green technology, thus now it is them who influence the parent company.

2.2.2 Parent Company’s International Experience

According to Allen Jones the previous experience of the parent company influences new market areas on the US market. For instance the commercial market has been active in Sweden and Europe for a long time but this is a rather new market for Skanska USA Building. The parent company’s international experience influenced the start of the commercial market in the US, however the US market is totally different and parent experience mainly affects risk and entering markets.

2.3 External Factors

In the U.S., the construction market is very fragmented and there are many challenges. Major challenges are tight lending standards, increased competition with loss in commercial and residential markets, and aggressive owner buying (Presentation 2009). For public projects Skanska focus on debt reduction and state budget deficits will cause funding challenges for Skanska. Unemployment also influences the market segments in Office/Commercial/Retail and these segments will be more important again when employment picks up. Thus competition is intense in US market (Presentation 2010).

“Competition in construction is brutal, Price war” (Sr. Vice President Allen Jones, Skansa USA Building, 21 March, 2011)

2.3.1 Competitive Environment and Competitors

There are national and market segment competitors (Presentation 2008).

- National segment Competitors:
  - The Turner Corporation
  - Bovis Lend Lease
  - Gilbane Inc.
  - Whiting-Turner (Presentation 2008)

- Market segment competitors:
  - Healthcare: Turner/ Bovis /Gilbane
  - Education: Gilbane/ Turner/ Whiting-Turner
  - Life Sciences: Bovis/ Fluor/ Gilbane
  - Corporate/Commercial: Turner/ Bovis

According to Allen Jones Skanska USA Building does competitor analysis and they take every opportunity to acquire more information, for example they talk to architects and owners. For public government work there’s a freedom of information act which allows them to ask for competitors’ proposal. Skanska USA reacts sensitive to competitors’ price change, thus competitor analysis is important. Allan Jones mentions major competitor such as “Bovis”,
“Balfour Beatty”, “The Turner construction” and other local companies which have an influence on Skanska. Skanska USA Building has been at the top of the market in areas such as health care and higher education, aviation and others.

2.3.2 Barriers
Allen Jones perceives capital requirement as a major barrier but yet not for Skanska USA Building however for their customers’ it is an obstacle. For owners of buildings capital requirement is a huge barrier due to the fact that banks give tough lending requirements. Moreover unemployment, tax, and state funds are other obstacles for owners. For Skanska USA Building customer switching cost is a major barrier at the moment since the construction industry is going through a difficult time and there is not a lot of work, in affect of many competitors and intense competition. Other barriers are perceived rather low and do not have a significant effect on Skanska USA Building.

When asked about the influence of these barriers, Allen Jones thinks that barriers affect the way they choose customers. For example if there is no demand for office buildings they will not waste their energy and resources on this segment. They will rather pursue health care clients or others who have resources and money. In addition, due to cost barriers they are trying not to lower their price but focus on business projects where they can add value.

_We try to work with owners where we can add value; we do not want to be a low cost provider_ (Sr. Vice President Allen Jones, Skanska USA Building, 21 March, 2011)

Allan Jones believes that many construction companies pursue to differentiate through low cost strategy dealing with external obstacles when the economy is dire, however Skanska USA Building is not a company that will lower their cost because of the market situation. Skanska USA building believes that their customers are more valuable.

2.4 Market Strategy

**Internal Strategy:**
- Risk management
- Cash management
- Shared service (Safety, IT, HR….)
- Increased self performed work in Building supported by Civil

**External Strategy:**
- Take advantage of the “Greening of America”
- Expand services in the Civil business
- Become national Civil contractor
(Presentation 2009)
2.4.1 Service/Market Scope

Skanska USA Building provides construction management services to a broad range of clients across the U.S. Their main service areas are Construction Management, Design-build, Pre-construction, Pharmaceutical validation, Public-private partnerships, Self-performance, Financial services and Commercial development with a total of eight service areas (Skanska USA, 2011). According to Allen Jones Skanska USA Building offers 75% construction management but they would like to do more “design build” contracts but at the moment “design build” is only 10-15% of the whole business. As shown in Figure 4 the biggest construction market segment of Skanska USA Building is health care (23%), higher education (18%), and commercial (20%) while others include aviation, mission critical (heavy industry usage facility), sports and government work. Skanska USA Building does not operate in the residential market due to the level of risk and insufficient understanding of the US housing market. For green construction Skanska works actively to minimize climate change and aims to become the leader in Green Construction, with the goal of developing economically attractive green solutions for customers, both in new construction and renovation work (Annual Report 2010). Skanska USA Building is ranked yearly as one of the leading Green Builders and has 432 LEED Accredited Professionals. They provide life cycle analysis, CO2 footprint calculations, energy modeling and green office renovations (ESB) (Presentation 2009).

2.4.2 Differentiation Strategy

Skanska USA Building’s strategy core is “Focus on people” (Presentation 2008). According to Allen Jones Skanska USA is trying emphasize the behavior of their people, such as the way they act and the way they provide service to customers.

“Skanska might have great technology today but competitors will copy it soon. However what they can’t copy is the way we behave” (Sr. Vice President Allen Jones, Skanska USA Building, 21 March, 2011)

Allen Jones describes and provides details about how difficult it is to differentiate in the construction industry. He points out that competitors use the same technology, material, and sub contractors as they. There is not much differentiation in this industry due to every
company offering similar services and as mentioned they mainly try to differentiate themselves by the way they behave. For example, 5 years ago Skanska USA Building was the leader of sustainability in green construction, however now all of their competitors caught up and provide similar offers. Thus Skanska USA Building is working in a collaborative way with its customers and architects to deliver their service. “We promote this as our culture all the time”. Allen Jones thinks that the differentiation strategy will be different in Sweden and US due to culture differences. Sweden will tailor service regarding their local market. He states that even in the US southern culture and north eastern culture is very different, hence construction is a local business that needs to work with the local environment.
G. Case study Thomas Concrete Inc

The case study is based on information collected from annual reports 2005-2009, the company’s home page, an internal document and an interview. The interview was conducted on March 14th, 2011, with executive chairman Bo Nilsson. Bo Nilsson has worked at Thomas Concrete, Atlanta for 11 years.

1. General Facts about Thomas Concrete Group AB
- Founded in 1954 as AB Färdig Betong
- Active markets in Sweden, Germany, Poland and the US
- Business Area: Ready-mixed concrete
- President and CEO: Jan Thomas
- Chairman of the Board: Finn Johnsson

(Färdig Betong, 2011a, Annual Report 2009)

- Financial Information

<table>
<thead>
<tr>
<th>Period of annual account:</th>
<th>200901-200912</th>
<th>200801-200812</th>
<th>200701-200712</th>
<th>200601-200612</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>1 214</td>
<td>1 597</td>
<td>1 663</td>
<td>1 580</td>
</tr>
<tr>
<td>Revenue (TSEK)</td>
<td>2 541 100</td>
<td>3 656 500</td>
<td>4 075 700</td>
<td>4 092 500</td>
</tr>
<tr>
<td>Revenue Growth (%)</td>
<td>-30.50</td>
<td>-10.29</td>
<td>-0.41</td>
<td>15.11</td>
</tr>
<tr>
<td>Earnings Before Tax (TSEK)</td>
<td>-118 100</td>
<td>94 100</td>
<td>278 000</td>
<td>280 300</td>
</tr>
<tr>
<td>Net Income (TSEK)</td>
<td>-7 200</td>
<td>71 300</td>
<td>160 200</td>
<td>167 400</td>
</tr>
<tr>
<td>Total assets (TSEK)</td>
<td>1 825 100</td>
<td>2 119 800</td>
<td>1 743 800</td>
<td>1 601 000</td>
</tr>
<tr>
<td>Return on Assets (%)</td>
<td>-0.4</td>
<td>3.4</td>
<td>9.2</td>
<td>10.5</td>
</tr>
</tbody>
</table>

Table G1. Thomas Concrete financial information (Annual Reports 2007-2009, Affärsdata 2011)

The number of employees has steadily decreased between 2006 and 2009. Revenues for Thomas Concrete Group declined between 2007 and 2009. They had the highest revenue turnover in 2006 and a net income of 167 TSEK. In 2009 they had a loss of 7.2 TSEK. Return on Assets decreased continuously from 10.5% in 2006 to -0.4 in 2009. In 2009, 41% of group revenues came from the US and 59% from Europe. A year earlier 46% came from US and 54% from Europe (Annual Report, 2009; Interview Thomas Concrete 14th of March, 2011).
1.1 Business Concept

“When you are “The Concrete Specialist” naturally you do a lot of different types of concrete. Our expertise in mix design includes high strength concrete, architectural concrete and high early strength concrete for commercial markets. In the residential field, we provide exposed aggregate concrete, colored concrete and mixes that can easily be stamped or patterned” (Thomas Concrete, 2011 b)

1.2 Milestones in the company's development

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Milestones</th>
</tr>
</thead>
<tbody>
<tr>
<td>1954</td>
<td>Thomas Concrete group grew out of Färdig Betong AB which was founded by the entrepreneur Martin Thomas in 1954. The first factory was built in Karlstad</td>
</tr>
<tr>
<td>1965</td>
<td>International Expansion: Northern Germany</td>
</tr>
<tr>
<td>1985</td>
<td>Enters US market through acquisition</td>
</tr>
<tr>
<td>1997</td>
<td>Business is set up in Poland</td>
</tr>
</tbody>
</table>

*Table G2. Thomas Concrete Group AB milestones (Thomas Beton, 2011 a; Thomas Beton, 2011 b; Färdig Betong, 2011 a)*

1.3 Product Scope

The subsidiaries of Thomas Concrete Group AB offer one main product; Ready–mix concrete. The services offered in the different countries such as technical support, education, job coordination etc. differ to some extent but are similar. Technology, R&D and IT is coordinated within the group to achieve synergies across national borders (Färdig Betong, 2011a).

1.4 Market scope

**Geographic Market**

The Swedish subsidiary of Thomas Concrete Group AB is called AB Färdig Betong and they are mainly active in the southern part of Sweden, head office is based in Göteborg. They are the largest supplier of ready-mixed concrete in Sweden and the company has 38 factories, 300 employees and a turnover of 850 million SEK (Färdig Betong, 2011a). The German subsidiary operates its 23 factories mainly in northern Germany (Thomas Beton, 2011). In Poland the head office is located in Szczecin and they have 13 factories in total (Thomas Beton, 2011b).
Customers

Swedish subsidiary AB Färdig Betong deliver ready-mix concrete to construction sites for bridges, roads, houses and other large objects and buildings. They also deliver concrete for driveway construction, flagstaff-base and jetty-pole installation (AB Färdig Betong, 2011a).

2. Thomas Concrete Inc

- Founded in 1985
- Active markets in the states of Georgia, North Carolina and South Carolina
- Business Area: Ready-mixed concrete (Interview Thomas Concrete 14th of March, 2011)
- President and CEO: Johnny Senter (Thomas Concrete, 2011c)
- Chairman of the Board US: Bo Nilsson (Interview, Thomas Concrete, 14 March, 2011)

The history of Thomas Concrete US starts in 1985 when AB Färdig Betong bought a Georgia concrete company including three plants.

“The establishment in the US and Atlanta was sort of an accident” (Executive Chairman Bo Nilsson Thomas Concrete, 14 March, 2011)

The company first started a joint venture with STC and Volvo but they soon continued on the market alone. They consider themselves a sort of consolidator. They follow their customers to new locations and they mostly expand by buying smaller companies which is easier than a Greenfield investment. They have bought approximately 20 companies in the US. In the last few years they have bought 2-3 companies per year however in 2008 five companies were bought in spite of the recession pushing down revenues (Interview Thomas Concrete 14th of March, 2011, Annual Report 2005-2009).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees</td>
<td>629</td>
<td>930</td>
<td>1067</td>
<td>1046</td>
<td></td>
</tr>
<tr>
<td>Revenue for USA (MUSD)</td>
<td>120</td>
<td>160</td>
<td>249</td>
<td>344</td>
<td>387</td>
</tr>
<tr>
<td>% of parent revenue</td>
<td>41</td>
<td>44</td>
<td>54</td>
<td>61</td>
<td></td>
</tr>
</tbody>
</table>

Table G.3. Thomas Concrete USA financial information (Annual Reports 2007-2009, Affärsdata 2011). Revenues has been converted from SEK to USD with an exchange rate of 6.5
The number of employees more than halved in just four years and revenues for Thomas Concrete USA has decreased more than 50%. In 2006 they had revenues of approximately 387 MUSD which had decreased to just over 160 MUSD in 2009 and in 2010 to 120 MUSD. According to Bo Nilsson the changes in revenues for the US can mainly be explained by the financial crisis. Between 2006 and 2009 revenues coming from Thomas Concrete USA contributed with more than 50% of parents’ total revenues.

2.1 Establishment in US

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Establishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>Enters the US market and buys three plants in Georgia</td>
</tr>
<tr>
<td>Mid 90s</td>
<td>Expanding to South and North Carolina</td>
</tr>
<tr>
<td>2005</td>
<td>Two new plants are established</td>
</tr>
<tr>
<td>2006</td>
<td>Three new plants are established. Revenue increases with 22%</td>
</tr>
<tr>
<td>2007</td>
<td>Buys two new plants. Profits are declining</td>
</tr>
<tr>
<td>2008</td>
<td>Buys five new plants. Profits are declining</td>
</tr>
<tr>
<td>2009</td>
<td>Recession forces the company to cut downs on staff</td>
</tr>
</tbody>
</table>

Table G4. Thomas Concrete USA milestones (Annual Reports 2005-2009; Interview, Thomas Concrete, 14 March, 2011)

2.2 Internal Factors

2.2.1 Business Relatedness

Bo Nilsson says that their product; concrete is the same in all of Thomas Concrete markets but in the Swedish market there is more pre-fabricated concrete while in the US construction takes place on-site. He also says that Thomas Concrete US decides independently which
products and services to offer and this is because the markets are so different from each other (Interview, Thomas Concrete, 14 March, 2011).

According to the websites of the different subsidiaries the products and services offered to customers such as the Thomas Academy, Technical services etc. are similar in the different countries (Thomas Beton 2011a; Thomas Beton 2011b; Thomas Concrete 2011a; Färdig Betong 2011a).

2.2.2 Parent Company`s International Experience

Bo Nilsson says that except from Sweden Thomas Concrete Group AB also has subsidiaries in Germany and Poland but this does not influence the business in US. He says that the business climate and procedures are very different and therefore synergy in this way is not feasible but only in a few areas such as Research and Development there is some coordination and collaboration between the companies (Interview, Thomas Concrete, 14 March, Färdig Betong 2011a).

2.3 External Factors

2.3.1 Competitive Environment and Competitors

Bo Nilsson says that Thomas Concrete does competitor analysis; they use tools such as SWOT analysis to keep track of their customers. They also try to figure out how much their competitors sells, how they acquire raw materials, how they operate their business and how the management work.

“There are many small mom and pop businesses and a few larger vertically integrated companies but no one is doing only concrete like Thomas Concrete does” (Executive Chairman Bo Nilsson, Thomas Concrete USA, 14 March 2011)

Bo Nilsson further says that competitors do influence and have an impact on the company’s business.

“Competitors influence us in the way that we try to enter the easiest market where there are less competitors” (Executive Chairman Bo Nilsson, Thomas Concrete USA, 14 March, 2011)

However they stay focused on their business and competitors do not influence their product scope and differentiation strategy.
2.3.2 Barriers

According to Bo Nilsson capital requirement is the biggest and most difficult barrier for expansion on the American market since expansion requires them to acquire another company or do a Greenfield investment. Geographical proximity to their customers is a must for Thomas Concrete, because concrete is a fresh produce and cannot travel great distances.

Government policy is another barrier that to some extent has influenced their operations; regulations have increased lately which has added costs for the company.

“Thomas Concrete would like to see more environmental regulations” (Executive Chairman Bo Nilsson, Thomas Concrete USA, 14 March, 2011)

This is because they have more advanced technique than most of their competitors and this would lead to a competitive advantage for them.

Other barriers that have some affect on their business are customers switching costs since it is easy for customers to change supplier. Access to distribution channel is somewhat an obstacle and is connected with the barrier of capital requirement. In order for Thomas Concrete to expand they need to acquire or establish a new business.

According to Bo Nilsson R&D is not seen as a barrier to Thomas Concrete since they have leading technology in the industry. In Sweden they have their own lab where they develop concrete and The Thomas Concrete Group also has collaboration with the Chalmers University in Sweden. Competitor’s product differentiation and economies of scale are not seen as obstacles.

2.4 Market Strategy

2.4.1 Product/Market Scope

Thomas Concrete offer one product; ready- mix concrete. In the US they are the only company with ISO 9000 and 1400 certificates in their market, which gives them a competitive advantage towards competitors. The markets in Sweden and the US are different in many ways. In Sweden the market consists of pre- fabricated concrete while in the US construction takes place on- site and therefore it is important to be close to the customer.

“In Sweden the market is also more engineer- oriented, more centralized and vertically integrated” (Executive Chairman Bo Nilsson, Thomas Concrete 14 March, 2011)
According to Bo Nilsson the Swedish parent company did not have any influence on the product offering in the US however they offer the same product; Ready-mix concrete in all their active markets. Thomas Concrete also offers their customers several services such as On Time Delivery (24/7) which is something unusual in this business according to Bo Nilsson. Several plants can service one job and because of their size they can take on any job. They also offer their customers technical services to help them with planning as well as job site coordination. Most other competitors are small and do not have a lot of knowledge; but Thomas Concrete even have their own school The Thomas Academy; where both customers and employees can learn more about concrete. They also have a very informative website where customers can access various tools such as a pre-construction list and volume calculator to help them plan their project (Interview, Thomas Concrete, 14 March, 2011).

Thomas Concrete US also offers environmentally friendly concrete; this kind of concrete is called pervious concrete which allows water to seep through it (internal document, 2011). This allows for groundwater recharge and is supported by U.S. Environmental Protection Agency (EPA) as a sustainable method. Bo Nilsson says that environmental issues are becoming more important these days also in the US.

According to Bo Nilsson the Swedish parent did also not influence the market scope. The markets in Sweden and the US are different and he says that you cannot take the Swedish business model to the US. “For example in Sweden the market is dominated by big players like Skanska and NCC while in the US the market is more fragmented and consists medium and small companies” (Executive Chairman Bo Nilsson, Thomas Concrete, 14 March, 2011)

Further Bo Nilsson states that: “Most Swedish companies are trying to do business the same way in the US as in Sweden; for example through a centralized business. It is more localized in the US thus Thomas has decided for a decentralized organization” (Executive Chairman Bo Nilsson, Thomas Concrete USA, 14 March, 2011).

Bo Nilsson says that their strategy on the US market is to target everyone including constructors, homeowners, residential and commercial segments. They operate in the south eastern US cities of Atlanta, Charlotte, Anderson- Greenville and Raleigh- Durham. In total they have 49 plants and consider themselves the market leader in Atlanta.
2.4.2 Differentiation Strategy

The Swedish parent company does not according to Bo Nilsson have any impact on Thomas Concrete differentiation strategy in the US market. Just as with the product /market scope the US subsidiary decides how to differentiate in the market.

Bo Nilsson says that Thomas Concrete is a branded company; they have a clear identity that they communicate to customers by using the same colors everywhere.

“Having a branded image is important for business in B2B” (Executive Chairman Bo Nilsson, Thomas Concrete, 14March, 2011)

Further they pay attention to the message they send to the customers. When the customer think about Thomas Concrete they should think about service- they work 24/ 365 days a year, have good truck equipment, on time delivery and the fact that Thomas Concrete offer just one product- Ready Mix Concrete. Logistics is also very important in the concrete business and on -time delivery is very difficult but Bo Nilsson says:

“Thomas Concrete is the best in the market” (Executive Chairman Bo Nilsson, Thomas Concrete, 14 March, 2011)

Moreover they differentiate themselves by being able to take on any job:

“No job is too big or too small” (Executive Chairman Bo Nilsson, Thomas Concrete, 14 March, 2011)

They are also offering environmentally friendly concrete and Thomas Concrete is the only company offering this kind of concrete in Atlanta.

Bo Nilsson also says that for most of their competitors’ concrete is not their main focus; or companies are too small and do not have full service and no equipment. Most companies do not even have employees or are small family businesses. The fact that they are so different from competitors makes them unique.

Bo Nilsson further states that Thomas Concrete is a relationship driven company; they listen more to customers than competitors. They do not want to be seen as selling a commodity, some firms are selling cheap concrete but Thomas Concrete offer full service and do not like that fact that some companies are pressing prices and making concrete a commodity.

Finally Thomas Concrete stands out because most companies do not offer complimentary services such as technical support but only concrete and sometimes a website.
Linnaeus University – a firm focus on quality and competence

On 1 January 2010 Växjö University and the University of Kalmar merged to form Linnaeus University. This new university is the product of a will to improve the quality, enhance the appeal and boost the development potential of teaching and research, at the same time as it plays a prominent role in working closely together with local society. Linnaeus University offers an attractive knowledge environment characterised by high quality and a competitive portfolio of skills.

Linnaeus University is a modern, international university with the emphasis on the desire for knowledge, creative thinking and practical innovations. For us, the focus is on proximity to our students, but also on the world around us and the future ahead.