Opportunities and Challenges in Emerging markets
- A case study of two multinational companies in India.

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Authors:
Nastaran Heshmati
Senada Lovic

Supervisor: Gabriel Baffour Awuah
Examiner: Svante Andersson
Abstract
The previous research, in the internationalization area, indicates that there are both opportunities and challenges when companies operate abroad. By using a SLEPT analysis model, which studies the effect from the countries’ social/cultural, legal, economic, political and technological environments and their effects, it makes the opportunities and challenges more depletive. This makes it easier for companies, which are operating in a foreign country, to handle the situation and therefore, saves both time and money for the companies. The purpose of this study is to present a more conspicuous representation of the opportunities and challenges that companies in an industrial market have to face, during their operation in an emerging market.

To gather the necessary information a multiple case study was implemented with three Swedish companies, who all are within the business to business (B2B) area. This study was conducted by interviewing the case companies, which are all established in India. These companies are Bufab AB and two from the Volvo Group (Volvo 3P and Volvo Powertrain).

This study demonstrates that the main opportunities are the Indian population, highly educated people, the complaisant government and the fact that it is a low cost market. The challenges that these case companies had to deal with are lack of experience, the law and tariff system is difficult to understand, the laws change frequently, the economic development is rapid and the infrastructure is poor.

Key words: Internationalization, Globalization, Emerging market, India, Opportunities, Challenges.
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Nastaran Heshmati Senada Lovic
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1. Introduction

This study begins with a general presentation about globalization and internationalization. This chapter contains background information, problem discussion, research question, purpose of this study and delimitation.

1.1 Background

Currently internationalization and globalization is imperative when running a business (Root, 1994). There are numerous reasons for companies to become international, for instance the home market is stagnant and there are greater sales abroad. Companies which remain at home, rather than internationalize might, according to Kotler, Armstrong, Wong, and Saunders (2008), fail to take the chances to enter foreign markets and there is also a risk of losing their home market (Daniels, Radebaugh & Sullivan, 2007; Kotler et al., 2008). In addition, companies internationalize because they strive to reduce the unit cost of manufacturing expenses and due to growth potentials (Adekola & Sergi, 2007; Czinkota, Ronkainen & Moffett, 2008). According to Bennett (1995) a company’s management teams are able to obtain different approaches and new ideas for solving problems, when operating abroad. The individual manager can develop his/her own expertise, individual effectiveness and also become innovative and implement broader horizons (Bennett, 1995). Even if a company decides not to go abroad, sooner or later the company may realize that there is no domestic market any more, only the world market, this is because no home market can be protected forever from foreign companies and competitors (Root, 1994; Cullen, 2002). While, the global economy can be a threat to the domestic market, it can also be beneficial for companies due to the fast speed of growth in international markets (Root, 1994).

Jansson (2007) writes that internationalization occurs through establishment and maintaining a relationship network in foreign environments. The strength of a relationship is considered to be based on trust and it is of great importance that the parties, who are involved in the relationship, can trust each other entirely (Gumesson, 2002). Several studies, including Morgan and Hunt’s (1994) study regarding commitment and trust in relationship marketing, shows that trust is one of the most important factors once it comes to business relationships. Gadde and Håkansson (1998) imply that when the parties come to know each other and obtain an understanding of each other’s problems, then the understanding of why shipments must be delivered on time and why the products must be of high quality becomes more clear (Gadde & Håkansson, 1998).

Emerging market countries consists of countries which were considered as less developed countries only a few years ago and have now achieved substantial economic improvement. In emerging markets, countries have an evolving pattern of government’s reforming the economy and lowering restraint of foreign markets (Doole & Lowe, 2004). During the next two decades, emerging markets will be responsible for a high share of the world’s growth according to Cavusgil, Ghauri and Agarwal (2002). These countries are rapidly transforming their economies. Negotiation and entry strategy is aimed at companies which are interested in doing business in emerging markets (Cavusgil, Ghauri & Agarwal, 2002). While being aware of the characteristics of a national market it is important to have an appropriate strategic approach in these markets. In order to attract customers in emerging markets, there cannot be applied a one-size-fits-all strategy. Companies may lose the market if they cannot account for rapid changes and variability in these markets (Atsmon, Kertesz & Vittal, 2011).
Cavusgil, Ghauri and Agarwal (2002) define emerging market countries as countries with goals of an economic reform process, meaning to reduce problems, such as poor infrastructure, poverty and overpopulation and also solid growth in gross national product (GNP) per capita. Over the next decades, these economies and countries are expected to play an important role in international business (Cavusgil, Ghauri & Agarwal, 2002).

In spite of some difficulties and recent setbacks for countries in emerging markets, such as the Asian financial crisis, they still retain central attention for companies which are seeking growth opportunities in the world market. The economies of these countries represent an expansion trajectory and long-term growth (Atsmon, Kertesz & Vittal, 2011).

The experience gained from Western markets has had an enormous influence on emerging markets. By importing knowledge and technologies and sending their students to developed countries for study, the emerging markets have a good chance to catch up with the developing countries (Cavusgil, Ghauri & Agarwal, 2002). The barriers for direct investment are vanishing more and more and therefore countries in emerging markets are becoming a more attractive place for investments (Cavusgil, Ghauri & Agarwal, 2002).

The multinational cooperation’s (MNCs), which imply that companies possess production distributions and other units in foreign market (Ghoshal & Bartlett, 1990; Bennett, 1995), have during the last decade established their companies in emerging markets such as India, Russia and China (Jansson, 2007). There is an enormous and growing demand for many products from automobiles to phones, in countries such as those. This kind of country is considered to be one of the key countries in growing markets (Doole & Lowe, 2004).

According to research in the area of internationalization, such as Jansson (2007) and Zainulbhai (2005), there are both opportunities and challenges when going abroad. For instance, one of the opportunities could be that more than half of the world population lives in emerging markets and the rates of growth are twice as high as the growth rate of Western economies. The rapid modernization and industrialization are characteristic in these countries. The middle class creates plentiful business opportunities for companies (Cavusgil, Ghauri & Agarwal, 2002). In order to be successful in emerging markets, it is important to have a clear view and understanding of the process of doing business there. The Western countries should be aware of the fact that there is no competition between the emerging markets, or as the authors also call it the Third World, and them and further, that these markets do not pose obstacles for the Western countries and their success (Cavusgil, Ghauri & Agarwal, 2002).

1.2 Problem discussion
Companies that have been successful in other foreign markets do not always become successful in the emerging market (Jain, Manson & Sankhe, 2005; Jansson, 2007). For a company to become successful in the emerging market they need to understand the local customs by investing time and resources for this (Jain, Manson & Sankhe, 2005). Research indicates that MNCs are acting in emerging markets as they do in the Western market, which is a problem (Jansson, 2007) and this may be the reason for their success or their failure. It is of great importance to learn from other companies that have dealt with these issues so that companies who are considering operating in emerging markets, can easily handle the situation and save both time and money. By studying opportunities and challenges it may become clear where the problems and solutions are. Factors that need to be taken in consideration are; cultural, legal and political, economic and technological. This because these concerned factors
are what companies have to face when operating abroad (Doole & Lowe, 2004). This study is addressing these factors.

When theory and other scientific literature only address a part of reality, it is of great importance to supplement this with knowledge from real life cases (Gumesson, 2002). The author states that this type of knowledge can be integrated with research that leads to greater dynamic development.

1.3 Research question
Based on the above discussion the research question is as follows;

What are the opportunities and challenges a company in B2B has to face when operating in the emerging market?

1.4 Purpose
The purpose of this study is to demonstrate some of the opportunities and challenges that companies in B2B face when operating in the emerging market.

1.5 Delimitation
This dissertation concerns the emerging market. The reason for choosing the emerging market was because many scholars, such as Cavusgil, Ghauri and Agarwal (2002), state that during the next two decades, emerging markets are assigned for most of the world’s growth. This market is rapidly transforming its economy, more than half of the world population lives in this market and the rate of growth is twice the rate of Western economies. They are of central attention for companies which seek growth opportunities in the world market. However, in this study the focus is on the Indian market, this because of the growing interest the Western companies have for operating there.

In India, the middle class, which includes near six hundred million people, is viewed as a target market segment and is larger than a lot of Western countries. Also, the opportunities are rapidly moving beyond the largest cities (Atsmon, Kertesz & Vittal, 2011). India became an important place for production by adopting new production techniques and technologies (Cavusgil, Ghauri & Agarwal, 2002).

The study concerns B2B relationships. Two companies have been studied: Bufab AB and Volvo Group. However, two companies within the Volvo Group were studied, Volvo 3P and Volvo Powertrain. In 2012 both Volvo companies go under the name Volvo Group Trucks Technology. However in this study the companies are divided separately and called by their old name, this is to give a better understanding and more detailed information regarding the two companies and their perception of the challenges and opportunities in this market. Even though Volvo 3P and Volvo Powertrain are from the same company, they may have had different experiences in this field.

1.6 Organization of the study
This study is divided into seven chapters, introduction, literature review, theory, methodology, empirical data, analysis, conclusion and further research. The introduction chapter involves the background of the subject and also problem discussion and this paper’s research question. In the literature review the previous researcher’s results and opinions are taken into consideration. The theoretical model is presented in the theory chapter. The methodology demonstrates how this study was conducted. The information from interviews is
gathered in the empirical data chapter and finally in the analysis and conclusion part, the result from this study is demonstrated and the research question is answered.

2. Literature review

Here the previous research is being raised regarding this study’s subject. First the opportunities are presented and are followed by the challenges. The chapter ends with the literature gap that was found of the subject.

Jansson (2007) writes that the main goal for many companies is to operate in India. The attraction of this country makes it an interesting market for many companies. Jansson (2007) composed a book regarding international business marketing in emerging markets, where he wrote about different countries such as India. This book implies how companies should use marketing in the right way when they do business in an emerging market. However, the focus in his book is regarding marketing rather than the opportunities and challenges that occur when operating in emerging markets.

Previous researchers, such as Luthra, Mangaleswaran and Padhi (2005) and Zainulbhai (2005), demonstrate some opportunities and challenges in the Indian market. However, there are only a few studies in this area and does not consider everything in the SLEPT model. The previous research shows the following opportunities and challenges;

2.1 Opportunities

According to the Confederation of Indian Industry, intellectual skills, exceptional quality and low cost sourcing of services and products provide competitive advantage opportunities for the companies that operate in the Indian market (Confederation of Indian Industry). Increasing purchasing power and consumerism regarding these large and growing domestic markets convert the Indian market to an essential market for European companies (Confederation of Indian Industry). The vast Indian population brings an opportunity for the domestic market as it increases the purchasing power. Over these years, a rapid shift from the low-middle class to middle class and also increases in the size of the upper classes shows the improvement in India’s economy. Companies take advantage of this growing size of the middle and higher classes, which means increasing income and paying capacity and finally an increase in consumerism and brand consciousness (Confederation of Indian Industry).

The higher productivity and lower costs however lead some companies sourcing from India, capturing local market opportunities (Confederation of Indian Industry). While some problems can occur for companies who want to introduce a new product in the Indian market, there are also marvelous opportunities that are important for the companies to realize. One product design is not always the appropriate design for Indian customers. However, companies can take advantage of these different opinions and according to their understanding of Indian habits, preferences and tastes, the appropriate design for the products can be developed and thereby meet the Indian needs (Krishnan & Prabhu, 1999).

One opportunity for MNCs in the Indian market is, according to Luthra, Mangaleswaran and Padhi (2005), that there is a possibility to achieve first mover advantage. According to Luthra, Mangaleswaran and Padhi (2005) the first-mover advantages give the company access to the best competence, gives a special relationship with the top suppliers and also the support from the government. Other opportunities the authors indicate are that the MNCs can launch arm’s length sourcing relationships with the local producers. They can develop persuasive
advantages, thus by combining India’s R&D and engineering experience with the company’s existing R&D resources. Luthra, Mangaleswaran and Padhi (2005) also indicate that the combination of India’s highly educated workforce and underserved population can be of great help for the foreign companies. Also, due to the collectivism culture that, according to Hofstede, predominate in India, they are good team players (www.scribd.com).

Zainulbhai (2005) indicates that successful companies in the Indian market have three characteristics: they have invested in the long term and made a strong commitment to the local market, they have adapted to local conditions rather than forcing foreign models on India and they have created and shaped the market, for example cheap products for the low end market (Zainulbhai, 2005).

According to the Confederation of Indian Industry, to be successful in India, it is essential to adapt to this market. The rate of success in this market depends on a company’s ability to adapt. Although, most companies identify the need for local adaptation, implementation is more difficult then it seems (Confederation of Indian Industry). A deep customer understanding is required for implementation. Successful adaptation requires three key areas:

- A strong product value proposition
- Robust supply chains
- Smart localization of manufacturing

The success can be both in benchmark (average of global performance) and also in relation to other Indian companies. The tremendous potential that India has, is recognized by these companies. Sourcing point for global competitive advantage and sizeable, growing market, are examples of India’s potential. Many companies are planning to enter the Indian market because of the attractiveness of this market (Confederation of Indian Industry).

2.2 Challenges

Zainulbhai (2005) also mentions some challenges that are connected when operating in India, such as, how to segment the market, especially how to relate to the low spending power of the major part of the market, what marketing strategy to apply in different sections of the transforming society etc. For example, a major issue concerns the trade between price and quality, which usually differs considerably in emerging markets compared to Western markets and how to relate to the emerging and reformed institutions influencing business, for example the judicial system, political system, educational system and mixes of traditional local culture and modern global culture (Zainulbhai, 2005). Gutierrez, Spencer and Zhu (2012) indicate that the Indian government inspects and questions business regularly and in detail.

Bennett (1995) mentions the challenges in the Indian market. He indicates that the industrial infrastructure is inefficient, that the tariffs are very high and that the government only offers a small amount of protection to the owners of intellectual property. Other challenges that foreign companies face according to Bennett (1995) is the extensive bureaucracy, rules and regulations that affect the business, also the monopoly control that exists in certain areas, over the key distribution systems and the fact that the Indian currencies are not in general convertible (Bennett, 1995). The laws in India can be time consuming and inconsistent in their applications according to Gutierrez, Spencer and Zhu (2012).
Luthra, Mangaleswaran and Padhi (2005) point out more challenges for companies who are doing business in the Indian market. These challenges are not only poor roads and locked seaports, which can make it difficult when transporting goods, but also the challenge when working with these suppliers, which is according to the authors the prime challenge companies face in India. One example, given by the authors, is when the Indian supplier was unable to manage a big order (Luthra, Mangaleswaran & Padhi, 2005).

Companies should be aware of the difference between emerging markets and developed markets (Krishnan & Prabhu, 1999). High price sensitivity, local needs and limited purchasing power are the characteristics of emerging markets (Prahalad & Lieberthal, 1998). Other challenges for foreign companies in India are bureaucratic hurdles, a highly dispersed population, low average disposable income, weak infrastructure in terms of telecom, power, roads and port facilities and dissimilar tastes from the rest of the world (Confederation of Indian Industry).

2.3 Research gap in the literature

Although, there is previous research made regarding this topic there has not been many studies done that analyze the opportunities and challenges through a SLEPT analysis model. This analysis is an extension of the PEST analysis. According to Peng and Nunes (2007), the PEST analysis is used as a tool for recognizing contexts which are narrow and also focuses the research question to a more reasonable and significant regional context. However the PEST analysis model, unlike the SLEPT model, does not consider the legal factor. It is important to use SLEPT analysis because of the more deep and detailed analysis that is made from this model. Also, this analysis shows the different aspects and trends in the international market (Doole & Lowe, 2004) which may lead to a better understanding of the opportunities and challenges that companies have to face in emerging markets.
3. Theory
This part presents a SLEPT analysis model, which is this study's conceptual framework and it considers the environmental effects. First the social/cultural factor is presented, followed by legal, economic, political and finally technological aspects.

3.1 SLEPT analysis model
The complexity and multi-dimensionality of a foreign market are the main differences between a home country market and the international or global market (Doole & Lowe, 2004). Companies need to be aware of these differences and complexity and have the knowledge to know how to operate when they make a decision to enter a new market (Doole & Lowe, 2004: Kotler et al., 2008). Both internal and external factors can affect the company. These factors can influence the way that business is being done and the way production is being introduced. While, there are several environmental analysis models that study the effect of environment on the companies, the SLEPT model approach is one of the appropriate models for this study (Doole & Lowe, 2004).

Table 1 The environmental influences on international marketing (Doole & Lowe, 2004. p. 7)

3.1.1 Social/cultural environment
Social organization, religion, customs and rituals, values and attitudes and language are all dimensions of culture (Kotler et al., 2008). Social environment has a deep effect on a business. The culture, cost structure, ideological characteristics, religion, customs and social conditions influence a customer's perceptions and also their buying behavior (Bensoussan & Fleisher, 2008). This factor is a kind of value system of a society. The way that goods or services are produced and introduced to the society and the way that consumers use these products are completely influenced by attitude, customs and by culture (Doole & Lowe, 2004).

There are several different factors that can affect societies, however cultural differences, more than any other factors, have influenced societies on the basis of habits and language (Cavusgil, Knight & Riesenberger, 2008). This element can affect a person's behavior as well as their opinion (Cavusgil, Knight & Riesenberger, 2008; Usunier & Lee, 2009).
It is important for companies that their employees have knowledge about other cultures and learn about the important aspects of the host country before settling a subsidiary there (Kotler et al., 2008; Cavusgil, Knight & Riesenberger, 2012). By understanding the countries norms, companies can use cultural nuances as an advantage when positioning the products internationally (Kotler et al., 2008). Dupriez and Simons (2000 cited in Holden, 2002) state that companies that take advantage of the diverse experience from the multicultural work environment, enjoy a wider and have a more open platform for addressing challenges. It is of great importance for companies to examine how customers think about and how they use certain products in different countries (Kotler et al., 2008). For instance, the same item can have a different meaning in a different country, which is important to investigate when operating there to avoid embarrassing mistakes (Cavusgil, Knight & Riesenberger, 2012).

3.1.2 Legal environment

Companies should consider, when operating in other countries that they operate not only by home country rules but also by the host country and international laws (Doole & Lowe, 2004). This means that the company should have a flexibility and adaptability with law and other legal rules in each society. Having knowledge about the legal environment in each country that a company wants to operate in is extremely important (Doole & Lowe, 2004). The legal system, by incorporating procedure and institution, provide ensuring order for tax economic output as well as commercial activities and also protect companies’ assets (Cavusgil, Knight & Riesenberger, 2012). However, the legal environment is not as easy as it is in domestic markets. It is even more complicated in the international market because there are, according to Doole and Lowe (2004), three law dimensions: Local domestic law, International law and Domestic law. The domestic policies and also market conditions are not the only factors that have influence on the domestic economic developments, however both domestic and international economics and policies affect the domestic economic developments (http://economics.about.com).

The countries’ laws and regulations can increase the countries’ risks as well. If the foreign companies consider these regulations as an unfavorable for investing or if they realize that the legal system is inadequate, they will not be willing to operate in that market (Cavusgil, Knight & Riesenberger, 2012).

3.1.3 Economic environment

Economic environment includes the nature of the economic system, the economic policies of the government, rate of inflation, interest rate and business cycle (Bensoussan & Fleisher, 2008). Companies need to, before entering a new market, be informed of the country’s economic policies and which market is developing. According to this information, a company decides if they can compete with other companies in the market and gain profit in this market. Indeed, if they want to receive a maximum of benefits, they should know about the market situation and make it ready for their product (Doole & Lowe, 2004).

International marketers are required to have a good estimation regarding the economic developments (Kotler et. al., 2008). Indeed, this point of view is important at a regional level which regards regional trade integration, at a country level, a market level and also at a world level which regards the world trading infrastructure and the trade agreements development (Doole & Lowe, 2004).
There are two economic factors that reflect a country’s attractiveness as a market, these are: the country’s industrial structure, which shapes the products and service needs, and the income distribution (Kotler et al., 2008).

There are four types of industrial structure that need to be considered. The first one is the Subsistence economies where the vast majority is engaged in simple agriculture. They consume most of their output and offer few market opportunities. The second type is Raw-material-exporting economies, these types of economics are very productive in one or more natural resources, but are penurious in other ways. These markets are beneficial for products such as, large equipment, tools and trucks. However, if there is a wealthy upper class and a lot of foreign residents, the market can be beneficial for luxury goods (Kotler et al., 2008). The third type is the industrializing economies where the manufacturing stands for 10 to 20 per cent of the country’s economy. It is typical for industrialization economies to create a new rich class and growing but small middle class, who both demand new imported products. The final type is industrial economic. This economic type is regarding large exporters of manufactured goods and investments. They export to other types of economies for raw materials and semi-finished goods. This is a rich market due to their large middle class and the various manufacturing activities (Kotler et al., 2008).

3.1.4 Political environment

A set of formal institutions that constitute a government is a political system (Cavusgil, Knight & Riesenberger, 2012). Establishing stability, based on rules and protections from external threats are provided by the political system. Indeed the allocation of valued resources is governed by the political system (Cavusgil, Knight & Riesenberger, 2012). Each country has a unique political system which evolved within a particular historical, cultural and economic context (Cavusgil, Knight & Riesenberger, 2012). The political system is dynamic and continually changing. A political system is evolving in response to constituents’ (people and companies which support the political system) demands and the evolution of the international and national environment (Cavusgil, Knight & Riesenberger, 2012).

Companies’ operation and decision making can be affected by a political environment which involves international/national political factors (Doole & Lowe, 2004). The political organization, such as political parties, public opinion and ideology of the group in power, could affect the political environment (Bensoussan & Fleisher, 2008). In the international market, politics play an important role for companies when making decisions in order to invest in the market and also having the knowledge about how to develop the market (Doole & Lowe, 2004).

Some countries are complaisant to foreign companies whilst others are not. The government’s bureaucracy is one of the main factors that should be taken in consideration by companies (Kotler et. al., 2008). The government’s view of business and freedom, which means, how companies can operate, is completely affected by politics (Czinkota & Ronkainen, 2007; Cavusgil, Knight & Riesenberger, 2012). Unstable political regimes can create a different kind of risk for companies which they never have to face in the domestic market. The country risk can have had influenced all the companies equally or subset. The new government, initiative, developed by interest of the group and shifting values in political parties, can raise the country risk (Cavusgil, Knight & Riesenberger, 2012). A government’s tendency to change rules and regulations could influence the international strategy and provide both challenges and opportunities for companies (Doole & Lowe, 2004).
3.1.5 Technological environment

The Technological aspect can have a deep effect on the market. The whole part of the market procedure can be seen as technological effect (Doole & Lowe, 2004). Indeed, the way of providing the goods, services, ability of gathering data, the quality of those products and management control ability, are revolutionized during the time by the development of electronic communications (Doole & Lowe, 2004).

Technology can have a main effect in a pre-existing market. It can create not only basic changes in the market but also distraction or even misrepresentation of the existing market (Bensoussan & Fleisher, 2008). The fast growing technology such as the Internet has made an enormous influence in the business market. Technology can affect the efficiency of production levels and outsourcing decisions. Technology also considers different factors such as research and development activity, bandwidth capacity and rate of technological changes (Bensoussan & Fleisher, 2008).

The potential host countries’ technology is important for a company before operating there (IMP project group, 1982). The company must be well informed about the technology level, commercial and administration skills of the chosen market before making any decisions, especially regarding the industrial market which is strongly affected by technological conditions. The technology issue is crucial for companies, particularly in buyer-seller interaction (IMP project group, 1982).
4. Method

This chapter begins with the literature search and continues with the chosen method strategy, the selection of the respondents and market is presented. Subsequently this study's data collection, validity and reliability is demonstrated.

4.1 Literature search

This study began with a literature search at Halmstad University's library. The literature that was collected treated primarily internationalization, B2B, international marketing, emerging markets and marketing strategy. Many references recurred several times and were therefore considered to be of great importance. Newer or more specific literature has been taken from the university library's search engine Summon, where most article databases are gathered. Some of the most common keywords used in this study were: internationalization, marketing strategy, India, business to business, opportunities, challenges, developing markets and emerging markets. The key words were used individually and in various combinations.

4.2 Research strategy

Since the purpose of this study was to demonstrate the opportunities and challenges, in which companies in industrial markets have to face, a qualitative study was conducted. A qualitative study involves an emphasis on how an individual interprets and perceives reality as opposed to a quantitative study where the focus is on quantification in the collection and analysis of data, i.e. the core of a qualitative study is on words rather than numbers (Bryman, 2002; Bryman & Bell, 2007). According to Bryman and Bell (2007) a qualitative research approach also represents a view of social reality as a constantly modifying emergent property of an individual’s creation. Bryman (2002) writes that the survey design, when an individual case is studied with a qualitative research strategy, becomes a so called case study. This type of research strategy is used when a particular case from one place is studied, for instance an organization or a geographical area (Bryman, 2002). Yin (2009) writes that a case study must fulfill three criteria, which are: (1) a case study should be carried out when the issue is set so that it responds to how something is happening, (2) a case study is also required for events that occur right now and finally (3) where the investigator has little or no control of the event (Yin, 2009). The author also writes that a case study is used in many different situations in order to contribute to more knowledge regarding the individual, organizational and social phenomena and also, that a case study is only used to interpret the success and operations at a given time (Yin, 2009).

By having three cases in this study, Yin (2009) states that it is then called a multiple case study. Yin (2009) continues writing that if the study contains two or three cases it is a so called literal replication, which means that the cases have to predict similar results.

Table 2 indicates that a theory should be developed as a first stage. The next step is to select cases and also definition of specific measurements for the data collection process. The third step is regarding the case studies, where each case study consists of a “whole” study with facts and conclusions for each case. Finally the cross cases should indicate why some cases had certain results where others had contrary results (Yin, 2009). This study is following this case study method.
To conduct a good and correct case study, Yin (2009) has indicated a list of commonly required skills which are: being able to ask good questions without interpreting the answers, being a good listener and not be captured by your own preconceptions, being adaptive and flexible, having a firm grasp of the issues that are being studied and also it is important to be impartial by preconceived notions, which means that the researcher should be sensitive and responsible to contradictory proof (Yin, 2009). These skills have been taken in consideration during the interviews.

4.3 Selection of the respondents
The reason for choosing the selected companies, that were used for this study’s empirical information, was because all of them are in B2B industry, started in Sweden and are well known all over the world. The companies are also big in the Indian market. The appropriate strategic approach is according to Atsmon, Kertesz and Vittal (2011) based on the characteristics of the national market and also the size, position, and aspirations in the company. That is also the main reason for choosing these industrial companies for this study. The representatives that were interviewed were chosen by the case companies because they were the ones that were in the initial stage when the companies started their business in India. Volvo wanted to have two respondents for this study, because they operate in two different business areas, whilst Bufab chose one representative. The respondent from Bufab is the CEO for Bufab Bulten Stainless, Sören Andersson. The respondent from Volvo 3P is the HR-director, Björn Flood and from Volvo Powertrain Patrik Fritz, who is the Business Office Controller. The reason for having two companies within the Volvo group was because even though they are in the same company they may have had to face different opportunities and challenges, thus because there are two different business areas, when operating in the same market. It is interesting to see if there is any difference even though they are from the same company.

4.4 Data Collection
There are two sources of data collection; primary and secondary (Churchill & Iacobucci, 2005; Lewis, Saunders & Thornhill, 2007). Primary data is the data which the researcher collects, for instance by interview. Secondary data is data from already published literature
and existent research, where the data had been gathered for another purpose and not for the researcher’s particular study (Churchill & Iacobucci, 2005; Lewis, Saunders & Thornhill, 2007). In this study both methods were used.

To acquire the necessary information, to answer the research question, an interview was conducted with the companies’ representative in their offices. However the interview with Bufab had to be made through the phone because of the geographical inconvenience. An interview is according to Bryman (2002) the most common method utilized, when a qualitative research strategy is used. Churchill and Iacobucci (2005) also state that when it comes to qualitative marketing research methods, interviews are one of the most common. An interview should be applied instead of a survey when the aim is to conduct a case study. By conducting interviews the researcher is able to obtain a more complete evaluation of what the respondent thought of (Churchill & Iacobucci, 2005). Interviewing gives the investigator more flexibility in the research questions (Bryman, 2002). The respondents can speak more freely and the researcher can ask follow-up questions if needed for further information (Bryman, 2002; Yin, 2009). Another positive aspect with interviews rather than a survey is the chance to help the respondents if he/she has any questions regarding their question. This can lead to the respondent not answering due to the lack of understanding (Bryman, 2002). However, when it is an interview the respondent can ask and therefore give a correct answer. One negative aspect with interviews however is regarding the cost. It is less expensive to conduct a survey than an interview (Bryman, 2002). In this study the cost was not a problem because the companies’ geographical location was quite near and also the free internet program (Skype) was used for the telephone interview. The length of the interviews differed according to the respondents’ answers. The interview with Bufab lasted for 38 minutes, the interview with Volvo 3P lasted for 56 minutes and the interview with Volvo Powertrain lasted for 47 minutes.

An interview guide was conducted for the interviewers to follow. However, the structure was not always taken into consideration. Instead, the questions were asked based on the answer from the previous questions and also by the respondents who sometimes started to talk about one of the questions that were not yet asked. This type of interview is called semi-structured interview and Bryman (2002) writes that a semi-structured interview is used when the researcher follows an interview guide but may ask follow-up questions and other questions that are not in the interview guide. According to Churchill and Iacobucci (2005) the questions will differ from interview to interview when using this method. By giving the representatives capacity to talk more freely it demonstrated what the respondents stated as was of importance for them, regarding opportunities and challenges.

When it comes to secondary data, Lewis, Saunders and Thornhill (2007) indicate that when collecting data it is important to find relevant information according to the study’s purpose (Lewis, Saunders & Thornhill, 2007). Therefore, the company’s website, academic database and archival type of resource were used in this study. Karin Sandén, who is the Education Manager for Bufab Sweden, was also used in this study for additional information. However the information from her was gathered at another time for another study but the information is still relevant and of great use for this study as well.

This study followed a so called deductive process which means that the theory was gathered before the research question was conducted (Bryman, 2002).
4.5 Validity
Validity is according to Christensen, Engdahl, Grääs and Haglund (2001) a measurement for how the study reflects on reality. There are three types of validity: Construct validity, which is mostly used in quantitative studies, Internal validity, which is about establishing causal relationship between two or more variables to find out whether it is sustainable or not and the third type of validity is External validity, which is about whether the findings from the study can be generalized or not (Bryman, 2002; Churchill & Iacobucci, 2005; Yin, 2009).

Internal validity is accomplished, according to Yin (2009), by the investigator who indicates that a certain event is the result of a previous occurrence, which is based on the collected information from the interviews and other documented evidence. In this study the information is collected from the respondent’s answers from the interview and also from earlier studies made by well-known and recognized scholars, also the interviews were all taped on two tape recorders with high quality and later on transcribed into a text.

Bryman (2002) writes that it is impossible to achieve external validity when using a case study. This is due to the fact that a specific company cannot be representative for other companies. This study’s aim is not to represent the entire population but rather to present how these case companies deal with their challenges. Yin (2009) states that a case study is generalizable in theory and that the goal of this type of study is to an extent a theory which is something this study is trying to do, by gathering information from the reality by interviewing these companies. However, by having three case companies rather than one makes it more generalizable.

4.6 Reliability
Reliability is regarding whether the findings from the study can be repeated or not. For instance, the data collection should generate the same results (Bryman, 2002; Yin, 2009). The aim of reliability is to minimize the errors in the study (Yin, 2009).

The methodology part in this study is well documented by including every step that has been made from the beginning with the literature search in the University library's search engine Summon, to the interviews made with the companies. This is, according to Yin (2009), a general way of approaching the problems with reliability. Also, by presenting the case study method (see table 2) the reliability of this study increases, because it shows a more detailed structure of the study’s process.

To not neglect any information from the respondents due to noise or other distractions, two tape recorders were used in all the interviews. Everything that was recorded was also transcribed, which means that the oral conversation was transformed into a written text (Kvale & Brinkmann, 2009). This transformation started as soon as the interview ended. This to limit the misunderstandings when the interviews were still fresh in the memory. After the transformation the interviews were once again listened to and read through. By doing this the risk of misunderstandings was decreased. Those researchers that transcribe their own interviews already have a good picture of the conversation which makes it easier to understand the conversation (Kvale & Brinkmann, 2009). To further reduce misunderstandings both researchers were present during the interviews.

To obtain a high reliability for this study, the transcribed documents from the interviews were sent to the respondents, so that they would be able to give feedback on what was said and
correct if something was unclear or misunderstood. When the respondents replied with a confirmation regarding accuracy, the analysis began.

5. Empirical data
This part begins with a presentation of the Bufab AB Company and the information gained from the interview, thereafter the Volvo Group is presented, first Volvo 3P followed by Volvo Powertrain.

5.1 Bufab AB
Bufab was founded in 1977 under the name of Bult Finnvenden AB by Hans Björstrand. Bufab is working exclusively with fasteners for general industry (www.bufab.com). Currently Bufab has 29 subsidiaries and 650 employees all over the world. The largest Swedish wholesaler on the market is Bufab Sweden. Its head office and central warehouse is in Värnamo, Sweden. Bufab has sales offices in Denmark, Norway, France, Finland, Germany, UK, Netherlands, Poland, Hungary, China and India, just to name a few (www.bufab.com).

Bufab is a leading market in the Nordic region in fasteners for general industries. One of the world’s prominent producers of fasteners is Bufab. Their business concept is to expand purchase, manufacture, and market and to handle a wide range of small parts/fasteners (www.bufab.com). Having a good relationship among all including, company, costumer and supplier is the Bufab policy (www.bufab.se).

The company has a model which is applied in every country in which they operate. It is called the Bufab model. This model represents the company’s values, expectations and beliefs. This model shows for instance, companies around the world and what kind of quality the products must have (Karin Sandén, Bufab).

Bufab India is a part of Bufab’s global network and offers the same services and products as all the other Bufab’s offices. Bufab India started its operation in Pune in 2008 (www.bufab.com). Bufab India is a small subsidiary with 5 to 6 employees. All of the employees are from India. However, occasionally they are strengthened by some Swedish employees. Bufab India is a niche supplier of fasteners. Although they concentrates mainly on Sales but is also a trading company for the Bufab group. The subsidiary is staying at a combination of selling to the Indian domestic market and they also purchase hub for the Indian items. Their focus is on industrial customers that are mainly from Sweden, Scandinavian and European companies (Sören Andersson, Bufab).

5.1.1 Opportunities and challenges: Bufab

5.1.1.1 Social /cultural
The Social and Cultural aspect is one of the major constrains for Bufab India. To have a good result in this market, Sören Andersson suggested that it is necessary to understand the employees as well as the employees understand the company and the way that the company operates.

According to Sören Andersson, one of the biggest opportunities in the Indian market is the big growth potential. This is because of the huge number of large companies from Sweden and Scandinavian countries that are operating there. Also, Bufab India takes advantage of some purchasing from the Indian market. They first buy in India and then transport it to Sweden and by doing this they made it beneficial for the company. India has a massive population which
brings a lot of opportunities for the company. The giant market as well as the developing market (developing product) could be one of the biggest opportunities in the Indian market according to Sören Andersson.

One of the challenges that Bufab had to face in India was the tough learning process there, especially regarding the quality test, which is something that is very important for the company. However it was very hard to teach the Indian people what was the right level of quality the company expected, Sören Andersson said. It took a lot of effort at the beginning to teach the employees this and today it works much better. However, he added that it still needs some improvement for obtaining an even better result.

Sören Andersson mentioned that the companies who wish to establish in India, should be aware of cultural aspects before entering India, which is still considered as a main challenge for the company. It is hard to work with the Indian people because of their habits, which is that they always say they understand and that they operate according to the structures but that is not always the case (Sören Andersson).

According to Sören Andersson’s experience, another major problem for Bufab India is having a developing management. The company should have had a good management structure as well as organizational construction at the beginning. Finding good employees who have good experience is also a challenge for the company at present. Having only local employees brings another challenge, as the relationship and connection play a major role in the recruiting process, he stated.

5.1.1.2 Legal environment
The legislation in India brought some opportunities for the company regarding exporting to Europe. When a company wants to transport among industrial ports in India, they should pay a tariff. Sören Andersson said during the interview: “As far as the government replace this stuck outside this tariff” it brings some possibility for Bufab to transport without the area pones tariff, however in some cases the tariffs can lead to some restriction and as a result it may raise the costs (Sören Andersson). Sören Andersson explained that the tariff system is really complicated in India. Understanding the tariff system is another difficulty for Bufab, because it is not that transparent for those who come from Western countries.

The rule system is a very difficult digit system in India, which for Bufab is considered more as a challenge rather than an opportunity. Indeed, the law system is very difficult to understand for the companies that come from the West countries, such as Europe and US. Sören Andersson remarked that the Indians do not follow a transparent law system.

5.1.1.3 Economic environment
The economic climates brings some difficulties for Bufab India, according to Sören Andersson. Lower economic climates could be of help so that some part works much better. However, for the moment this economic climate only leads the company to face more challenges. Finding a good price label is considered as another challenge for the company. Rapid economic development is also a challenge. This means making a quick decision from the company due to the time being limited, Sören Anderson indicated.

5.1.1.4 Political environment
There is not any constrain about the political aspect, when the question regarding politics was asked. However, the company had some difficulties regarding registration of the company. By
receiving assistance from the Swedish Trade Consul they managed to solve the problem. Two of the four board members, who were registering the company, did not get accepted by the government, the two remaining board members got accepted without any problems. Sören Andersson felt that this is something that is still not clear.

5.1.1.5 Technological environment
There are more possibilities for Bufab regarding the technological aspect rather than challenges. Technology can affect a company logistically, Sören Andersson said.

5.2 Volvo Group
The Volvo group is one of the world’s leading manufacturers of trucks, buses, construction equipment, facilities for the marine industry, industrial applications and aerospace components. The Volvo Group has facilities in 19 countries and sales in over 180 markets worldwide. Their vision is to become the world leader in sustainable transport solutions. Thus by following four factors, which are: creating value for customers in selected segments, constructing revolutionary products and services for the transport and infrastructure industries, driving quality, safety and environmental care, which are the core values in the Volvo group and the last one which includes working with energy, passion and respect for the individual (Patrik Fritz, Volvo Powertrain).

The first Volvo truck was built in 1928, today they are the second largest manufacturer of heavy trucks, which is creating trustworthy transport solutions for customers all over the world (www.volvotrucks.com). Volvo trucks are sold and serviced in over 130 countries worldwide, over 650 dealerships and 1,450 workshops. Overall, Volvo has nine assembly plants around the world and eight plants owned by local partners (www.volvotrucks.com).

The planning of the final delivery of complete vehicles and services and also covering the entire value chain from long-term research to the Volvo group truck business has been done by Volvo Group Trucks Technology (www.volvogroup.com). Volvo Group Trucks Technology also supports the products in the aftermarket. It has 10,000 employees who are working in global teams. The focus of this Volvo team is on delivering world-class engineered services and products (www.volvogroup.com).

In 1998 the first Volvo truck rolled out from the factory near Bangalore, India (www.volvotrucks.com). This factory is equipped with Volvo’s global-quality standard norm, tools, systems, training programs, dedicated people and an unbeatable culture that drives towards one common goal which is: Produce Volvo trucks of outstanding quality. The plant meets ISO 9000 quality standards and ISO 14,000 certification for Environment standards (www.volvotrucks.com).

Another part of the Volvo group is Volvo Powertrain, which is producing the components for motor vehicles. This company is one of the world’s leading engine manufacturers and is also the Volvo group strategic center for Powertrain (www.volvogroup.com). Volvo is one of the biggest manufactures of heavy-duty diesel engines 9-18 liters in the world. They operate for instance in France, Sweden, North-South America and Japan. The business unit which involves the Powertrain development and manufacturing activities has around 9000 employees all over the world (www.volvogroup.com).

In 2008 the Volvo group started to establish a joint venture company in India. A VE commercial vehicle (VECV) is a joint venture between the Volvo group and Eicher motors in
India. Through this contract the Volvo group sells buses and trucks under the Eicher brand in India. It is 50:50 joint ventures between these two companies. The idea behind this is to cooperate on purchasing, product development and aftermarket support. Three thousand employees are working in VCV who are mainly from India. However, there are some experts from France and Brazil who work there as well (Patrik Fritz, Volvo Powertrain).

The activities within Volvo 3P, Volvo Powertrain, Volvo Technology, Volvo Parts and Non-Automotive Purchasing are gathered together, from the first of January 2012 in the organizational parts which are called Volvo Group Trucks Technology and Volvo Group Trucks Operations (www.volvogroup.com).

5.2.1 Opportunities and challenges: Volvo 3P

5.2.1.1 Social/ cultural environment
Volvo 3P had three reasons for establishing a subsidiary in India. One of them was that there is a big potential and a big reserve of competence in the field of engineering in India. Björn Flood said that a lot of universities have graduate students every year and he has heard that they are talking about one million engineers per year. This, according to him, creates a recruitment base for the company’s growth. This type of base is something they cannot see in the same context in Europe any more. This is because the students who get accepted to the technical schools are becoming fewer and fewer. India is therefore a place where the company wants to be in order to get the competence they seek and need for the future (Björn Flood).

Another opportunity Björn Flood mentioned is the Indian people. According to him they are very energetic, focused on their jobs, they really want to achieve something in life and all of them have something to gain. He believes that the low end jobs, which people in Europe are rejecting, the Indian people will accept. Indian people are very competent when it comes to law and administration. India is a complex country with very skilled people in different areas but also very poor people and not so educated. Björn Flood said that this can create opportunities.

One of the biggest challenges in India is the big turn-over of people. Volvo 3P has a turn-over of ten to fifteen per cent of the work force per year and because of that the pressure on recruitment is quite severe. It is not easy to get competent people, Björn Flood indicated. The average age in India is 30 while in Europe the average age is 41-42. This is another challenge that Björn Flood pointed out. He means that all young people are interested in finding new positions, higher salaries and more interesting jobs and it is a tough situation when it comes to recruitment. When the company is talking about ramp-up plans of 100-200 people per year they also have to consider the turn-over of 60 people. Due to the low average age in India the level of experience is also low. This signifies that the company has to train them internally a lot in order to reach the competence level they strive after and this is something that takes a lot of effort. On the top of that, he continues, when you are growing it puts a lot of pressure on all other systems around. For instance, the office spaces are hard to find in Bangalore due to the fact that it is a growing city.

One way of dealing with these challenges is by not pushing the system and by not using the same way of working in India as they do in Sweden. The company has Swedish managers and French managers in India, who are accustomed to handle the labour regulation in the same way as they do in Sweden or Europe. Björn Flood suggested that this is something that holds back the turn-over.
5.2.1.2 Legal environment
When it comes to legal aspects, Björn Flood said that they did not have a lot of legal matters. It has been smoothly done, because they were planning in a good way, he said. It is also due to the fact that Volvo is a huge company with a lot of people and a lot of knowledge. “It is not one person doing everything it is a lot of persons contributing” (Björn Flood, HR-director Volvo 3P, 2012-03-29). By this he means that there are more people involved and not just one person doing everything by himself.

5.2.1.3 Economic environment
One of the opportunities and the most important reason for establishing in India for Volvo 3P was the fact that the company was in a developing phase, especially in Asia (Björn Flood). The company needed a place from where they could start product development activities, which was their main task. An opportunity is that the labour is still quite cheap in India, at least for ten to fifteen years, Björn Flood added. After that the salary level will be the same, he said.

One of the challenges, for this company, is how to send money. They have to be careful about how to transfer money from one country to another when India is involved. They manage to solve this by having a special department working with these matters. This is regarding the whole Volvo group in India. Volvo 3P contacts them and they handle the issue. For them this was not a big problem due to this department, Björn Flood stated.

5.2.1.4 Political environment
When the question regarding politics and government came up Björn Flood said that they did not have any problems with this due to the good relationship that Volvo has established with the local government. Volvo has a lot of contacts with the local government of that region. There are a lot of things happening between India and Sweden. The Indian people know Sweden well and it is very positive for the Swedish companies. For instance, the Swedish king was there and there is some cultural cooperation between Bangalore and Gothenburg, where Volvo has their offices (Björn Flood).

According to Björn Flood the government is very compliant, because they want more companies to establish there. He mentioned that they are very helpful in the process however, the process can sometimes be complicated to handle.

5.2.1.5 Technological environment
Regarding the infrastructure in India, the company had some problems with the small airport. However, it was in the middle of Bangalore and was close to everything which Björn Flood stated was good. Today there is a bigger airport that is much better than the old one. One of the reasons for them to operate there was due to the fact that they knew the government was building the new airport that was going to be bigger. Another challenge they had to face was that there was only one direct flight from Europe to Bangalore. Currently there are three flights, Air France, Lufthansa and BritishAirways. Since this city is one of the most popular places in the world these planes are always full, so you have to book in advance. These challenges are something that is being discussed by the government for further development, Björn Flood adds.

Another challenge regarding infrastructure, according to Björn is the space area for placing an office. This is something the company has had problems with, because the city is big and people have to commute to work in all kinds of traffic. Björn Flood said that it is not unusual
that it takes a couple of hours for people to get back and forth from work. To facilitate travel and work for their employees they are using flexible time like they have in Sweden, which means that the employees themselves can choose to come later or earlier and finish work later or earlier, depending on their work hours. Björn Flood said that a lot of companies have a special transportation for their employees, which takes them to work from one place in the city to another.

5.3.1 Opportunities and challenges: Volvo Powertrain

5.3.1.1 Social/ cultural environment
Indian people are extremely open minded and quick learners. Patrik Fritz thought that they are willing to learn and they adapt directly which leads to changes in their behaviour to the behaviour that fits the company’s way of working.

The challenges that Volvo Powertrain face is that the Indian people do not have any process in their work. This implies that they are not structured enough and it is not easy to trust them when they make a promise. This is because it has happened many times that they did not act according to their promise, which is different from Swedish behavior and not so easy for Volvo to get along with. As a result, Volvo does not feel safe in the transaction between them, Patrik Fritz said. However after a while, by some encouragement and by securing the supplier to do according to what was promised by all the involved, the supplier noticed it is good to have structure in a project (Patrik Fritz).

Another problem for the companies who wish to operate in India from Europe, is the small places in which a lot of Indian people live. They are called “indoors”, according to Patrik Fritz, and it is hard to get people to live there. Patrik Fritz remarked that it is a big cultural shock for Europeans to come to India and to live in these small places. No one from Europe desires to live in such a place. It gets harder when a person with a family goes there. That is why the employees mainly are from India, Patrik Fritz indicates.

Volvo Powertrain has 50:50 joint venture with the Indian company which sometimes leads to some problems regarding payment. The fact that this Indian company is cost focused and that they make a hard negotiation with suppliers, they tend to save every Rupee, Patrik Fritz said.

5.3.1.2 Legal environment
Regarding the legal aspect, Patrik Fritz said that Volvo Powertrain was careful to follow the Volvo rules and did not have to deal with the corruption in India. It is important for Volvo Powertrain to secure the process according to Volvo rules. Volvo Powertrain has a specific structure for solving the problem in India. They have an advisory board, which is a board that could only come with advice because of two different legal companies (Volvo and the Indian company). If the advisory board could not solve the problem then they need to go to court, which has not happened yet (Patrik Fritz).

5.3.1.3 Economic environment
The Indian people have the ability to utilize the Volvo technology as well as being a low cost market, which means that establishing a subsidiary would be cheaper in comparison to many other countries. These aspects were the main reason for Volvo to operate in the Indian market (Patrik Fritz). By having a low cost partner in India helped Volvo Powertrain to decrease the cost. The fact that India is a growing market encouraged Volvo Powertrain to enter and they wanted to be part of this growing market. Benefits, such as very cheap labour costs and quite
low productions as well as utilizing a huge market are the attractiveness of India, according to Patrik Fritz.

The main challenges in India are, according to Patrik Fritz, to keep the process cost efficient and at the same time, still have the European structure. Keeping the cost low, having a certain structure to follow and securing the quality are the problems in India, according to him. On the other hand, improving the process instead of fixing the problem is also important to consider (Patrik Fritz).

5.3.1.4 Political environment
The Indian rules are changed quite often in the country, which could bring some problems for foreign companies that work there. The Indian government comes up with new regulations in the beginning of March every year, Patrik Fritz said. For instance, Volvo had some exports benefits regarding four percent discount when exporting outside India that the government took away one year ago. Patrik Fritz mentioned that these laws are so complex in India and that Volvo Powertrain does not get involved in that.

5.3.1.5 Technological environment
Volvo Powertrain has had some problems regarding technology. The poor roads and airport is where the problems are, which needs to be improved according to Patrik Fritz.
6. Analysis

In this chapter the case study is compared with previous research and theory model. By examining the empirical data gathered from the interviews and the previous research the analysis was achieved.

6.1 Social/cultural environment

The social and cultural environment has a deep and important effect on business (Doole & Lowe, 2004; Bensoussan & Fleisher, 2008; Kotler et al., 2008; Cavusgil & Knight, 2008). Indeed, this is something Bufab’s representative said. In the case of Bufab these aspects are one of the main constrains for the company. To be successful it is of great importance to have knowledge about the country’s social and cultural aspects. Kotler el al. (2008) and Cavusgil, Knight and Riesenberger (2012) state that, in terms of having the knowledge about the country’s customs, companies can use the knowledge as an advantage when they pose their products abroad.

From the Volvo 3P point of view, one of the opportunities is the Indian people. According to the company they are very energetic, focused on their jobs, truly want to achieve something in life and that all of them have something to gain. Furthermore, Volvo Powertrain found the Indian people open minded and willing to learn and adapt to the company’s customs. However Volvo Powertrain found them not to be structured enough. But Bufab saw only challenges with the Indian people. For them it was in fact tough to teach the Indian people, concerning the different process there, especially the quality testing and also the Indian people are hard to work with due to their habits. Indeed Cavusgil, Knight and Riesenberger (2012) state that habits are one of the aspects that have a big influence in the societies. This study shows that there indeed are challenges with the employees’ habits, however with the right management tools, like Volvo, it is possible to convert a challenge to an opportunity.

It is an interesting fact that companies in the same market have opposite interpretations. This may be because of their different entry methods. Volvo Group chose a joint venture were they cooperated with another Indian company which may have made it more beneficial for the company. Bufab chose another entry method which may have affected their experiences.

Another opportunity is the big reserve of competence in the field of engineering that can be found in India, according to Volvo 3P. Luthra, Mangaleswaran and Padhi (2005) write that the Indian people are highly educated. This, according to Volvo 3P, creates a recruitment base for the company’s growth. India is therefore a place where a company wants to be in order to get the competence they seek. All of the companies in this study had to face the same challenge regarding the experience level of the employees. Volvo 3P mentioned that the average age in India is 30. Due to the low average age the companies have to teach their employee which is both time consuming and expensive. However this may also be beneficial for the companies, this because they teach them according to their way of working, which may erase the cultural problems they have to face with Indian people who have worked before according to the “Indian way”.

One of the biggest challenges in India is the big turn-over of people according to Volvo 3P. They have a turn-over of ten to fifteen per cent of the work force per year and by that the pressure on recruitment is quite strict. It is not easy to get competent people in the case of Volvo 3P. This is due to the low average age. Something that holds the turn-over down, in
this country, is the fact that the Volvo Group has managers from Sweden and France who are used to handling the labour regulations. The Volvo group also does not push their systems on the Indian employees and not perform like they do in Europe, for instance. Bufab however have their model upon which they insist, regardless of the country. This may generate more challenges than necessary. Zainulbhai (2005) states that for being successful in India a company should adapt to local customs. The Volvo companies, in this study, have tried to do this by giving the employees flexible work time, just to give one example. As this study shows Bufab had to face more challenges rather than opportunities in the market. This could be because of them insisting on the application of the Bufab model in India instead of themselves adapting to this market.

Another common problem all three companies had was the way people live in the country. Volvo Powertrain mentioned it as a big cultural shock for Europeans to live like Indian people live. This is the reason why the employees mainly are from India. This is one of the social conditions Bensoussan and Fleisher (2008) refer to when they said that social environments deeply influence business. This study shows that this is a problem in India. The living conditions are extremely different and that is why it is difficult for foreign companies to get their employees from the home country. This may lead to the company only having domestic employees from a country whose business culture, values, ethics and work process may cause problems for the company.

6.2 Legal environment
In the case of Bufab the rule system is a very numeral system in India which is more considered as a challenge rather than an opportunity. This is due to some difficulties in understanding the law system, because this differs from the European law system. The legislation in India brought some opportunities for Bufab. Also Volvo 3P indicated that it has been smoothly done because they were planning in a good way. They did not have a lot of legal matters. This is because of the size of the companies and their good reputation in the country and also their entry method which can be supportive for instance, in a joint venture with a domestic company, they can help for better understanding of the country’s law system because they are more familiar with it.

The regulations could bring some possibility for Bufab regarding transport without the area pones tariff. However the tariffs may lead to some limitations and as a result it can increase the costs. For Bufab the system of tariffs is complicated. Bennett (1995) mentioned that the Indian tariffs are high. This could mean that companies get apprehensive and decides not to launch in the country.

Legal systems influence the business according to Zainulbhai (2005), if the companies see the legal system as insufficient they will not be prepared to enter the market (Cavusgil, Knight & Riesenberger, 2012). This study shows that it is important to have people from the country helping companies with legal matters like a joint venture or piggybacking. For instance Volvo Powertrain has an advisory board with employees from both companies who make the decisions together. This can be considered as an opportunity due to the fact that more people from both companies are involved. They have different points of view and knowledge which may lead to better understanding of the legal system. However, they said that the laws are very complicated for foreign companies. The legal aspects are a big challenge and almost impossible to handle if no domestic help is found which may lead to even more challenges.
6.3 Economic environment
For Volvo Powertrain the Indian country has the ability to utilize the Volvo technology and is also a low cost market. This may lead to cheaper building of the subsidiary in comparison to other countries. The labour is somewhat cheaper in India, for Volvo 3P and it will still be like this for at least ten to fifteen years. The major cause for Volvo Powertrain to enter India is, due to the low cost market and this as well as to establish a long term relationship there. By having a low cost partner in India, Volvo Powertrain got a lot of help to diminish the costs. Indeed, one of the opportunities, according to Confederation of Indian Industry, is in fact low cost which may provide competitive advantages.

Kotler et al., (2008) indicate that India is an industrialising economy, which means that the population in India requires new and imported goods. This can be considered as an opportunity. Due to the massive population the purchasing power is huge which may provide great possibilities for the companies. By taking advantage of these vastly populated companies, they may gain a lot of customers and by this grow and be more successful. Both Volvo companies are retailing in India, however, Bufab is not. This is because their products are not that common in the country. Bufab has no real competitors in the market which is something the company can take advantage of, however they do not. Although the company mentions that the product is not that common, they may be able to create a demand in the market.

The lower economic climates could be beneficial. However, at this moment these economic climates only create challenges for Bufab. Another challenge is the rapid economic development. This forces Bufab to make quick decisions. Kotler et al., (2008) state that it is important for companies to consider the economic developments. Indeed, it is of great importance to have the knowledge regarding the economic developments due to the fact that they sometimes develop fast. This may prepare the companies for making those quick decisions that are required in an emerging market.

To keep the business process cost efficient and still have the European structure is considered as a challenge, according Volvo Powertrain. Keeping the costs low, securing the quality and having a certain structure to follow are other challenges in India. Zainulbhai (2005) indicates that, for instance, the trade between price and quality is a major issue involving the Western market and the emerging market. Volvo Powertrain indicated that it is important to try to improve the process instead of altering the problem. Bufab is, unlike the Volvo companies, insisting on applying their model into the Indian business culture. This may be one of the reasons why the Volvo companies have a more positive view on the Indian market. As Zainulbhai (2005) mentioned it is important, to have success in India, to adapt to the local conditions. Indeed, this study strengthens that statement.

Volvo 3P has had some difficulties regarding transferring money. They have to be careful about how they send money to a country when India is involved. Bennett (1995) writes that one of the challenges regarding the economic aspect in India is that the currency is not in general convertible. By having a special department which is working with these matters Volvo 3P managed to solve this problem. In this case the economic factors were not a huge challenge for the company. Because the Volvo group is a massive organisation they can assist each other, as in this case. However if a company does not have the same possibilities it can be a challenge for them. They may have to spend more money and time. For instance, they may have to use a consulting company to help them with these matters.
6.4 Political environment

Kotler et al, (2008) indicate that one main aspect that the companies need to consider is the government’s bureaucracy. None of the three companies in this study have had any problems regarding the Indian political systems. However, Bufab had some registration problems when establishing the subsidiary. The government did not approve two out of four board members. However, they did not have any other concerns regarding the government. In the case of Volvo 3P they did not have any challenges regarding the government due to the good established relationship Volvo has with the local government. Volvo 3P found the government very complaisant. However some processes may be problematic to deal with. Indeed, Bennett (1995) indicates that the government only offers some protection and that the bureaucracy is hard to handle. In these three cases none of the companies had any problems with the Indian politics and government. The reason for this may be the chosen entry method. For instance Volvo Powertrain, which has a Joint venture with an Indian company, can use the partner company’s knowledge regarding the politics. The partner company has experience when dealing with the government, because they are domestic.

Volvo 3P mentioned that India is divided into different states, which all have their own rules and government. According to Doole and Lowe (2004) governments have a tendency to change the rules, which may lead to both opportunities and challenges for a company. It is therefore important to have knowledge and a well thought out plan about the state the company wants to operate in. This is one of the main challenges in India due to the fact that there are a lot of different rules and regulations, which all depended on the state you are in. Even though a company has knowledge about the different rules, it may still be a challenge because the rules change frequently.

The government, in the state in which Volvo Powertrain operates, comes up with new regulations in the beginning of March every year. The rules in India change a lot, which may bring difficulties for foreign companies, who are established there. For instance, Volvo had four percent discount when exporting outside India, but the government decided to take it out. Perhaps the government, in this area, gave them this discount so they would establish there and then after a while took it away, this is a possibility. However, none of the respondents commented on this. Cavusgil, Knight and Riesenberger (2012) state that the view on business and freedom, which the government has, will have an effect on the way companies operate in that area.

6.5 Technological environment

As mentioned before, the technological aspects may have deep effects on the market (Doole & Lowe, 2004) also this aspect can have a major effect in a pre-existing market (Bensoussan & Fleisher, 2008). Indeed, Volvo 3P was established in India even though the state had a small airport because they knew that a larger one was being built. Volvo Powertrain also had problems with the airport. Volvo 3P mentioned that in the beginning there was only one direct flight from Europe to Bangalore. Nowadays there are three. However, the planes are always full so it is important to book in advance. Bennett (1995) states that one of the main challenges in India is the poor infrastructure. Luthra, Mangaleswaran and Padhi (2005) indicate that in India there are poor roads and seaports that are locked, which can lead to transport problems. In the case of Volvo Powertrain the poor roads are considered as a challenge in India and something that needs to be improved.

Volvo 3P stated that the space area for an office is hard to find, because the city is big and the population has to commute to work in all kinds of different traffic situations. It is of great
importance that the goods are transferred safely. This study shows that the Indian infrastructure still needs improvement. A lot of companies are going to be established there and that is why it is necessary to be able to transport goods without problems. The fact that there are only three direct flights to Bangalore is a massive challenge and something that needs to further ameliorate.

An interesting result from this study is that even though the technological environment, such as the infrastructure, is a huge challenge, the case companies did not complain much about it. The reason for this could be that companies in this study see more attractiveness in the Indian market rather than difficulties. For instance when the question: “In general are you satisfied with choosing this market?” the representative from Bufab AB said” off course it is a big // fantastic opportunities over there”.

This study shows that Zainulbhai’s (2005) three factors for successful business in India are followed by both Volvo 3P and Volvo Powertrain. They both have made a long term investment, adapted to the local customs and have prices that correspond with the market. Bufab has also made a long term investment. However, they have not adapted to the local conditions, instead they are applying their Bufab model. Although all three companies are successful in India this study shows that Bufab have had more challenges to deal with and also the Volvo companies have a more positive view on India.
7. Conclusion and Further research

In this last section the conclusions, regarding opportunities and challenges in emerging markets, will be presented and the last chapter is about limitations and further research.

7.1 Conclusion

Some of the opportunities regarding the economic environment in India, are that it is a low cost market. The labor is cheaper compared with Western countries. Another opportunity regarding the political environment is that the government is complaisant.

The country’s population is considered as an opportunity for the two case companies however, one company found them to be hard to work with. This may be due to the companies’ entry method. Volvo who has a joint venture saw the Indian population as hard working, energetic and focused on their work whilst Bufab saw them more as a challenge due to the Indian habits. Another opportunity is the big reserve of competence in the field of engineering. According to this study the case companies thought that the Indian people were highly educated with the right education.

However, the low average age which is 30 in India brought some difficulties for the case companies. For instance, lack of work experience which forces the companies to educate the employees. This can be very time and money consuming. However, because of this they could teach their employees their way of working which may erase some cultural difficulties. The employer turn-over is high which is one of the biggest challenges that companies have to face according to this study, this is due to the low average age. The living conditions are different from Western and it is thereby difficult to provide work for the people from the home country.

The legal environment is considered as a big challenge and almost impossible to handle without any domestic help. It is for instance very difficult to understand the law system due to it being a lot different from the European law systems and also the tariff system is complicated. However Volvo 3P did not come across any legal challenges. This is because the Volvo group is a well-known organization and because of their chosen entry method, where the domestic company can help them obtain a better understanding of the Indian law system. This study shows that it is imperative to get help from some domestic companies.

Rapid economic development is considered as another challenge. This is due to the fact that it forces companies to make quick decisions. Other challenges in India are keeping the costs low, securing the quality, having a certain structure to follow and money transfer.

The country is divided in several states which all have their own rules and governments, who also change the laws frequently, which is a challenge for foreign companies in India. Therefore, it can be difficult to keep up with the new rules and regulations. Companies in this study did not focus a lot on technological aspects. They mentioned some challenges regarding technological environment such as weak infrastructure, poor roads and small airport.

This study shows that the selected companies, for this study, are generally satisfied with their establishment in the Indian market. There are some changes that they would have made differently if they could start all over again, for instance better organizational structure, like who to recruit or who to send from Sweden to India, however they do not regret their choice to operate in India.
7.2 Limitation and Further research
For obtaining a more detailed and comprehensive result regarding opportunities and challenges, more research must be conducted. This is because this study only shows the opportunities and challenges from Swedish companies, in B2B, point of view. In this study there were only three representatives who did not have to deal with every aspect from the SLEPT-model. It would give a richer and depletive information if more people were interviewed from different departments who had to deal with all the factors, e.g. from the economic department or the employees who had the responsibilities for the legal and political matters.

The respondents that were interviewed were all men. This may have influenced the operating process. It would be interesting and also very important to find out if the results from this study would be any different if it was women instead. Also, this kind of study should be made from other countries and from other emerging markets to make a more legitimate result. This study only shows from the Indian market and thereby it cannot be applied in every emerging market. One of the findings from this study is that the entry method has an effect on the companies’ perceptions on the opportunities and challenges, which makes it interesting to conduct a study focusing on entry methods.
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Appendix

Interview guide
The purpose of this study is to demonstrate what the opportunities and challenges are in the Indian market.

Background information

1. Name:
2. Work Title:
3. How long have you worked there?

4. Why did you choose to establish subsidiaries in India?
5. How long has the company been established in India?
6. How many employees are working there?
7. How many employees are from Sweden? How many employees are locals?
8. How big is the market share?
9. What kind of customers does your company serve?
10. What is your product area? What kind of products do you manufacture?
11. Which companies are your biggest competitors in the Indian market?
12. How do you get your resources?
13. Do you sell your products in India or do you just have your manufacturing there?

Questions

1. Which opportunities did you see before establishing your subsidiary in India? Why do you perceive these as opportunities?

1.1 How have the Social/Cultural aspects affected your establishment?

1.2 How have the Legal aspects affected your establishment? (local domestic law, International law, domestic law) (Tariffs)

1.3 How have the Economic aspects affected your establishment?

1.4 How have the Political aspects affected your establishment? (affecting the decision making process)

1.5 How have the Technological aspects affected your establishment? (infrastructure)

2. Which opportunities did you see during your establishment in India? Why do you perceive these as opportunities?

2.1 How have the Social/Cultural aspects affected your establishment?

2.2 How have the Legal aspects affected your establishment? (local domestic law, International law, domestic law) (Tariffs)

2.3 How have the Economic aspects affected your establishment?
2.4 How have the Political aspects affected your establishment? (affecting the decision making process)

2.5 How have the Technological aspects affected your establishment? (infrastructure)

3. Which opportunities do you see today in the Indian market? Why do you perceive these as opportunities?

3.1 How does the Indian Social/Cultural aspect influence the opportunities?

3.2 How does the Indian Legal aspect influence the opportunities? (local domestic law, International law, domestic law) (Tariffs)

3.3 How does the Indian Economic aspect influence the opportunities?

3.4 How does the Indian Political aspect influence the opportunities? (affecting the decision making process)

3.5 How does the Indian Technological aspect influence the opportunities? (infrastructure)

4. What are the biggest opportunities, according to you, that a company has to face in India?

5. What were the biggest challenges that your company came up against in India?

6. Which problems did you face before you established a subsidiary there? Why do you think these problems occurred? How did you manage to solve these problems?

6.1 How does the Social/Cultural aspect influence the challenges?

6.2 How does the Legal aspect influence the challenges? (local domestic law, International law, domestic law) (Tariffs)

6.3 How does the Economic aspect influence the challenges?

6.4 How does the Political aspect influence the challenges? (affecting the decision making process)

6.5 How does the Technological aspect influence the challenges? (infrastructure)

7. Which challenges did you have to handle during the establishment? Why do you think these challenges occurred? How did you manage to solve them?

7.1 How does the Social/Cultural factors influence the challenges?

7.2 How does the Legal factors influence the challenges? (local domestic law, International law, domestic law) (Tariffs)

7.3 How does the Economic factors influence the challenges?
7.4 How does the Political factor influence the challenges? (affecting the decision making process)

7.5 How does the Technological factor influence the challenges? (infrastructure)

8. Which challenges occur daily? Why do you think these occur? How do you manage to solve these challenges?

8.1 How the Social/Cultural factors can affects this?

8.2 How the Legal factors can affects this? (local domestic law, International law, domestic law) (Tariffs)

8.3 How the Economic factors can affect this?

8.4 How the Political factors can affects this? (affecting the decision making process)

8.5 How the Technological factors can affect this? (infrastructure)

9. If you would be able to do this all over again, what would you do differently?

10. Do you wish to add something?

Thank you!