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Foreign Market Entry Strategy & International Franchising

- *Doing Business in Morocco*

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Abstract

Today's market environment is increasingly growing due to the economical globalization; with international trade, financial transfers and foreign direct investments the economy is becoming highly interconnected. The advances in communication and transportation technology combined with free-market ideology, have given products and services remarkable mobility. Nowadays, international companies are focusing on opening the world markets to their goods especially in emerging markets in order to take advantage of these markets opportunities and be part of its developing and growing infrastructure.

In order for international companies to enter foreign markets, there are a variety of factors to consider while planning a strategic approach to reach new customers and differentiate their products and services from national and international competitors within the chosen market. This thesis will focus on featuring the significant factors that could affect companies entering new markets; the study is a qualitative single case study of IKEA, it will specifically investigate IKEA's franchising in the Moroccan market and forms of internal and external factors that could affect IKEA's entry into the market as well as it will highlight the main concepts that managers should consider when planning to enter the Moroccan market.

The study was based on theoretical framework combined with empirical findings that were collected from secondary data such as annually reports and trade documents as well as through conducting in-depth interviews with IKEA's managers to increase the study reliability and validity.

According to the study findings and analytical results, the conclusion is that IKEA will not face major internal and external obstacles that would affect their operations significantly. There are few factors that could arise while entering the Moroccan market but from a holistic view this minor interferences can be overcame through IKEA's full awareness of the market and their application of a vigorous, flexible and convenient strategic approach.

Acknowledgments

Table of Contents

List of Figures

List of Tables

1. Introduction

This research focuses on market entry strategies and international franchising specifically in the Moroccan market. The following chapter will present the background of the subject in hand aligned with previous research on the same field of study in order to create an understanding for the reader.

Over many years, societies all over the world have established a closer connection between one another as a result of global interactions that are increasing fiercely. Globalization is a present phenomenon that is affecting different areas in our lives; it has turned the world to a small village in every aspect starting from daily routines to economies; it have created *"an international integration of markets in goods, services, and capital; as well as labor mobility and cultural homogenization"* (Garrett, 2000 p.942). Globalization formed an interdependent bond between countries taking regulations, economies and political movements to an international scale; it also has built an integrated relation between international markets giving companies opportunities for expansion and growth.

Markets are formed by customers and their needs and demands, the level of a market been global rely on the customers' need for services and products worldwide. Customers nowadays are demanding a variety of products that are associated with a variety of countries; this demand of diversity is a result of the fact that globalization changed the customer needs to become more updated and sophisticated (Stonehouse, Hamill, Campbell & Purdie, 2001).

Due to globalization, nowadays it became more common for firms to seek opportunities overseas aiming to increase their profitability, boost the overall customer base, expand the brand awareness to potential customers and introduce their product/service to new potential customers. With established markets becoming saturated, multinational companies have become highly interested to invest in emerging markets in the developing world; low-income markets in emerging countries present a rich variety of opportunities and unique challenges making it a potential source of future growth for different types of firms (London & Hart, 2004). Apparently, in order for companies to serve in global markets, they should be alert and aware of the similarities in customer needs as well as to the differences; also to the growing complexity of their requirements (Stonehouse, Hamill, Campbell & Purdie , 2001).

Despite its cultural distance, Morocco (See appendix F) is one of the many attractive emerging markets that captive international companies' attention because of its several facilities, business opportunities and its continuous attempts to create new laws and regulations to encourage foreign investments and form convenient business conditions. Some of these opportunities include attractive reforms and possibilities for trade investment, Morocco has various trade agreements with several European countries which is an advantage for many European firms who are aiming to establish in the country; it is also a great gate to reach other international markets specifically North and West Africa giving international companies a good ground for expansion (UK Trade & Investment, 2013). In order for companies to research the Moroccan market, it is very crucial to examine the economy state and the ranking of the ease of doing business relative to other economies (Doing Business, 2014; UK Trade & Investment, 2013). The following figure shows Morocco's 87 ranking comparing to the other countries' ease level of investing and doing business:
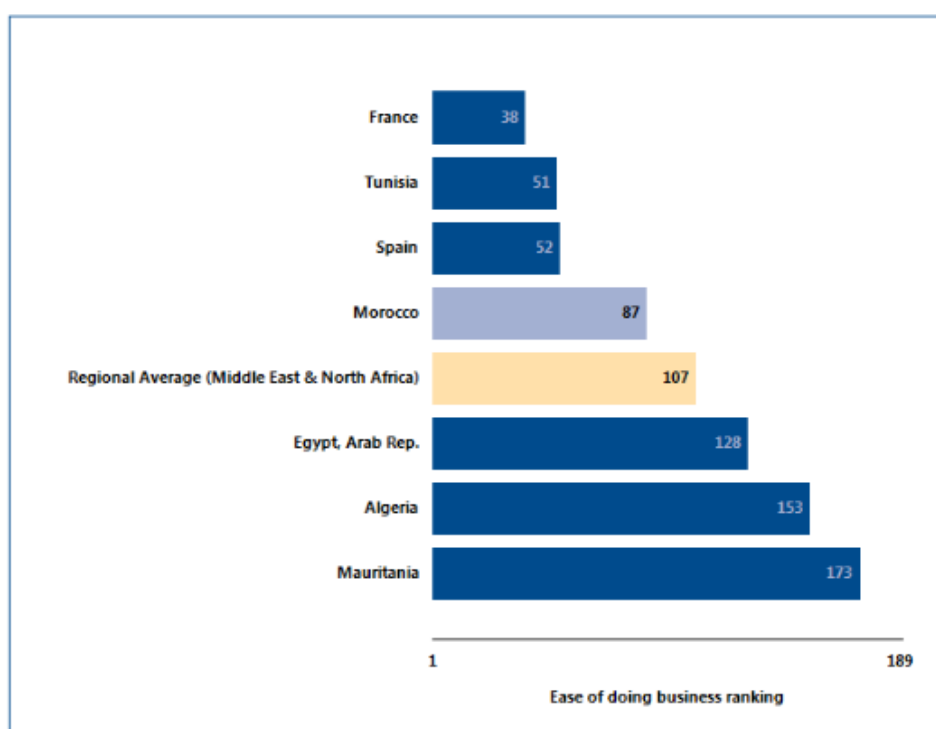
Figure 1: How Morocco & comparator economies rank on the ease of doing business (Doing Business, 2014).

According to UK Trade & Investment (2013), another advantage that the country offers is a strategic good communication network and global transport connections by sea, air and road;

adding another element to ease doing business in Morocco and offering international companies a convenient logistic set-up especially to the European firms.

1.1 Background

As stated previously Morocco is becoming an interesting business destination for foreign international companies that aim to invest and introduce their product and services to the Moroccan audience. The foreign company's interest in Morocco as a potential market relies on its strategic location, geographical closeness, political stability, emerging market as well as work force. Due to Morocco's political stability, it has introduced adjustments to enhance business development and reduce the country's dependence on agriculture. The improvements include changing legislation to adopt contents that are more similar to European legal systems, regulate the banking industry, simplifying the tax system and privatizing enterprises in such fields as water, electricity supply, and urban public transport (Quer & Claver, 2007).

In 2014, Morocco implied several reforms to encourage foreign direct investments and enhance the conditions and requirements to start new businesses. For business start-ups, the country reduced the registration fees and made transferring property easier by reducing the time required to register a deed of transfer at the tax authority. Paying taxes become also easier for companies since Morocco increased the use of electronic filing and payment system for social security contributions (www.doingbusiness.org). Morocco attracts a variety of large companies from all over the world; in the last decades this vibrant market is becoming the new potential opportunity for many international brands; some of this firms enter the Moroccan market adopting franchising model since it is a flourishing mode throughout the last 15 years as it became a real investment fashion among entrepreneurs (Thanae, 2009). Nowadays, franchising practice in Morocco exists by 363 franchise networks, displaying 310 brands and 2726 sales locations, owned and managed by 1041 franchisee (Thanae, 2009). The expansion of franchising in Morocco in the last decades indicate an undeniable growth of the model; which can be considered as one of the most efficient approaches that companies maintain to extend their business and reach out to new customers as well as gain national reputation with minimum engagement.

For organizations entering a new market is one of firm's most important strategic choices, it requires strong commitment concerning financial and managerial resources and a variety of research methods in several fields such as country size and the level of development, trade and infrastructure (Mitra & Golder, 2002) as well as competitive advantages, market

14

assessment and timing of entry (Green, Barclay & Ryans, 1995). Therefore this paper will be focusing on internal and external factors that could affect franchising in Morocco and the significant elements that firms should take into consideration when entering the Moroccan market.

There are several Swedish companies that have chosen Moroccan market as new opportunity to expand such as Scania and Electrolux; which have motivated the idea behind this paper to conduct a research study of the Moroccan Market considering two main sections, the first would be market entry strategy oriented to cover franchising in Morocco, external and internal factors that could affect franchising and cultural challenges. The second section will mainly focus on the Moroccan market environment such as the country fundamental information and the business environment according to cultural differences and regulations.

1.2 Problem Discussion

Entering a new market is an important step companies are willing to take in today's fast growing business world, it is a considerable decision to determine to which extent the chosen market would be beneficial or the opposite (Laird et al, 2003). For most firms, entering a foreign market symbolize a critical first step, on the other hand when it comes to established companies their problem does not rely on entering an emerging new market; it is more focused on developing techniques to take advantages of the opportunities in the most effective ways within their existing network of international operations (Hollensen, 2014).

Expanding to international markets could be driven by economical characteristics of the foreign country business environment, recognized growth of the market or the potential competitive benefits (Laird et al, 2003). According to Gallego et al (2009), in order for companies to build an effective strategic approach; they should consider both present and future potentiality of the chosen foreign market. Companies should as well have a strong commitment regarding financial and managerial resources and develop various research methods while examining the new market size, level of development, trade and infrastructure as well as competitive environment and timing of entry (Mitra & Golder, 2002; Green, Barclay & Ryans, 1995).

According to Meyer (2001) entering a foreign market can be accompanied by a variety of external challenges that includes competition intensity, the market potential; economical growth of the host country, cultural distance, law and financial issues. There are also different internal factors that could affect a company decision to enter a new market such as the

company's international experience which would be measured through the firm's ability to successfully manage their operations internationally; firm size which signifies the company's resources availability to be committed in an international level (Hollensen, 2014). The challenge for companies relies on their ability to consider and be highly aware of all the external and internal factors to turn threats to opportunities and still be able to create a competitive advantage; using the internal and external challenges to the firm's advantage could be a good tool for differentiation when entering a foreign market.

1.3 Purpose of Study

The purpose of this study is to investigate internal and external factors that could affect franchising entry of international companies into the Moroccan market.

1.4 Research Question

- RQ1: Which internal and external factors that could affect franchising in Morocco?
- RQ2: Which are the significant steps to consider when entering the Moroccan market?

1.5 Delimitation

This study consists of few concepts that have created delimitations in the chosen subject. The paper is focused on applying franchising model to enter the Moroccan market, which could be a delimitation to miss investigating other entry modes possibilities. The other delimitation is the fact that the paper is focused on the Moroccan market as a whole instead of a specific industry in this case furniture industry to back up IKEA case study and that is due to time limitation, location barriers and budget. For that reason the study will be limited on the extent internal and external factors could affect franchising in Morocco.

2. Theoretical Framework

This section will carry a couple of interesting theories that are relevant for the chosen subject and will support it throughout the research paper.

2.1 Market Entry Strategy

Market entry strategy is when introducing new products to new/existing market which can cause an impact on the market from their time of entry (Green, Barclay & Ryans, 1995). A market entry involve a combination of factors that determine firms' foreign market entry decisions, which consist of cultural aspects, Location costs, internalization, financial variables, competitive strategy and the cost of doing business abroad (Buckly & Casson, 1998). Entering a new market is one of a firm's most important strategic choices, it requires strong commitment concerning financial and managerial resources and a variety of research methods in several fields such as country size and the level of development, trade and infrastructure (Mitra & Golder, 2002) as well as competitive advantages, market assessment and timing of entry (Green, Barclay & Ryans, 1995).

In choosing market expansion strategies, companies face several elements that can cause a variety of competitive conditions in different markets over time; these challenges could appear in different forms such as firms that gain fast rate growth through short product life cycle can develop entry barriers against competitors and increase profitability. On the other hand choosing few markets for accelerated growth can lead to increased market share and indicate a powerful competitive state (Hollensen, 2014).

Companies may pursue different types of strategies to establish in certain markets, one of these strategies is a global strategy. A global strategy is driven by the environment of the international competition in certain industries (Hutt & Speh, 2010). In order for firms to stand international competition they should create an integrated global plan consisting of a set of choices as shown in the following figure:
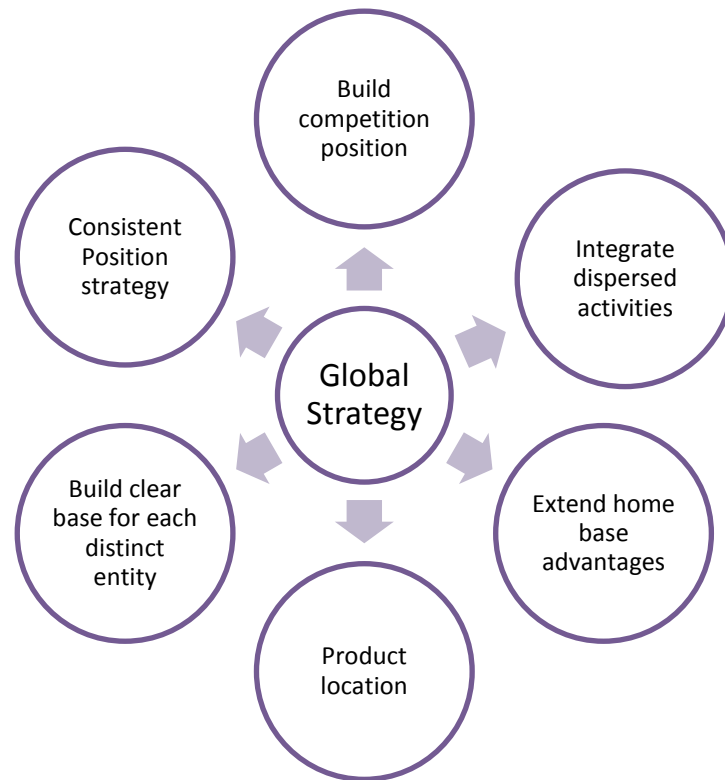
Figure 2: General Framework for Global Strategy (Hutt & Speh, 2010 p. 200).

According to Hutt and Speh (2010), for a firm to build a unique competitive position, it is important to focus on globalizing the business and product lines where it has most unique and strong advantages; the key to achieve this competitive advantage relies on the company's ability to create cost differentiation, perform activities at a low cost or carry out activities that can help on creating customer value and supports a premium pricing strategy. Another approach to a successful global strategy could also be to emphasize a consistent positioning strategy through augmenting a distinct strategy and keep the company's strategic attention highly focused on the greater international opportunities; as well as establishing a clear home base for each distinct entity through locating the business where the strategy, product, technology and the advanced production are maintained. For an effective global strategy, companies should as well focus on distributing their product-lines and activities to home bases at different locations with the most advantageous opportunities; and integrating their activities to avoid any challenges that could arise due to language and cultural differences when it comes to international markets (Hutt & Speh, 2010).

Entering a new market requires several entry modes that could help the firm on making the right decisions, the previous should be based on balancing risks and rewards resulted from the chosen entry (Rienda & Quer, 2007).

2.2 Market Entry Modes

When a company decides to expand internationally, its market operations depend on its choice of entry mode. A foreign entry mode illustrates a settlement that a parent company adopt while entering a foreign market, choosing the right entry mode is a very critical determination since it can affect future decisions (Hollensen, Boyd & Ulrich, 2011).

Entry modes are based on the entering firm's involvement level, or the degree of influence over its operations, along interrelated dimensions of equity ownership and control (Aulakh, Cavusgil & Sarkar, 1998). There are different reasons behind firms choosing the most suitable entry mode; some entry mode theories presume that companies would select the entry modes that have a higher percentage of return on investments (Brouthers, 2013).

There is a variety of entry modes that firms can adopt when entering a new foreign market, these modes fall into three categories depending on its level of control; the following table shows the category of each mode and its form of arrangements:

Table 1: Entry Modes Categories

Categories	Entry Modes	Arrangements
High Control Modes	Wholly Owned Subsidiaries	The owner of the parent company has full control over the business in the new market.
Intermediate Modes	Strategic Alliances Joint Ventures	Partners agree to share technology, jobs, and resources & provide support to each other during the agreed time.
Low Control Modes	Indirect Export	The parent company use independent organisation located in the home country/ third country.
	Direct Export	The parent company sells directly to a distributor, agent or importer based in the market.

(Hollensen, Boyd &Ulrich, 2011)

2.2.1 Franchising

The origin of the franchising term is derived from French language; the meaning of it is "to be free from servitude". It became more common to practice the franchise activity in the early beginning of 1970s; franchising concept was popular in the US where more than one-thrid of retailers applied franchising compared to 11% in Europe (Hollensen, 2014).

In the business circle today the meaning of a franchise is a contract that is granted by a national or regional chain giving a unique right to operate one of their channels within a specific area based on a payment of an initial percentage of sales; usually using the parent company equipments, supplies, merchandising and advertising (Cavaliere & Swerdlow, 1988)

Another given definition to this mode is that Franchises are set up by established firms in concert with partners as well, namely the franchisee where the last one combines parent-company resources such as brand name and operational routines with the financial capital and prior management experience of franchisees. In franchising arrangement the Franchisee actually pays the franchisors a royalty based on franchisee sales. Franchisors often use franchising as a form of geographic market entry, where the local market knowledge, financial and human capital of the franchisee supplements the franchisor's brand name and business concept (Constance & Lieberman, 2002).

The franchise system can be practiced in two forms, a direct and an indirect system. In the direct system, the franchisor is monitoring and controlling in a direct way all the activities of the franchisees. While in an indirect system, a master franchisee named the sub-franchisor is assigned to organize and service its own group of franchisees inside its local domain (Hollensen, 2014).

Adopting franchising while entering a new market could be both advantageous and disadvantageous:

Franchising Disadvantages

- Potential sensitivity between franchisor and franchisee when it comes to managerial matters, in some cases franchisee could take matters to court.
- The interest of the franchisor and franchisee may not always coexist which might create possibilities for legal ethical conflicts.
- Franchising involve several problems that are resulted by incompetent management (Cavaliere & Swerdlow, 1988).

Franchising advantages

- By using other people money and credit, franchising allows the franchisor to establish rapidly in the market place.
- The franchising usually provides the franchisor with a motivated and competent team of owner managers.
- Royalty fee is one of the main drivers for franchising (Cavaliere & Swerdlow, 1988).

However franchising offers a unique organizational relationship between the franchisor and the franchisee in which both parties bring beneficial qualities to the business. The franchising system combines both the benefit of economy of scale presented by the franchisor together with local knowledge and the entrepreneurial skills of the franchisee (Hollensen, 2014). The success of a franchise activity relies on two key success aspects, which rest on the interdependence of the franchisor and the franchisee; the two factors are the level of integrity of the entire business system and its capacity for renewal (Ibid).

2.2.2 Strategic Alliances

In contrast to franchising, alliances is one of the entry modes that could be applied while entering a new market, it is an entry form that gives companies the right to develop, share and use resources overtime with the joint governance. Since alliances are built on acquiring new knowledge in order to be able to compete and maintain a continuous growth in the chosen new market, firms are required to understand the full concept of alliances to reach effective strategic management (Ranft & Marsh, 2008). This approach is highly suitable for markets entry or shore up existing weaknesses and increase competition advantages; Alliances present a variety of benefits such as access to new markets or technology, economies of scale in manufacturing as well as marketing. When adopting strategic alliance mode, companies face several management challenges such as: 1) the differences between partners in handling marketing and product design decisions which creates conflicts in coordination and trust issues 2) In some cases, partners that incorporate their most effective skills in one country might be poorly supplied to support one another in other markets causing difficulties on implementing alliances in a global level 3) Since technology is rapidly growing, the most appealing partners today may not be the most attractive tomorrow which creates problems to keep alliances by time (Hutt & Speh, 2010).

21

2.2.3 Joint Ventures

As opposed to franchising joint ventures is an arrangement between legally and economically two independent entities formed by two or several parent companies that jointly invest capital and a variety of resources in the aim to reach specific strategic goals. This entry mode serves the process of a long-term collective strategy, it allows the sponsoring partners to get involved and contribute across national and cultural boundaries (Yan, 1998). Several companies might be strained to into a joint venture in a specific foreign market due to a variety of factors such as local government policies, nationalistic feelings and severe competitive pressure (Albaum & Duerr, 2011).

Forming a joint venture contract can vary depending on the aim of the joint venture and combined implementation; which results on two forms of joint ventures. One could be applied when creating a firm, the other when cooperating without creating a company. The previous forms could be applicable in several situations:

Contractual joint venture contract: This is a form that regulates collaboration between partners; however in this case there will be no creation of any legal entity instead a collective group would be formed. These forms of model agreements are applicable for commercial and industrial activities in which joint ventures are highly practiced.

Incorporated joint venture contract: This model is used to create one or several joint venture firms that are legal entities approved to perform a common activity. Under this contract form, it is allowed to create a company in a distinct foreign country. Nevertheless, in addition to the joint venture agreement the collaboration of partners needs further legal requirements (www.tradeforum.org).

2.3 Factors Affecting the Entry Mode Decisions

There are a variety of factors affecting a company entry mode decision for a chosen product or target country, the firm's need to forecast the strengths and directions of these factors makes the entry mode decision a complex procedure with a variety of trade-offs among alternative entry modes (Hollensen, 2014).

2.3.1 External Factors

When a company decides to expand internationally, they face several factors that will affect their entry mode decision. The external forces a firm would experience throughout the decision procedure are: Socio-cultural distance, country risk, Market size, direct and indirect trade barriers, intensity of competition.

2.3.1.1 Socio-cultural Distance

A socio-cultural distance illustrates the differences between a company's home country and its host country; these socio-cultural differences can develop internal uncertainty for the firm which can affect the entry mode choice of the company. These distance could be in term of cultural differences, economic systems and business arrangements, the greater the distance in the mentioned areas the more likely it is that the company will hesitate to get involved in direct investments in a form of joint venture or even a low risk entry mode option such as agents or importers. In cases when the socio-cultural distance is high; companies will prefer entry modes with high flexibility level and low resource engagement. However some socio-cultural differences seem to be more powerful than other in affecting a company's entry mode decision; facing a language barrier is not as capable to affect firm's decisions like religion, degree of democracy and industrial developments (Hollensen, 2014).

2.3.1.2 Country Risk

According to Hollensen (2014), foreign markets are usually anticipated to be uncertain than the domestic markets. The level of risk a firm faces in the foreign market doesn't only rely on the market environment itself but also the firm's involvement method; therefore during the procedure of choosing the suitable entry mode, the company should apply a risk analysis of both the market situation and the method of entry. In cases where the country risks are high, companies would restrain their resource commitments in the specific national domain and adopt entry modes with low resource obligations to limit their exposure to the country risks.

2.3.1.3 Market Size & Growth

The country size and market growth are two significant measures that could affect the entry mode choice. The larger is the country size the more likely management will carry out resources to its development; in such conditions companies would consider establishing a wholly owned subsidiary or take part in a majority owned venture to ensure maintaining control over operations to provide management with direct contact in order to be able to steer market improvement effectively (Hollensen, 2014). On the other hand, small markets that cannot be serviced easily by the neighboring countries due to geographical barriers may not get any attention or resource; therefore it will be much effective to supply them through exporting or licensing arrangements (Ibid).

Market growth is also a very significant key on entry mode selection, if a market is growing rapidly but not in a sustainable rate; firms will have an advantage to react without any delay and apply indirect or direct exporting. While if the demand in a foreign market is perceived to be very high but only in several years; establishing owned subsidiary may be the best approach (Koch, 2002).

2.3.1.4 Trade Barriers

Hollensen (2014) explains that tariffs or quotas on the import of foreign products and components prefer establishment of local production or assembly activities. A government may reinforce a tariff system for the purpose of keeping products out of the country (protective tariff) or to produce tax revenue (revenue tariff); quotas are as well provisions to limit the amount of foreign products that can be imported, in some other countries they can be reinforced on exports as a part of national planning (Albaum & Duerr, 2011). Trade regulations and local suppliers preferences also have an impact on entry mode choice, in a country with a high preference to local suppliers or national products often drive the firms to consider joint venture arrangement or other type of contractual commitment with a local company which help foreign firms to create local contacts, establish distribution channels and diminish the foreign image (Hollensen, 2014).

2.3.1.5 Competition Intensity

When a company is entering a foreign market, they should never underestimate local competitors. Competition grows during the firms search for niches in the economic world while trying to make the most of their uniqueness. Therefore companies strive to establish a differential advantage that can put the firm ahead of their competitors and that what makes

competition a dynamic world (Albaum & Duerr, 2011). With an intensive competition level in the host country, firms will try hard to avoid internationalization since such markets are more likely to be less profitable for that reason it doesn't confirm excessive resource engagement. However, the higher competition intensity in the host country the more companies will adopt entry modes with the lower resource commitment (Export modes) (Hollensen, 2014).

2.3.2 Internal Factors

There are three main internal factors that would affect a company's entry mode decision: the firm's international experience, Firm size and product/service characteristics.

2.3.2.1 International Experience

Hollensen (2014) explains that the international experience of a company has a significant influence on the mode choice; the experience of a firm will be introduced through its managers' ability to cope and handle international issues. It is also the extent in which a firm has been active in doing business in an international scale, which can be through operating in a specific host country or involvement in the international environment. This experience can decrease the costs and uncertainty of supplying a market as well as boost the chances of companies engaging resources to international markets which encourage the selection of wholly owned subsidiaries. Furthermore, uncertainty in international markets can be decreased by substantial operations in foreign markets instead of acquisition of objective knowledge which indicate that direct experience with foreign markets is more likely to expand the resource commitment in this markets (Ibid).

2.3.2.2 Firm Size

The size of the firm signifies their resources availability, increasing resources availability contributes to the basis of increasing international commitment over time. When it comes to small and medium enterprises, they might prefer a high stage of control over international transactions and aspire to produce heavy resource commitment to foreign markets. They are more likely to penetrate foreign markets using export modes since they don't have enough resources needed to reach a high level of control. As export entry modes have a low resource commitment, it might be more applicable for small and medium enterprises and as the firms develop it will to a great extent use a hierarchical form (Hollensen, 2014).

2.3.2.3 Product and Service

The nature of the product/service influence the entry mode selection, products can vary in their characteristics in different ways such as unit value, weight and bulk and technical

complexity; these factors can determine where the company should locate its production. For instance, the technical nature of a product might require maintenance both before and after sales; also the weight and size of a product may require the use of special handling facilities that marketing organizations might not possess (Albaum & Duerr, 2011). A product variation in characteristics (brand name, advertising, warranties and replacement policies) increase the preferences for one product over another which can grant the company a possibility to intake the higher costs for being in a foreign market. A product differentiation advantage also gives companies some credits to higher prices in order to exceed costs by more than usual profit rate; since product differentiation advantage is introduced as a "natural monopoly", firms try to protect their competition strength through applying hierarchal modes of entry (Hollensen, 2014).

2.4 Culture

Culture is a collective phenomenon as it is slightly shared with individuals who live or lived inside the same social surroundings and learned the same cultural concepts; culture is formed of unwritten rules of the social game. It is a corporate programming of the individual mind that separate members of a category of people from others; it is learned not inherited since it is driven from an individual social environment instead of their genes (Hofstede J., Minkov & Hofstede, 2010). Culture has a great impact on consumers' behavior which is one of the main corners of a market; it also influences the political/legal environment of a country altering the way the economic systems function and the attitudes toward competition. Companies chance to reach successful results in international marketing depends on their understanding to the cultural differences of the foreign market; which relies on learning its origin, history structure and functioning and the way institutions have developed to cope with the environment and the influence of geographical environment on culture (Albaum & Duerr, 2011).

History, religion, values, social organizations and languages are the five elements that differs every culture from the other. By understanding these elements individuals will be able to acknowledge that all cultures share a common set of aspects that make each culture special in different manners (Samovar, Porter & McDaniel, 2007).

Culture is a significant determinant of ethical decision-making; it influences how individuals identify ethical problems, options and consequences. For firms to succeed in today's international markets, it is critical for managers to be aware and fully understand how ideas, values and moral standards vary across cultures and could easily affect marketing decision-

making (Hollensen, 2014). Classifying cultures on different dimensions shown great results for being a very constructive method; therefore companies classified as most ethical usually address the following issues as their code of ethics: Organizational, economic, employee, customer, industrial and political relations; such classifications help firms to vocalize and label cultural differences and similarities (Ibid).

2.4.1 Culture & Trust

Creating a culture of trust is an important element while doing business in a foreign environment, in some cultures carrying out a business activity is usually done with a company but in other cultures it is deeper than that as they believe business is done with an individual whom they can trust along their business journey. This type of belief is usually found in collectivistic societies where people value relationship of trust before taking any step toward business arrangements; in the mind of a collectivistic individual, only natural persons are worthy of trust and can be adopted to one's in-group to be entitled to the preferential treatments (Hofstede J., Minkov & Hofstede, 2010). In a market place that is becoming increasingly complex and uncertain, companies are focusing more and more on building trust between collaborating individuals, groups and together with their clients as well; interpersonal trust becomes very important in an attempt to switch managing organization through control to managing it by a culture of trust. The most desirable business culture to work in would be high trust and low regulations since it leads to responsible independence (Dani, Burns, Backhouse & Kochhar, 2006).

2.4.2 Hofstede Cultural Dimensions

In order to define the culture differences Geert Hofstede developed the intercultural dimensions model, his dimensions were conducted through a study of IBM employees between 1967 and 1978 which was held in 40 countries. The information collected throughout the study permitted Hofstede to recognize seven elements that affected all the cultures: Individuals and groups' interaction, inequality, masculinity and femininity concepts, uncertainty, long time orientation, pragmatic and normative and indulgence and restraints (www.geerthofstede.com).

Individualism & Collectivism

Individualism versus its opposite collectivistic pertains to societies in which the ties between individuals are loose: everyone is expected to look after him- or herself and his or her immediate family (Hofstede, Hofstede J. & Minkov, 2010); where people usually feel little

27

need to depend on others since they are seeking to fulfill their own goals over those of the entire group (Hollensen, 2014). While collectivistic occur in societies in which people from birth onward are integrated into strong, cohesive in-groups, which throughout people's lifetime continue to protect them in exchange for unquestioning loyalty (Hofstede, Hofstede J. & Minkov, 2010). Collectivistic managers are highly loyal to their company and continuously contribute during decision making (Hollensen, 2014).

Power Distance

Power distance is a dimension that illustrates the level of equality/inequality between people in a specific society. In a low power distance society, equality is seen as the main aim of the society and where upward mobility is common, while in a high power distance societies inequality between people is more tolerated; for example a society where certain class has more power to decide what rules or procedures will be followed to attain the desired ends. The answer to this question is affected by cultural norms of power distance (Hofstede, Hofstede J. & Minkov, 2010). According to Hollensen (2014), the lower the power distance, the higher expectations the individuals will have to participate in the organizational decision-making procedures unlike a high power distance societies where few people at the top make all the decisions and individuals at the other end only follow this decisions.

Masculinity & Femininity

Masculinity refers to countries that reinforce or do not reinforce the masculine values such as male work role, achievement, control and power, performance, money and competition over feminine values like quality of life, maintaining personal relations, care for weak individuals and protecting the environment and unity (hollensen, 2014). In countries with high masculinity men dominate a large part of society and the country experience a noticeable degree of inequality between genders while in low masculinity societies there is more equality between genders and where women are equally treated and appreciated (www.kwintessential.co.uk).

Uncertainty Avoidance

Uncertainty avoidance deals with the tolerance of a society for uncertainty and ambiguity and shows to which degree people in a certain society favor formal regulations, fixed arrangement of life like work, laws and career. It is also related on the ability of a society to take risks in life, in low uncertainty avoidance societies individuals face the future as it would be without feeling stressed about the unknown. While in high uncertainty avoidance cultures, individuals commit in activities with a long-term planning to avoid as much barriers and difficulties as possible to minimize the stress level associated with future events (Hollensen, 2014).

Long-term Orientation

Another dimension is the long-term orientation aspect which focuses on the degree a society does or does not embrace the forward thinking values. In high long-term orientation societies people tend to value commitments and respect traditions. While in low long-term orientation countries, people do not reinforce the traditional orientation (http://www.ctp.bilkent.edu.tr). This time orientation concept can be seen as the way organization perform a pragmatic future-oriented perspective instead of a short term plan of events (Hollensen, 2014).

Pragmatic vs. Normative

The following dimension identifies how people nowadays relate to the difficulties in understanding the events that is happening around them but cannot be justified. Normative cultures people are more oriented to have a strong devotion to explain as much as possible; due to their concern on demonstrating the absolute truth and the need to reach personal stability. They are highly respectful for social conventions and traditions and they present a small propensity to save for the future and focus on reaching quick results. On the other hand, pragmatic societies consist of the group of people that don't have a need to explain everything, they believe that life is complex and cannot be fully understood; in their opinion the challenge is not to know the truth but to live honorable life. Societies with pragmatic orientation believe that truth depend heavily on time, situation and context, they show an ability to accept contradictions and adapt according to the circumstances. They also exhibit a strong propensity to save and invest to achieve aimed results (geert-hofstede.com).

Indulgence vs. Restraint

Indulgence represent societies that allow relatively free gratification of basic and natural human motivation related to having fun and enjoying life while Restraint stands for societies that restrain gratification of needs and control it by a variety of strict social norms (geert-hofstede.com).

2.5 PESTEL Analysis

PESTEL Analysis is an interesting tool that is widely used to clarify the perceptions of Political, Economic, Socio-cultural and Technological, Environmental and Legal issues that companies are dealing with. The following table identifies some concepts of the sub-factors that PESTEL Analysis stands for:

Table 2: PESTEL Analysis

Political	Political stability
	Political changes
	Government type
	Policies/ Laws
	Bureaucracy
	Corruption
Economic	National Income
	Investments encouragement
	Economic growth
	GDP growth
	Unemployment
Social	Life-style
	Education
	Culture
	Individualism/collectivism
	Communication differences
Technological	Technology investment
	Research & development
	New technology adaption
Environmental	Green solutions
	Transportation foundation
	Environmental management
Legal	Competition regulations
	Juridical arrangements
	Laws reinforcement

(Yükse, 2012)

PESTEL Analysis is usually applied by business directors all over the world to support them frame the company's future vision. It can be effectively used to ensure that what firms are

doing is positively aligned with the world changes; this awareness about the world changes would help companies take advantages of opportunistic changes and increase chances of growth. For companies that are expanding internationally, the use of PESTEL would support them overcome senseless assumptions and easily adapt to the contrast in the new environment (depts.washington.edu).

Firms can apply PESTEL Analysis in several cases as stated below; such as when a company plans to launch a new product or service, enter a new region or foreign market, or when a firm is considering a new route to their market as well as working as part of a strategic project team:
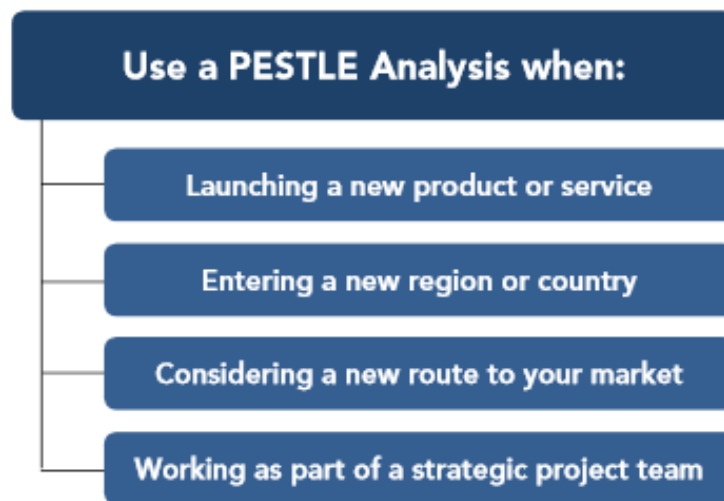
Figure 3: PESTEL Analysis practices (www.free-management-ebooks.com).

3. Conceptual Framework

According to Bryman & Bell (2011), concepts are considered to be the landscape in a qualitative research; nevertheless the way the concepts are applied is usually different when developing a quantitative research strategy. Highlighting the concepts and contexts of the research help on focusing on the main fields of the study; it is a measure to define the territory of the research in hand as well as indicate the theories that would be applied (Leshem & Trafford, 2007). A conceptual framework is also a less complex form of theories that describes an abstract aspect which might appear under common conditions (Ibid).

Since conceptualization is considered to be an important path that provide a clear image of a research; the author developed a figure that includes the significant concepts that the study is based on:
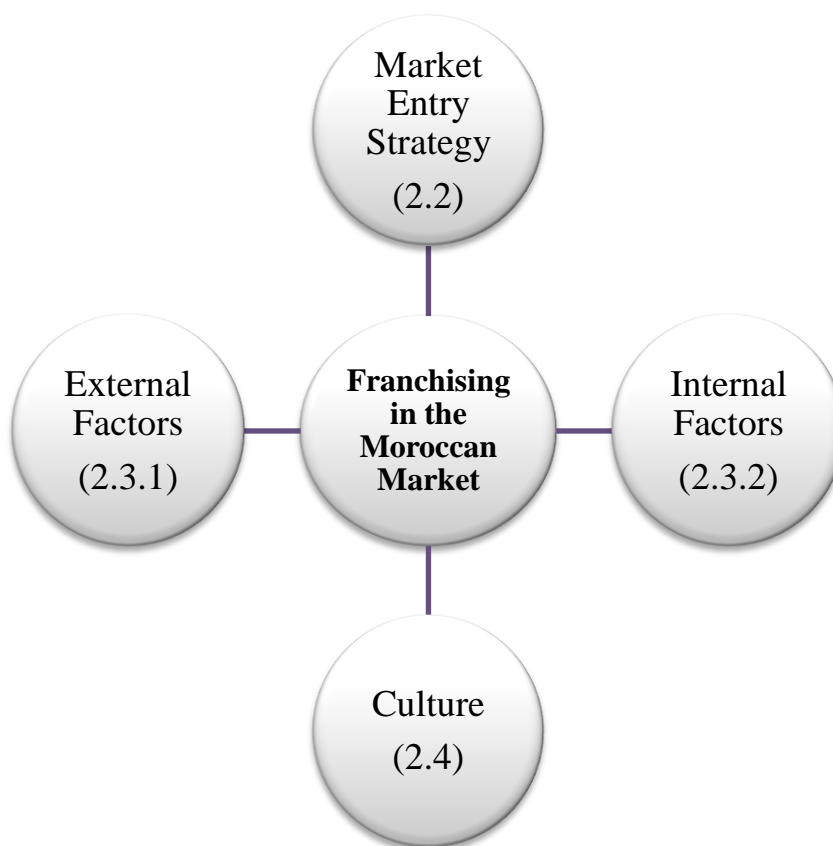
Figure 4: Conceptual Framework

4. Methodology

The methodology chapter will contain a variety of definitions and clarification of the several methods that have been used throughout this paper in order to build a rigorous research.

4.1 Research Approach

The following section will demonstrate the types of research approaches that have been used in order to meet the paper research purpose and the reason behind choosing certain methods instead of others. This will include an illustration between deductive vs. inductive approaches and qualitative vs. quantitative methods.

4.1.1 Inductive vs. Deductive Research

While conducting a research, there are two different research approaches that can be used: inductive and deductive. If the research is based on a deductive approach, it will be required from the author to ask a diverse number of questions and reflect on what might be instead of what exists in the data (Heath & Cowley, 2004); since the deductive approach is based on testing processes which begins with an established theory or a generalised concept and aim to examine if the theory applies to specific instances (Hyde, 2000). On the other hand, inductive research starts with observation of particular instances and attempt to establish a generalised approach (Hyde, 2000). It is mainly based on empirical data from which the author develop theories and models based on several occurrences in real life (Oghazi, 2009).

Since the following paper is based on examining theoretical concepts about new markets and raising questions about entry modes and the factors influencing modes selection, it is decided that a deductive approach is the most suitable research technique. By applying a deductive method, the author will use the theoretical frame work to collect relevant data in order to build a reliable and accurate analysis and conclusion.

4.1.2 Qualitative vs. Quantitative

When conducting a research it is important to choose the right method that would provide and support the study with the right and most reliable data. There are three research approaches that one can use as advanced research approaches: quantitative, qualitative and mixed methods. Qualitative and Quantitative methods are not meant to be viewed as strict, distinct categories or absolute opposite; they actually represent different ends on a continuum; while

mixed methods research locate in the middle of this continuum since it combines both quantitative and qualitative approaches (Creswell, 2014).

Quantitative research is a method based on examining objective theories through an evaluation of the connection between variables; the tested variables can be measured so that the numbered data could be analysed through the use of statistical procedures (Creswell, 2014). This method involves complex experimental concepts that contain many variables and treatments; as well as an elaboration of structural equations that combines casual paths and the collective form of diverse variables (Creswell, 2009; Oghazi et al. 2009).

Qualitative research approach is built on exploring and comprehending the meaning that groups or individuals contribute to a social issue. The form of the following research include a diversity of arising questions, it focuses mainly on individual meanings and the importance of interpreting the level of complexity in a certain situation or issue (Creswell, 2014; Philipson and Oghazi 2013).

The third research method is a mixed approach; where one can incorporate both quantitative and qualitative techniques. Using both approaches include philosophical assumptions; which is more than only gathering and examining both methods, it is actually the use of both method aligned to create a balanced and strong study that could be greater than either method by itself (Creswell, 2009).

The three research approaches above have several alternative of research model that could be suitable depending on each research purpose or aim. The following table illustrate the research alternatives of each method:

Table 3: Alternative research models

Quantitative	Qualitative	Mixed Methods
Experimental & None-experimental designs	Case study	Transformative/ multiphase
	Narrative research	
	Phenomenology	Convergent
	Grounded theory	Explanatory sequential
	Ethnographies	Exploratory sequential

Source: (Creswell, 2014)

This paper will be carried out using a qualitative approach since the subject handled in this paper requires a critical and in depth investigation. The research questions addressed in this research demand a deep knowledge and full scale interviews to construct a rich and reliable analysis upon which the purpose will be reached. Quantitative method was eliminated since the aim of the paper is to collect data that is based on describing meaning in a detailed form rather than drawing statistical conclusions.

4.2 Research Design

The Research design for this study is formed to answer the research objectives and build a framework to help in answering the research questions, choosing the right research could be highly critical since it can affect a great part of research activities. A research design introduces a design of the way valid data could be collected and analyzed in an accurate way; it is linked in a direct manner to the research questions of the handled project (Bryman & Bell, 2003).

While conducting a research, there are three types of research design that could be used (Ghauri & Grönhaug, 2005):

Exploratory Design is usually conducted to create a clear understanding of specific situations; it is the common approach to collect data to clarify ambiguous problems and issues. This method is not composed to highlight absolute answers instead it is a process where researches would discover data gradually and implied it to answer their questions (Ghauri & Grönhaug, 2005).

The second one is ***Causal Research Design***, This model is used to examine whether one variable determine the value of another variable. The main focus in this research design is to conclude the cause and effect relationship; since it highlight the reason behind why certain events happen in certain times (Ghauri & Grönhaug, 2005).

The last and third research design is the ***Descriptive approach*** which is common in business aspects; it focuses on describing a group of people or entities while answering who, what, when, where and how questions. Descriptive method can be conducted in a form of cross-sectional design that indicate that the author is observing one aspect each time; a cross-sectional design can as well be used in two ways single cross-sectional and multiple cross-sectional designs where multiple variables could be compared (Bryman & Bell, 2003).

In order to decide which research design that should be adopted for this study, there was many aspects that have been taken into considerations as the purpose of study and the objectives that need to be reached through using the right approach. After considering the previous concepts, a descriptive research design was chosen to support the research process of this study since it will be built on examining the degree in which external and internal factors affect franchising activity in Morocco. In this case the causal design was eliminated as the study won't be built upon examining variables against each other; and it was not suitable to use an exploratory research since the study aim is not to clarify a specific problem.

4.3 Data Sources

During the empirical findings data collection, there are two different methods to be used: primary and secondary data. The previous methods are applied separately or combined depending on the research method used by the authors.

Primary data is the data that have been collected for a specific research to support its objectives and purpose; by using a variety of instrument that could fit the research problem best (Hox & Boeije, 2005). By using primary data, the author will be able to acquire a deeper understanding of the studied subject since the process of collecting data in this method is practiced directly with the main source (Yin, 1994).

On the other hand, secondary data is information that has been initially collected for previous researches and purposes in order to answer different research questions; basically it is primary data that have been collected and stored to be secondary information. By using this type of data, researchers should be aware to retrieve the relevant information and be able to evaluate if it reaches the quality requirements (Hox & Boeije, 2005).

Both data sources carry some advantages and disadvantages; the following table outlines some of it:

Table 4: Advantages & Disadvantages of Primary and Secondary Data

Data	Advantages	Disadvantages
Secondary	- Cost & Time - Opportunity for longitudinal analysis - Subset analysis	- Lack of familiarity with the data - Complexity of data - No control over data quality - Absence of key variables
Primary	- Tailor made - Up to date	- Time consuming - Costly - Lack of answers

Source: (Krishnaswami & Satyaprasad, 2010, p.90; Bryman & Bell, 2011, p.314).

This study research is depending on both primary and secondary data, the primary data will be in a form of in-depth interviews with IKEA's managers and retailer in order to reach a profound knowledge about IKEA's ways of franchising and the possible internal and external factors that might affect their franchise in Morocco.

While secondary data will be based on gathering prior studies about IKEA entering different international markets, the company website and documents about past researches. A few information have been collected through the use of SWENACC webpage, *Swedish North African Chamber of Commerce* that contains information about Swedish and North African business communities and their progress during the past years; this information have helped on gaining a holistic view about North African business in a more generalized image. In order to collect more detailed information about the Moroccan market which is the core of this study, the author have contacted Business Sweden- the Swedish Trade & Invest Council and received a number of documentation, presentations and guides which introduce a variety of statistic studies, strategic and economic information about the Moroccan market. This variety of secondary data will be utilized to support the primary data and compare between both data to ensure reliability and avoid interview's bias.

4.4 Research Strategy

There are several ways in conducting a research study: Experiment, history, survey, archival analysis and case study (Yin, 2009); choosing the right research approach depend on the aim and purpose of the subject under hand. Each method of the above requires a different technique of collecting and analyzing empirical documentation through following its own logic (Yin, 2009). The five types of research strategies will be briefly introduced in the coming section.

A survey research is usually applied in order to provide a quantitative description of certain orientations, opinions or attitudes of a population through examining a sample of the chosen society; the research process of a survey involve a longitudinal and cross-sectional studies through utilizing structural interviews or in other cases questionnaires during data collection to build a generalization from the sample to the whole population (Creswell, 2014; Shah et al. 2010). The second research method is an experimental approach which aims to clarify if a treatment can affect an outcome; this approach is practiced through exposing a group of people to a specific treatment and retains it from another to test how the two groups scored on an outcome (Creswell, 2014). On the other hand, Archival analysis perceived to be based on observational procedures that require from researchers to examine the accumulated documentation and archives of the analyzed units; while a history method is more based on collecting historical data that have been studied and restored in historical collections (Bryman & Bell, 2011). Last but not least is case study method, this approach is found in several fields where researches develop in-depth analysis of a case which can be a form of event, program, activity, process or a case of one or multiple individuals. In a case study data collection is usually processed in a continuous time frame (Creswell, 2014; Hultman et al 2008). The major need for case studies relies on the aspiration to understand complex social phenomena; it is also more effective in presenting holistic and significant characteristic of real-life matters such as organizational and managerial processes, global relations and development of industries (Yin, 2009).

Choosing which of the five methods are suitable while conducting a research relies on three different conditions: type of research question, the level of control over actual behavioral events and the extent of focus on contemporary as opposed to historical events. The following table illustrates how each of the three conditions above are linked to the five research methods:

Table 5: Relevant situations for the five research strategies

Methods	Form of research question	Requires control of Behavioral Events?	Focuses Contemporary Events?
Experiment	How, Why?	Yes	Yes
Survey	Who, What, Where, How many, How much?	No	Yes
Archival Analysis	Who, What, Where, How many, How much?	No	Yes/No
History	How, Why?	No	No
Case Study	How? Why?	No	Yes

Source: (Yin, 2009, p.8)

Since the purpose of this study is to investigate and describe the degree internal and external factors might affects franchising in Morocco; the author have eliminated the possibility to use experiment, survey, archival analysis and history methods due to its unsuitable measurements and data collection approach which will not be helpful in reaching the needed data to fulfill the study aim and objectives. Instead the author has chosen to apply case study research strategy through studying IKEA (see appendix G), since the study is researching a contemporary event rather than a historical one. The research purpose that has been stated above is a descriptive method therefore it will require inside information and data to determine that a case study would be the right tool to support the study aim. The case study form will be a single case study rather than a multiple case study due to the lack of time.

4.5 Data Collection Method

As indicated in the section above, the research strategy chosen was case study approach; when using a case study method there are a variety of data collection arrangement that should be considered to ensure applying the most convenient technique. There are six different sources of evidence that are commonly used in conducting case studies: documentation, archival

records, interviews, direct observations, and participant-observation and physical artifacts; it is clarified that none of the sources above have a complete advantage over the others.

In fact, using as much source as possible is highly supportive and efficient in a case study (Yin, 2009). The table below is an overview of the six main sources and its strengths and weaknesses:

Table 6: Six sources of Evidence: Strengths & Weaknesses

Source of Evidence	Strengths	Weaknesses
Documentation	- Stable- can be reviewed repeatedly. - Unobtrusive- not created as a result of the case study. - Exact- contains exact names, references, and details of an event. - Broad coverage- long span of time, many events, and many settings.	- Retrievability- can be difficult to find. - Biased selectivity, if collection is incomplete. - Reporting bias- reflects (unknown) bias of author. - Access- may be deliberately withheld.
Archival records	(Same as those for documentation) - Precise and usually quantitative.	(Same as those for documentation). - Accessibility due to privacy reasons.
Interviews	- Targeted- focuses directly on case study topics. - Insightful- provides perceived causal inferences and explanation.	- Bias due to poorly articulated questions. - Response bias - Inaccuracies due to poor recall - Reflexivity- interviewee gives what interviewer wants to hear
Direct observations	- Reality- covers events in real time - Contextual- covers context of "case"	- Time consuming - Selectively- broad coverage difficult without a team of observes - Reflexivity- event may proceed differently because is it being observed - Cost-hours needed by observers

Source of Evidence	Strengths	Weaknesses
Participants-observation	▪ (Same as above for direct observations) ▪ Insightful into interpersonal behavior and motives	▪ (Same as above for direct observations) ▪ Bias due to participants-observer's manipulation of events
Physical artifacts	▪ Insightful into cultural features ▪ Insightful into technical operations	▪ Selectivity ▪ Availability

Source: (Yin, 2009 p.102)

In order to carry on the chosen case study, it was required to choose some of the sources above to collect the most appropriate data. Therefore, in this study the author will use in-depth interviews and archival records to accumulate all the needed data to reach the paper purpose and aims. Interviews are one of the most important and essential sources in generating case study information; the interviews are formed as a conversation instead of a structured query. Interviews in this study will be formulated as in-depth interviews with IKEA's managers; this type of interviews can handle facts of matters as well as the managers' personal opinions about certain events (Yin, 2009). The second source that will be used throughout this study is archival records which are usually computer files, company records and maps and charts etc (Yin, 2009). When it comes to archival records that will be collected to serve the purpose of this study, it will take form of IKEA's website, company presentations, documents of Moroccan market studies etc. The reason behind using archival records is to collect a rich collection of data that could be used later on supporting the analysis and also compare it with the interview answers to decrease the level of bias and increase validity.

4.6 Data Collection Instrument

This section will introduce a profound discussion of the two data collection instrument mentioned in the section above that will be used in collecting information for this study. The first data collection method is interviews, according to Yin (2009), table 5 in the previous section, interview approach have different strengths and weaknesses that should be taken into consideration during the preparation to begin an investigation. Interviews are précised and focus directly on handling the case study topic since it provides perceived causal

presumptions and deeper explanations. On the other hand, it could be also tricky due to bias caused by poorly composed questions and might be as well misguided by the interviewee to hide certain information or provide the interviewer with answers that might please him/her; another weakness of interviews is response bias which is resulted by the way the interviewer would interpret the interviewee answers. Throughout the interview process, the interviewer needs to follow certain steps to minimise any risk of bias and increase the questions quality by following a specific line of inquiry as it is shaped by the case study protocol as well as ask conversational questions in unbiased form that would as well handle the needs of the inquiry (Beheshti et al. 2014; Oghazi et al. 2012; Yin, 2009). According to Creswell (2014) interviews can be carried out in different forms, researchers might conduct telephone and face-to-face interviews with the participants or employ focus group interviews containing 6-8 interviewees per group; this type of interviews include few open-ended and unstructured questions in order to evoke the participants personal views, opinions and attitudes. The following table illustrates different types of interview approaches that researchers could use to expand their possibilities to collect as much data as possible:

Table 7: Interviews approaches

Interviews
- Conduct an unstructured, open-ended interview and take interview notes.   - Conduct an unstructured, open-ended interview; audiotape the interview; and transcribe it.   - Conduct a semi-structured interview, audiotape the interview, and transcribe it.   - Conduct a focus group interview, audiotape the interview, and transcribe it.   - Conduct different types of interviews: e-mail or Internet, face-to-face, focus group, online focus group and telephone interviews.

Source: (Creswell, 2014 p.193)

Creswell (2014) explains that in order to develop an effective and interesting interview, researchers should use an interview protocol that organise the process of asking questions and recording the answers during a qualitative interview; usually documenting information from an interview is practiced through handwritten notes, audio-taping or video-taping. A qualitative interviews could also be supported by archival records that would include qualitative documents such as public documents- official reports, annual reports etc (Oghazi et al. 2012; Creswell, 2014).

As mentioned before, in order to reach the purpose of this study the author had to conduct in-depth semi-structured interviews (See appendix A) with IKEA's managers from different departments to collect a variety of perspective concerning the same subject. In-depth interviews with Cathrin Lundberg, the manager of IKEA markets, and Marino Maganto, the CEO of SYH Retail, Kai Fuhlrott, the Deputy Retail Manager at IKEA and Laurent Tiersen, the Marketing Manager at Inter IKEA system were highly important since it represent how franchising and entering a new market is perceived within IKEA group and from the franchisee point of view as well (See appendix B).

4.6.1 Operationalization & Measurement of Variables

The aim from applying Operationalization process is to rigidly define variables to measurable factors, this method also help to define fuzzy concepts and differentiate each one from the other according to its meaning (Bryman & Bell, 2011). In order to highlight most relevant and essential concepts, the author focused on the main component in the theoretical frame which has direct relation to the purpose of the study and worked to break it down to detailed concepts that would be more understandable and easy to imply while organizing the questionnaire. To create a clear view of the operationalization process, the author decided to use a table which consists of four different corners- concept, conceptual definition, operational definition and scale which would help clarify each concept separately from the others and make the research more valid when it comes to quality criteria. The following table shows the operationalization process conducted for this study:

Table 8: The Operationalization Process

Concept	Conceptual definition	Operational definition	Scale
Market Entry Strategy	Market entry strategy is when introducing new products to new/existing market which can cause an impact on the market from their time of entry (Green, Barclay & Ryans, 1995).	A measure to examine the effect of entering the Moroccan market.	Questions 1-9 (Appendix A)

Concept	Conceptual Definition	Operational definition	Scale
Market entry modes	A foreign entry mode illustrates a settlement that a parent company adopt while entering a foreign market (Hollensen, Boyd & Ulrich, 2011).	A measure that reflects IKEA's entry mode choice to enter the Moroccan market.	Questions 1-9 (Appendix A)
Internal factors	Internal factors are a set of elements within companies that affect company's entry mode selection for a target country, these factors helps firms to assume strengths and directions to consider while entering a foreign market (Hollensen, 2014)	A Measure to examine the following Internal entry mode influencers: - International experience. - Firm size - Product & service.	Questions 10-17 (Appendix A)
External factors	External factors are a variety of components outside the company environment that influences companies' entry mode decision for a chosen product or market; these elements help firms to determine the right entry mode to choose (Hollensen, 2014).	A Measure to examine the following external entry mode influencers - Socio-cultural distance - Country risk - Market size & growth - Trade barriers - Competition intensity.	Questions 10-17 (Appendix A)

Concept	Conceptual definition	Operational definition	Scale
Culture	Culture is a collective phenomenon, it is slightly shared with individuals who live or lived inside the same social surroundings and learned the same cultural concepts; culture is formed of unwritten rules of the social game (Hofstede J. & Minkov & Hofstede, 2010).	A measure to research how cultural distance effect doing business in an International environment.	Questions 18-23 (Appendix A)

Apart using the interview questions as a scale to measure the different aspects of the study, the author also used concepts from literatures as a measure of the main theoretical aspects to increase the research validity and quality. Through using literatures, the author tried to create a reliable background of the significant concepts of this study and back it up with previous research approaches that have been measured and tested for similar study subjects. The table below shows the study main concepts and the measures applied which were collected from a variety of researches:

Table 9: Measurement of Key Variables

Concept	Measure
Market Entry Strategy	Foreign/new market (Buckly & Casson, 1998), Time of entry, Market assessment (Green, Barclay & Ryans, 1995), Global strategy (Hutt & Speh, 2010).
Market Entry Mode	Franchising (Hollensen, 2014), Franchising arrangements (Constance & Lieberman, 2002), Franchising performance (Hollensen, 2014)

Concept	Measure
External Factors	Country risk, Market size and growth, Trade barriers, Competition (Hollensen, 2014; Albaum & Duerr, 2011), Economy, Technology, Legal factors (Yurkse, 2012)
Internal Factors	Firm international experience, Company size. Product/service (Hollensen, 2014; Albaum & Duerr, 2011)
Culture	Trust (Hofstede J., Minkov & Hofstede, 2010), Individualism vs. collectivism, Power distance, Masculinity vs. femininity, Uncertainty avoidance, Long-term orientation (Hofstede J., Minkov & Hofstede, 2010; Hollensen, 2014)

4.6.2 Interview Guide

Interviewing can be conducted in different forms: Structured, semi-structured or unstructured. In the structured interview the interviewer use a complete script which is prepared earlier to avoid any kind of improvisation; this form of interviews are usually applied in surveys. While in an unstructured or semi-structured interviews the script is usually incomplete leaving space for the interviewer to improvise and probe (Myers & Newman, 2006).

The chosen interview approach for this study is the semi-structured interview, the reason behind this choice is that semi-structured interviews will be the most suitable approach to reach the needed data to support the study objectives since semi-structured interviews are more open, flexible and allow improvisation; with the combination of this elements the interviewer would have a bigger chance to exercise probing which could help on uncovering hidden issues.

While preparing a semi-structured interview, the script should involve several elements such as preparing the opening, preparing the introduction to explain the purpose of the interview, preparing the key questions and preparing the close which can be a follow up request if needed or recommendation of other people that can be interviewed as well (Myers & Newman, 2006). The table below display the method used to draw the interview questions

through combining the research questions and theories in order to create a relevant and intriguing questionnaire:

Table 10: Overview of the interview guide

Main concepts	Theories	Interview Questions	Interviewee
Concepts of market entry and market entry modes	Entry modes & Entry mode strategies	1-9 (Appendix A)	- Inter IKEA manager - CEO of SYH Retail - Deputy retail manager - Marketing manager
Types of Internal and External factors influencing the entry mode decision	Internal & External factors affecting entry mode.	10-17 (Appendix A)	- Inter IKEA manager - CEO of SYH Retail - Deputy retail manager - Marketing manager
Cultural Distance	Culture, Culture & trust	18-23 (Appendix A)	- Inter IKEA manager - CEO of SYH Retail - Deputy retail manager - Marketing manager

4.6.3 Pretesting

Pretesting method focuses on identify questions deficiencies such as obscure questions (Bolton & Ruth, 1993). In order to ensure that data collection is processed accurately, it is highly recommended that the completed version of the interview questions should be pretested to validate that there are no inadequacy regarding the clarity of the questions instructions (Oghazi, 2009). The previous process was conducted through presenting the interview questions to four different experts within the studied area, Dr. Pejvak Oghazi, Peter Caesar, and Dr. Setayech Sattari who are lecturers at Linnaeus University as well as Dr. Magnus from University of Leeds. They evaluated the interview questions and recommended a number of modifications that were needed to enhance the questions form and avoid unclear questions. By receiving the experts' feedback and altering the interview questions accordingly, face validity was conclusively proved.

4.7 Data Analysis Method

The main objective of a qualitative data analysis is simply to build a framework that is implied to guide the analysis of the data, in qualitative research design there are four different analytical methods to use; analytical induction, grounded theory, data reduction and pattern matching (Oghazi 2014; Bryman & Bell, 2011). Conducting an analytical induction is based on analyzing data in which researchers are pursuing universal clarification of specific phenomena by seeking the collection of data just before no cases that are contradictory with a hypothetical description of a phenomenon are found. On the other hand, grounded theory is a theory that is derived originally from data and systematically collected and evaluated throughout the research course; in this method theory, data collection and analysis process are closely connected to one another (Oghazi & Österberg 2003). The other two data analysis methods are data reduction and pattern matching; they are highly suitable for data derived from qualitative approaches such as interviews. To conduct a data reduction approach, researchers apply a process of selecting, focusing, simplifying, abstracting and transforming the collected data. In order to minimize the gathered information and organize it into relevant data, it is required to apply a process of categorizing and matching points and patterns to ease the process of drawing a reliable and valid conclusion (Oghazi 2013; Bryman and Bell, 2011; Ghauri and Grönhaug, 2005).

The methods used in this study for analyzing the collected data are data reduction and pattern matching approaches; as they are the most suitable methods for the following qualitative

study based on single case study methodology. Analysis data process is carried out in five different steps:

The first step is built on organizing and arranging the data for analysis, which is based on transcribing the conducted interviews, visually examine the materials, typing down field notes and sorting out the collected data according to the types of each source of information. The second step relies on reading and examining the data in order to reflect on the meaning of the entire information collection (Creswell, 2014). While the third step is when researchers begins to code all the gathered data through organizing it in form of combined mass of information represented under a specific coded category; segmenting and labeling important concepts into specific categories will ease developing data throughout the analysis process. In the fourth step researchers would represent the coded data in a narrative passage to convey the results of the analysis that might be formulated in a sequent of events; a variety of qualitative researchers also apply visuals such as figures or tables. The last step illustrates an interpretation of the collected findings and outcomes by asking "what were the lessons learned?" this interpretations could be the author's personal interpretation such as the understanding of a certain aspect affected by personal culture, history and own experience; interpretation can as well take different forms such as adapting several types of designs, flexible to transfer personal, research based and action meanings (Creswell, 2014).

In this part of the analysis, the author focused on transcribing the recorded data which were the interviews with IKEA's managers/retailers; the aim from this procedure was to organize and arrange it to make it easy while sorting out the most relevant data. When the interviews were transcribed and arranged, the author read it to examine the answers and reflect on its meanings and if it covered the needed information to answer the purpose of the study. After making sure that the overall interview results are examined appropriately, the author coded the results through creating matching categories and terms to clarify the common points between the interviewees' answers to be able to compare them and confirm its validity level. The next step was to convert the results to a narrative paragraph which will help to conveying it to the analysis chapter.

4.8 Quality Criteria

The following section will illustrate the importance of validity in a research and the quality criteria required in order for the study to measure what is actually suppose to measure. In many ways one of the most important criterions of a research is validity; it usually manages

the integrity of the conclusion that is drawn from a research (Bryman & Bell, 2011). Validity is defined as one of the strengths of a qualitative research method which is established on concluding whether the findings are rigorous from the researcher, participant or the reader's point of view; qualitative literature usually refers to validity as trustworthiness, authenticity and credibility to stress its importance on determining the accuracy of a study (Creswell, 2014). There are four evaluation concepts that are often used to demonstrate the quality of any empirical research; and because case studies are included in this form of research, the four tests are suitable for case studies as well (Mostaghel et al. 2012; Yin, 2009). Each of the following concepts should be highly taken into consideration when conducting a case study:

Table 11: Frequently applied Case Study Tactics for Four Design Tests

Tests	Case Study Tactic	Phase of research in which tactic occurs
Construct Validity	▪ Use multiple sources of evidence	Data collection
	▪ Establish chain in evidence	Data collection
	▪ Have key informants review draft case study report	Composition
Internal Validity	▪ Do pattern matching	Data analysis
	▪ Do explanation building	Data analysis
	▪ Address rival explanations	Data analysis
	▪ Use logic models	Data analysis
External Validity	▪ Use theory in single-case studies	Research design
	▪ Use replication logic in multiple-case studies	Research design
Reliability	▪ Use case study protocol	Data collection
	▪ Develop case study database	Data collection

Source: (Yin 2009, p. 41)

As illustrated above, the four tests involve several recommended case study tactics and a cross-reference to the phase of research when the tactic is being applied.

4.8.1 Content Validity

Content or face validity is conducted to establish that the measure used in a research apparently mirror the content of the concept in hand. This procedure is carried out through asking individuals who are knowledgeable or experts in the studied field whether or not the measure used seems to be reaching the concept concerned; therefore content validity is perceived as a vital intuitive process (Bryman & Bell, 2011). As stated earlier in the pretesting section, content validity was established through an examination of the interview questions from four different professors who are considered to be experts on the studied field; their feedback was taken into account which reinforces content validity and guarantee that the method was applied.

4.8.2 Construct Validity

According to Creswell (2014) Construct validity occurs when researchers use sufficient definitions and measures of variables. By using this approach researchers are determined to deduce hypotheses through theories that are applicable to the studied concept (Bryman & Bell, 2011). When it comes to case study research, conducting construct validity could be highly challenging due to the fact that investigators usually fail to establish an adequately operational set of measures (Yin, 2009). The author conducted pretesting to evaluate and make sure that the interview questions were clear, well structured and covers significant concepts of the studied field. During the construct validity it was easier to avoid obscurity when it comes to the interview questions, after the pretesting was conducted and the professors' feedback was processed; the author adjusted the interview questions accordingly. These adjustments included classifying long and profound questions into detailed and short ones to ease the interview process and create more possibilities for probing. The questions were also placed in order to avoid repetition and create an organized information flow throughout the interview.

4.8.3 External Validity

External validity handles the matter of whether the results of a study can be generalized past the précised research context (Bryman & Bell, 2011). The external validity issue has been a main obstruction in managing case studies (Yin, 2009). In this study, the author has used secondary and primary data in order to increase external validity and expand the possibility for the gathered information to be applicable for companies that are aiming to enter the Moroccan market. The author also has used the operationalization method to support

operational terms by measurable variables that were collected from previous studies and literature which added more validity to the study.

4.8.4 Reliability

Qualitative reliability demonstrates that the researcher's approach is logical and consistent across various researchers and different projects (Creswell, 2014). It is concerned of whether the outcome of a study is repeatable and if the measures used are actually conceived for concepts in business and management are consistent; so if a later investigator applied the same steps as shown by an earlier investigator and conducted the same case study, the later researcher should reach the same findings and conclusion (Bryman & Bell, 2011; Yin, 2009).

To ensure the reliability of the study, the author conducted four interviews with the leading responsible of different departments to provide a variety of perception in answering the interview questions; throughout the interviewing process the answers were repeating which increases reliability and validity of the results. The study in hand could be repeatable by changing the aim of the paper to study another country or build a study about entry strategies and modes selection of other companies into the Moroccan market.

5. Empirical Findings

This chapter demonstrates the research findings; the data were divided into two categories, the first contains secondary data which describes different aspects of the Moroccan market such as the country PESTEL analysis and culture. The second part consist of the primary data collected through in-depth interviews with IKEA's managers which is distributed into three different sections; market entry strategy, influencers of entry and the cultural distance.

5.1 Moroccan Market

In Morocco Foreign Direct Investment is a very important tool to drive development and a sign of how the country is open and encouraging to foreign investments undertaken by Morocco. The country offers great investments opportunities to the private sector for both domestic and foreign investors; the country's sectors were opened for foreign investments in 1990 aiming to become an internationally competitive investment destination (Doing business in Morocco, 2011). Morocco is firmly developing toward better internal modernization and globalization, with the establishment of the country's first commercial courts, modernized custom services and 16 Regional Investment Centres devoted specially to ease new business processes. In 2003, the Moroccan government introduced a comprehensive labour code which protects both employees and employers (U.S Commercial Service, 2011). With a view to enhance the attractiveness of Morocco as a business destination, the government has launched several projects for the strategic liberalization of the Moroccan economy (Doing Business in Morocco, 2011). The followings are some of the significant steps undertaken by Morocco:

- Introduction of uniform law
- Tax advantages for investments
- Encouragement of creativity through the adoption of legislation on the protection of intellectual and industrial property
- Convertibility for foreign investment
- Adoption of the character of investments to replace codes by single sector (Ibid).

5.2 Morocco PESTEL Analysis

The following section will cover the six concepts of the PESTEL analysis: Political, Economical, Social, Technological, Environmental and Legal analysis of the Moroccan market.

5.2.1 Political Analysis

Morocco is a Parliamentary constitutional monarchy under the ruling of King Mohammed 6; under the constitutional monarchy the king have a high authority over the council of ministers. In 2011, a reform have passed to shift some of the king power over to the government; with the majority of votes the Islamic government won in November 2011 legislative (The Swedish Trade & Invest Council, 2014). The king chairs the Council of State who authorise all the legislation before it is introduced to the parliament; he also has the power to approve and dismiss the government ministers. He is also responsible of calling elections and demonstrate certain power through decree; however the king as well has a "shadow government" of royal advisors and is leader of the military (Arrief, 2013). In a country attempt to decrease the large expansion of corruption, the government has applied a major anti-corruption motion in accordance to a designated agency; aiming to tackle the damaging corruption in the country and its secondary effect on economy and other significant fundamental areas in the society (The Swedish Trade & Invest Council, 2014). Another issue that Morocco faces is the status of the Western Sahara which has influenced the country international relations in a negative way (Ibid).

5.2.2 Economical Analysis

Morocco is a mid-sized economy with partially limited exposure to the international economy; however the country retain a strong trade relationship with the European Union (EU) countries precisely France who are their largest trading partner and creditor (Doing Business in Morocco, 2011). The country economy is also very diverse; its key areas include agriculture, tourism, mining, textile and apparel. Morocco continuously encourages foreign trade and investment, this encouragement is displayed through a Free Trade Agreement with the United States and an advanced status agreement with the European Union (Arrief, 2013). Morocco has a stable GDP (Gross Domestic Product) growth, on average 4.5% during the past decade (see Appendix C); yet from a low GDP base per capita (The Swedish Trade & Invest Council, 2014). The country is increasingly trying to enhance the economical issues through implementing large national plans and initiatives to cover several economical sectors (Ibid). Morocco controls 75% of the total global phosphate deposits which are used in

fertilizers; it is the world's 3th largest producer behind china and the US (Arrief, 2013; The Swedish Trade & Invest Council, 2014). The Moroccan government has a tight fiscal and monetary control; in 2012 the country economy has been negatively affected by the European Union crisis since Morocco is EU third largest trading partner. While fiscal stability is challenged; by an extension in state spending on social programs and subsidies since 2011 (Ibid).

5.2.3 Social Analysis

Morocco population is 32.3m with an urbanization rate reaching nearly 60% and Almost half of the population below the age of 20; a total of 52% live in urban areas while the other 48% in rural ones (UK Trade & Investment, 2013; The Swedish Trade & Invest Council, 2014). There is a large difference between Urban and rural Morocco, with poor conditions, education and welfare in rural areas; due to the imbalance between rural and urban areas, a high percentage of the population is an educated and illiterate. However, according to the new figures issued by the Education Ministry; illiteracy in Morocco dropped from 43% in 2004 to 30% in 2010 (Ibid). The low rate of literacy and poor education in rural areas is affecting the technological development and slowing down its growth (The Swedish Trade & Invest Council, 2014). Morocco's unique and strategic location makes the country an intersection between Europe and the Middle East which has resulted in a social collage; rich of diversity and a blend of languages and cultures (Ibid). The country is also exercising a strong equality between the sexes and liberal values (The Swedish Trade & Invest Council, 2014).

5.2.4 Technological Analysis

Morocco is one of the first MENA (Middle East & North African) countries to liberalize the telecom operator market; with an existing 3G the country is planning to implement a 4G network for the end of 2015 (The Swedish Trade & Invest Council, 2014). In the last couple of years the government has also increased their spending on basic infrastructure such as roads, ports, airports and transmitting grids from US$47.26bn for 2008-2012 (Ibid). Morocco is also aiming to establish a national strategy to develop and enhance logistics from 2010-2015; creating Large Business hubs offer including free trade zones, medical & industrial cities, etc (The Swedish Trade & Invest Council, 2014).

5.2.5 Environmental Analysis

In Morocco, environmental preservation is increasingly acquiring attention; the country is leading the way for environmental laws in the region for the last couple of years (The

Swedish Trade & Invest Council, 2014). In April 22, 2010, the kingdom announced an unprecedented National Charter for Environment and Sustainable Development; this attempt was the first environmental charter in its kind in Africa as well as the Arab world (www.gc-research.org). The major objective of this environmental charter is to control water and solid waste management in all the public and private areas, at the same time maintaining natural resources and spaces (Ibid). Morocco has also set a goal to reach 42% of installed renewable energy capacity, through implementing a Solar Energy Project and an Integrated Wind Energy program aiming to set up a capacity of 4GW by 2020 (http://www.worldbank.org; The Swedish Trade & Invest Council, 2014). There are several suburban and rural establishment that lack proper water and sanitation; however with the country initiatives to improve environmental conditions and reach sustainability, Morocco is aiming to reduce pollution levels, dependence on fossil fuels as well as focus on rural areas where there is a high dependence on natural assets (Ibid). Morocco is also engaged in LEED (Leadership in Energy and Environmental Design) a standard choice for green building projects, the Moroccan Green Building Council is a non-profit organization promoting the latest green building improvement in the Kingdom; the aim of this organization is to support the national sustainable development efforts of the country for smarter environments and flexible economies (www.moroccogbc.org).

5.2.6 Legal Analysis

In a global scale, Morocco stand at 39 in the ranking of 189 economies in measuring the ease level of starting a business as well as the economy's rating of other topics included in the ease level of doing business (See Appendix D-E); as well as Morocco enjoys a relatively high score on establishing a business while companies face challenges in operating business (Swedish Trade & Invest Council, 2014; Doing Business, 2014). When it comes to laws on patent rights and intellectual property *"Morocco is a member of the World Intellectual Property Organization and signatory of Bern Royalties conventions, the Paris Convention for Intellectual Property and Universal Royalties as well as the Brussels , Madrid and The Hague agreements"*(Doing Business in Morocco, 2011). The Moroccan Office of Patent and Commercial Property (OMPIC) apply both national and international regulations (Ibid). The Kingdom is the only country offering 100% foreign ownership of L.L.C (Limited Liability Company), as well as the companies are able to incorporate as branches or limited entities (The Swedish Trade & Invest Council, 2014).

5.3 Moroccan Business Culture

In Morocco the social customs and business forms are mostly influenced by European due to the business partnership the country has with Europe. The official languages in Morocco are Tamazight and Arabic but business transactions are usually conducted in French even most of business people are able to communicate in English still French is number one business language (UK Trade & Investment, 2013). The Moroccan culture is very relationship-oriented culture, where building trust should be the main ingredient for business success; it requires several meeting arrangement to reach the point of taking big decisions or any type engagements (http://www.internations.org). Another way to approach Moroccan culture is to see it from Hofstede 6 dimensions model which present a deeper overview of the major drivers of the country culture in comparison with the rest of the world's cultures (geert-hofstede.com). The following figure illustrates the six dimensions of the Moroccan culture:
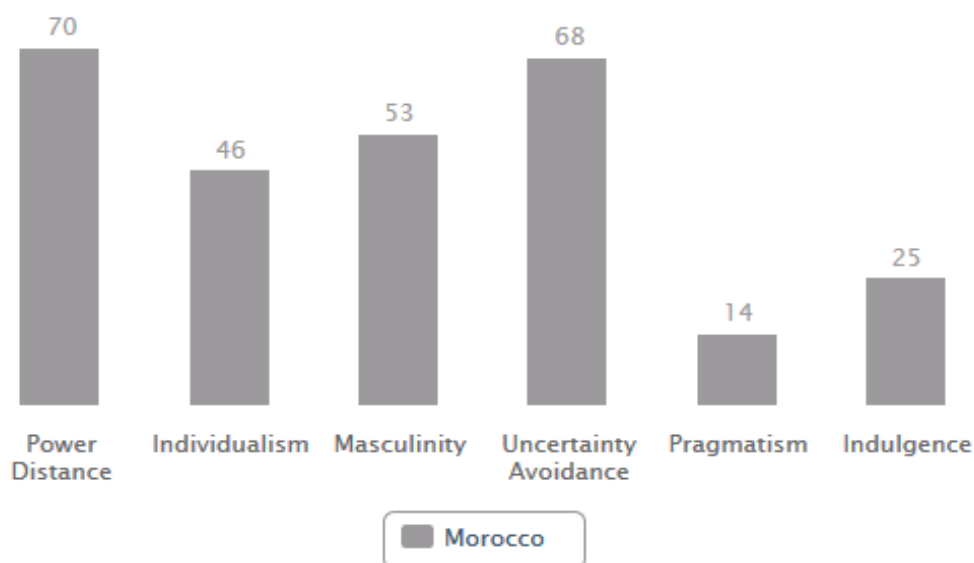
Figure 5: Hofstede Dimensions- Morocco (Geert-hofstede.com).

Starting by power distance, Morocco scored 70 which indicate that it is a hierarchal society; where individuals accept a hierarchal form in which every person have a certain position and does not require any explanation or discussion. In such hierarchal society, there is a high level of inequality and dependency to be told what to do from a higher person with more authority (geert-hofstede.com).

At a score of 46, Morocco is considered to be a collectivistic society which focuses on long-term commitment to the group rather than focusing on oneself only; this means that Moroccans value family and extended relationships. One of the main elements of a collectivistic culture is loyalty; since the society is built on taking responsibility for other members of one's group and maintain strong bonds. In a work environment, management means management of groups where employer/employee relationship are seen in a moral term as a family link, therefore hiring or promoting decisions would consider the employee's in-group (Ibid).

When it comes to masculinity and femininity, Morocco scores 53 on this dimension (geert-hofstede.com); showing a middle way between sexes and a balance of masculine and feminine sexes.

On the other hand, Morocco scores 68 on uncertainty avoidance showing that the society prefers to avoid uncertainty, countries scoring high in this dimension are usually the ones retaining strict rules of belief and behaviors as well as intolerant towards unusual manners and ideas. In such cultural environment, individuals tend to develop a need for rules even this rules will not work; people have more desire to be busy and work hard and security is an important element in their lives and a source of motivation (geert-hofstede.com)

At a score of 14 in pragmatism, Morocco low score indicates that the country is clearly normative; in such societies people tend to have a strong need to demonstrate truth. They also show respect for traditions and have a small tendency to save for the future as well as achieve quick results (Ibid).

The last dimension is indulgence, Morocco scores 25 which is a low number indicating that it is a culture of restraints. Societies scoring low in this dimension are more likely to show cynicism and pessimism; they also put less time on leisure and fulfillment of their desires. They also think that their actions and behaviors are restricted by social norms and that focusing on satisfying themselves is somehow wrong (geert-hofstede.com).

5.4 Market Entry Strategy

According to Mr. Marino Maganto the CEO of SYH Retail in Kuwait, when analyzing a market, there are different steps to consider. First to examine if there is a need for IKEA's range, if the market has a good infrastructure to host a large firm like IKEA; another important element to consider is the logistics possibilities given by the chosen country

location as well as customs regulations, laws and local standards. He also added that IKEA will then evaluate the economy, political situation, living conditions, competitors and the significant market potential to determine whether the market has future potential benefits or should be postponed till it's the right time. When IKEA take a decision to enter a market, they usually apply franchising model, according to Cathrin Lundberg, the manager of IKEA markets in Holland, all IKEA's stores are operating under the franchising agreement except one which is the store in Delft that IKEA own.

5.4.1 Franchising

When talking about franchising, Marino highlighted that IKEA actually implement franchising in two ways. The first form of franchising is the one practiced from within IKEA group, while the second is from outside the IKEA group which can be retailers. According to Kai Fuhlrott, the deputy retail manager at IKEA in Germany, most of IKEA stores are owned within IKEA organizations; when handling new markets such as Dubai or Kuwait, it is more likely to franchise the stores to local companies. Sometimes choosing if the franchisee should be within or outside IKEA group depend pretty much on the market environment, Marino explained that in Korea for example the franchisee should be within the IKEA group while in other markets it will highly depend on IKEA's decision to determine the right method to enter a market. He explained that the reason behind choosing franchising from all the other, because franchising is the most suitable mode that fit IKEA's concept, he also commented that the franchising in Morocco will be applied by a company outside IKEA group which is the retail he is part of called Al-Homaizi United under the trade mark SYH Retail.

From another perspective Kai emphasized that choosing franchising is based on the possibilities to own the companies and have some control over the operations; it is as well an integrated partnership of a party that has knowledge of the local market, the country, culture and values and another party that provides knowledge of the business and a concept of conducting business. On the other hand, Laurent Tiersen, the marketing manager at inter IKEA believe that franchising is chosen by IKEA since it allows the company to grow faster and it is also a legal set-up that IKEA decided to adopt long time ago and it worked.

5.4.2 IKEA's Market Entry Challenges

When entering a new market IKEA might face a number of challenges depending on the nature of each market, Marino stated that the main step to take when dealing with a new market is to understand its political situation, consumers, logistics, infrastructure, the cities,

the cluster, the economic situation as well as the income rates. While Cathrin also added that IKEA need to secure that their range is saleable as well as ensure to have an efficient supplier that is located conveniently to the chosen market; Kai added that when it comes to Morocco logistics will not be much of a problem since it is closely located to Spain and Portugal where IKEA has their production. Marino also emphasized that one of the significant challenges is to understand the way people live in that country, their needs, dreams and the type of solutions they require.

From Marino point of view the biggest challenge is to collect all the main information that would help IKEA create the most suitable solutions for that specific market. On the other hand, Kai explained that one of the challenges would be the long procedures of determining the share percentage between IKEA as a foreign company and a local company; he also said that sustainable growth could be a challenge which is focusing on expanding in existing markets. Laurent also commented that permission to open is a challenge as well sometimes there is high resistance toward the "big box"; in some markets IKEA could be perceived as a luxury brand so the challenge here will be on sending the right message so people understand that it is more about offering solutions at good prices.

5.4.3 Market Criteria

To choose the right market, there are several criteria to be considered. According to Cathrin and Laurent, the first criterion is to examine if the range is saleable and the availability of a good supplier set up to reach the many customers. Cathrin also explained that it is important that the market matches IKEA's global pattern for more efficient shipment around the world. Kai also added that the calculated potential of the market and the need for furniture solutions is a significant criterion as well.

On the other hand there were different reasons behind choosing Morocco as a potential market. Marino decided to explain them from the retailer point of view rather than IKEAs; he stated that the first element was the level of awareness the Moroccan had about IKEA's brand due to their connections to the Spanish Islands, Spain and France. He added the Second reason was that Morocco is a very stable country and as the market research indicates there are no short term risks, but it is never easy to predict long-term situation of a country. It is also a country that provides highly educated people, and certainly there is a need in the market. He pointed out that IKEA can really contribute in Morocco through creating a better every day for the Moroccan people and at the same time be profitable. So according to him,

opening an IKEA store is not based on finding a large number of population only, it is more about contributing to improve people's life in Morocco.

On the other hand, Cathrin added that choosing Morocco was based on the country suitability for long-term strategy; it has a promising ability of expanding as well as a good set up to handle the brand and the company operations. Laurent commented that Morocco has a growing economy, a young population as well as a middle class which have increased the potentiality of the market and made it attractive to IKEA.

5.4.4 Franchising Procedures

When IKEA or a franchisee spots out a potential market; the first step according to Marino is to open discussions with IKEA which can be done through sending a franchise application or by receiving an offer from IKEA. Cathrin explained that choosing the right franchisee is usually built on their ability to establish IKEA's operations in the specific country; this measure is taken through a number of selected criteria and then comes the evaluation stage in which the suitable franchisee will be announced. Marino added that when both parties agree, the next step would be engaging in legal procedures which can include contracts and territory permission. When everything is set and agreed upon, the franchisee and IKEA begins on signing the license agreements and all the other types of legal documentations. Cathrin emphasized that it is the franchisee responsibility to evaluate the market; it is a partnership where the franchisee provide knowledge of the local market while IKEA offers the company's concept. She further explained that the franchisee is responsible to determine store location, purchase the land and build the store; while IKEA is in charge of making the store drawings.

According to Kai, the franchisee will receive continuous support from Inter IKEA system; such as going through the process of ordering the goods and store management, the rest of guidance would be provided through IKEA's manuals which follow with the franchising agreement. However, Laurent emphasized that in case of Morocco, IKEA will be stricter in terms of the franchisee relationship; their aim would be to examine in a deeper way the type of campaign the franchisee is planning to run and research to which extent the franchisee is aware of the new market environment. This method is taken to ensure that the campaign will focus on entering Morocco as new market not only Casablanca.

5.4.5 Market Analysis

When both parties sign their agreements, the franchisee would take a more in-depth market research. According to Kai and Marino, a market analysis would focus first on economic situation such as average income level, food expenses, and leisure expenditure etc. By examining these elements, Marino said it will be accessible to figure out the economical drivers in the country. He added there are also other elements to focus on such as trade or government barriers, for example in Morocco companies cannot import goods from countries that are not part of the country trade agreement; for that reason it is important to understand if IKEA has any limitations when it comes to trade so they prepare other alternative in case of any obstacles. According to Cathrin, it is also important to research the country's legal protection of brands ensure that IKEA's brand would be highly safe.

Further Marino emphasized that competition should be taken into consideration as well as the pricing laws; another substantial aspect in market research is to inspect the profit turnover to ensure the business will last for the long-term. He also explained that they conduct market analysis in a yearly basis to understand the consumers and how is the brand being perceived in the market; the market research for Morocco started 2010 and lasted for four years. By conducting market research it become easier for companies to set a clear vision of their objective; according to Cathrin and Kai IKEA's main objective is to reach the many people as well as to expand in the long-run within the same country. Laurent commented that IKEA's short term objective is to create brand awareness and their long-term aim is to secure a good positioning; both objectives are integrated since building brand awareness on the right will be the key for a successful positioning.

5.5 Influencers of Entry Mode

After market research comes the time for entry, this could carry a variety of legal challenges from a country to another; Marino stated that IKEA usually doesn't face much of legal obstacles since they are aware and take all the required legal steps. He added that their legal focus is usually based on hiring requirements, used material etc; he also don't expect to face any legal difficulties while entering Morocco. Cathrin also stated that other legal challenges IKEA take into consideration is the brand protection laws, pricing regulations and to which extent contracts are enforceable; she added that IKEA examine court laws and the country international performance in terms of corruption and other aspects. Kai commented that the share percentage between foreign and local partner is a common legal issue, also getting a permission to build IKEA's big stores requires a long legal procedure; he added that some

other countries would have legal forms to protect local retailers from foreign entrants which can cause entry barriers. Another legal challenge that was stated by Laurent is that in some markets competitors and general public would have high resistance of building the "big box" which can cause delays to progress with territory procedures.

While when it comes to political situation, Marino explained that the only issue that might occur is if the laws and regulations are changing after IKEA's enter Morocco; he further emphasized that socially he is very impressed during recruitment and interviews, they have recruited highly qualified bilingual people with an open mind towards IKEA's concept for that reason he doesn't foresee any social obstacles when it comes to social factors. As he stated earlier he also doesn't expect any economical issues due to Morocco's stable economy at the moment.

Another aspect to consider while entering Moroccan market is the technological background, according to Marino; they are currently exploring their IT setup in Morocco and the good feature of this aspect is that IKEA usually have their own IT team when they establish in a new market. In his opinion the only technological challenge that IKEA might face in Morocco is to understand the laws and regulations related to that field. For environmental challenges, Marino stated that they actually have environmental wishes; it can be that IKEA is much stricter when it comes to environmental restrictions more than the host country in terms of recycling, waste management and food waste. In that case most of the time IKEA is more independent from the environmental perspective of the host country. He added if that's the case in Morocco then they would keep their high standards and contribute to show others that it can be done otherwise. While from Kai's point view, in Morocco IKEA would have other sustainable solutions to apply such as the possibility of using solar energy. Markets could be tricky containing several risks that would affect companies, according to Cathrin; IKEA doesn't access countries based on their risk level, they actually access it in the aim to contribute to the many people.

5.5.1 Market Size & Growth

Apart the factors above, market size and growth are also an important element in order to determine the right strategy to enter a new market. According to Marino, if the market is not big enough for a large company like IKEA and it indicates a low return on investment the solution would be change the approach, hold up the plan to enter that market or find a second alternative like selling through E-commerce and that is the advantage that the technology

offers nowadays; even for the moment IKEA are not selling through E-commerce to any country. While according to Cathrin; Market size and growth could be measured from a different perspective, which can be a region perspective. She added that is it essential to enter a market that is located around suppliers' area, as it is crucial to ship at the right prices in order to be able to keep IKEA's affordable prices for the consumers.

5.5.2   IKEA's Competitors

In a large or small market, competition could be intense. From Marino point of view everyone could be a competition for IKEA in Morocco; there would be direct competitors who are furniture firms such as KITEA and Mobilia as well as our indirect competitors. He explained that the extra money a household would have could be shared between leisure and a piece of furniture from IKEA so any company could be a competitor depending on the consumer choice between buying a table or a computer as an example. For that reason he added that at the end of the day, IKEA need to introduce outstanding offers that not only include products but also offer solutions for the people. Kai commented that IKEA's main competitors would be the large retailers. Laurent added that competitor could be big retailers as well as handy-crafts and small stores where people usually form close friendship with the owners and are able to receive discounts and negotiate the prices.

In a competitive market, differentiation could be crucial. Marino and Kai believe that IKEA differ from other companies since it creates opportunities and everyone grows together with them, since they are shifting some of the households' expenditure to the furniture. He also added that IKEA enter markets with aggressive low pricing that push competitors to lower their prices which works perfectly to the people advantage. He also believe that IKEA main focus on people is one of their powerful key differentiator from the competitors; he emphasize that they spend time, energy and money in understanding consumers more than their competitors; by visiting hundreds of homes to examine the way their consumers live every day. According to Marino, IKEA's store experience and high technology, marketing, product presentation, inspiration, restaurant and of course low prices are all elements of the way IKEA differentiate themselves from the competitors. Morocco is a diverse country that still keeps its traditional side, facing traditional handmade furniture could as well be an interesting challenge for IKEA to overcome.

Marino and Laurent said that in order for IKEA to succeed, they need to find the right balance so people from modern and traditional life paths can relate and feel comfortable; Marino

believes that traditional handmade furnishing stores can be powerful but it is interesting since it will add more variety for the people. He also add that this is what IKEA want to add in Morocco design, modernity, affordable prices and a different alternative of what already exist in the market. Cathrin also emphasized that IKEA not only offers good designed furniture at affordable prices, they also grant the customers a great store experience rather complete for the household.

5.6 Cultural Distance

In order to decrease cultural distance in a new market, Marino and Laurent explains that the first step is to learn about the cultural differences, values and attitudes and respect them. For example the store should reflect the respect to the culture in the way they display the range or create facilities for the employees that show understanding to their religions such as building praying rooms for Muslims employees. According to Cathrin, by having a franchisee that is familiar with the local market, it is easy to manage the store to be locally adapted. Kai believes that by understanding cultural differences, IKEA is able to use these differences as an advantage for the company instead of a disadvantage.

To engage Moroccan employees and help them understand IKEA's concept and culture, Marino explained that they have already recruited people in advance. The new employees will be introduced to IKEA training program, where they create a group of trainers who are experts of different topics; then the job of these trainers will be to train the employees who will be under continuous learning evaluation. According to Laurent and Cathrin, IKEA has a training place in Delft, Holland where they offer a number of training passes which involve spending a training period in Delft or any other IKEA's store; where the employees get the chance to train in a market similar to their home countries. Marino added that IKEA invest highly in training employees to reach the company's standards; he also said that when they recruit, they focus on choosing people based on their values and the extent to which it is aligned with IKEA values; they believe that competences can be trained unlike values and attitudes. According to Kai, to keep employees updated and involved, they usually conduct a survey together with co-workers and customers twice a year to evaluate the feedback and determine what should be developed; he added that communicating with people is the best measurement to success.

According to Marino, IKEA marketing approach in Morocco will reflect their awareness of the Moroccan ways of living. They are planning to use both French and Arabic to

communicate their message and conduct their business; since in Morocco the business language is French and the spoken language at home is Arabic. He explains that by understanding the way people live, IKEA will create communication tools that touches people's hearts; they are aiming to introduce themselves as a humble and caring company. He also added that marketing tools will be determined when IKEA reaches the stage of contacting a local media company by then they will decide their form of message and the solutions they would like to introduce to the people.

Cultural differences could be a powerful influence of the way companies conduct their business, according to Marino culture doesn't actually impact the way IKEA do business in other countries due to their code of conduct IWAY which help them evaluate their suppliers and third parties. Laurent explained that For example in countries where bribing could be tolerated; IKEA would still stand to their standards and belief since corruption is against their code of conduct. He also add that in some countries child labor is allowed but for IKEA only people over 18 are allowed to work with IKEA even if the law says otherwise. He also explains that another element that could impact IKEA's way of doing business is religion, for example during Ramadan in Kuwait they only work some hours during the day and then they close, only open after sunset when people break their fast; he emphasize that this type of commitment shows the respect of local values and traditions. Kai also added that respecting religious celebrations and try to be involved with people from different backgrounds is highly appreciated and shows IKEA's full understanding of cultural differences.

5.7 Pattern Matching

The table below consists of the way the author coded the conducted interviews according to the matching pattern in the given answers as well as the gaps. The table is organized in three sections: the three different categories of the interview (Market entry strategy, influencers of entry mode selection and the cultural distance), Patterns in the answers which display matching terms in the topics that was discussed with the interviewees and the last is the gaps in answers that highlights the uncommon or irregular answers of the respondents. As discussed in 4.7 data analysis method, in order to minimize the gathered information and organize it into relevant data, it is required to apply a process of categorizing and matching points and patterns to ease the process of drawing a reliable and valid conclusion (Bryman and Bell, 2011; Ghauri and Grönhaug, 2005).

Table 12: Pattern Matching

Category	Patterns in answers	Gaps in answers
Market entry strategy **Interview questions:** **1-9 (Appendix A)**	**Q1:** Franchising model. **Q2:** Franchising, IKEA group/outside IKEA **Q3:** Consumers, logistic infrastructure, saleable **Q4:** Saleable range, suppliers, global pattern, contributes to people. **Q5:** Fit long-term strategy, profitable, need **Q6:** Suitable, strategic decision **Q7:** Discussing opportunities, explore/evaluate the market, legal procedures, franchise. **Q8:** Reaching the many people. **Q9**: Trade barriers, competition, right location	**Q3:** Economy, income, need **Q5:** Brand awareness **Q9:** Salability

Category	Patterns in answers	Gaps in answers
Influencers of entry mode selection **Interview questions: 10-17 (Appendix A)**	**Q10:** Not many challenges, legal requirements, corruption, pricing regulations. **Q11:** Changing laws, don't expect any social/economical challenges, IT on track. **Q12:** Legal restriction barriers, contribute to the consumers. **Q13:** Not expecting any difficulties, market analysis. **Q14:** Large enough market **Q15:** Everybody, direct/indirect competitors **Q16:** Focusing on people, store experience, good prices. **Q17:** Traditional side, balance, good prices, alternatives	**Q12:** Changes in laws **Q14:** Shipping rules, profitable
Cultural Distance **Interview questions: 18-23 (Appendix A)**	**Q18:** Respect/learn the culture; store should reflect our respect to the culture. **Q19:** Very aware, globally **Q20:** Home visits, feel at home. **Q21:** Training program in Delft, learn IKEA's concept, training passes, certified. **Q22:** Use French & Arabic, understand how people live, humble approach. **Q23:** Understand the customers and culture	**Q23:** Code of conduct IWAY

6. Analysis

The Analysis section will be built on connecting the empirical data to the theories stated earlier in the study. This procedure will help on reaching the purpose of the study, to choose the most significant information from the conducted interviews; the author will use the concluded results of the pattern matching method since it has identified the main concepts and the gaps in each category in the interviews with IKEA's managers.

6.1 Market Entry Strategy

According to Mitra & Golder (2002), entering a new market is one of firms' most important strategic choices; it requires strong commitment concerning financial and managerial resources and a variety of research methods in several fields such as country size and the level of development, trade and infrastructure. IKEA focus on a variety of elements before entering a foreign market, they first examine if there is enough need for their products and the infrastructure of the host country and to which extent it will match the standards of a large firm like IKEA. They also research the country's location and customs regulations to ensure a convenient logistic set-up in order to avoid extra costs and be aware of the local laws and standards. In evaluating the market, IKEA analyze the current situation of the host country's economy, politic, living conditions, competition intensity and the significant market potential to determine whether the market has future potential benefits or should be postponed until it's improved and provide better conditions in the future.

In choosing market expansion strategies, firms usually face several challenges that can cause a number of competitive conditions in different markets through time; these challenges could emerge in various forms (Hollensen, 2014). When entering a new market IKEA can face some challenges depending on the nature of each market, understanding the host country political and economical conditions, consumer behavior, infrastructure and income rates etc; are substantial elements that could create issues if not taken into consideration. IKEA's challenge could also be securing that their products are salable and that they have possibilities to connect with their suppliers according to the chosen market location in order to avoid any additional costs that could affect their affordable prices concept.

Another significant aspect that IKEA focus on is to understand people's way of living, their needs, dreams and the type of solutions that could improve their lives to the better; collecting the main and useful information is very important for IKEA to be able to create the most

suitable solutions for the market in hand. There are as well legal challenges that IKEA faces sometimes when it comes to certain markets, it could be obtaining a permission to open IKEA's store in some areas that have high level of resistance against large retailers or stores which can cause delays and time consuming procedures. In other countries delays could occur due to the difficulties to decide the share rate between IKEA as a foreign company and its local partner which requires different bureaucratic procedures and policy agreements.

According to Hollensen (2011) when a firm decides to expand internationally, its market operations depend on its choice of entry mode; this mode will illustrate a settlement that a parent firm apply while establishing in a foreign market and that could be critical decision since it can affect future arrangements. Entry modes are usually based on the company's involvement level, the degree of influence over its operations or the integral dimensions of equity ownership and control (Aulakh, Cavusgil & Sarkar, 1998). When IKEA determine to enter a new market, they usually implement franchising model; Cavaliere & Swerdlow (1988) said that a franchise contract is granted by a national or regional chain that provide a unique right to operate one of their channels within a specific area based on a payment of an initial percentage of sales; usually using the parent company equipments, supplies, merchandising and advertising. IKEA's stores are all operating under a franchising agreement except their premises that is located in Delft, Holland that is owned by IKEA. They implement franchising in two forms, the first arrangement of franchising is the one practiced from within IKEA group; while the second is an external form outside the company's group and choosing one of the two options relies on the new market environment.

There is several entry modes that companies can apply when entering a new market, IKEA have chosen franchising because they believe it is the most suitable mode that fits the company's concept of doing business; as well as the possibilities to own the companies and have some control over the operations. IKEA also believe that franchising is an integrated partnership that allows them to grow faster, where two parties join forces to reach customers needs in new markets; it is a combined knowledge of a company that is aware of the local market, culture and values and IKEA's knowledge of the business and a concept of the way to execute business operations. As Constance & Lieberman (2002) said the franchisors often use franchising as a form of geographic market entry, where the local market knowledge, financial and human capital of the franchisee supplements the franchisor's brand name and business concept.

Franchising requires an integrated form of responsibilities, in IKEA's case the franchisee is usually responsible to determine the store location in the chosen country, purchase the land and construct a store that IKEA is responsible to provide the complete drawings for it. The franchise system can be practiced in two forms, a direct and an indirect system. In the direct system, the franchisor is monitoring and controlling in a direct way all the activities of the franchisees (Hollensen, 2014). IKEA is applying a direct franchising system, where the franchisee will receive continuous support from Inter IKEA systems; such as going through the process of ordering the goods and the store management procedures while the rest of instructions would be provided through IKEA's manuals that are enclosed with the franchising agreement.

IKEA consider several criteria when choosing a potential market, the first criterion to acknowledge is the extent to which their products are needed in the specific market as well as the availability of a good supplier set up in order to reach the many people. Another element is that the market in hand matches IKEA's global pattern to ensure convenient shipping around the world; the calculated potential of the market and the need for furniture solutions is also a significant criterion that could determine a market potentiality. As an example IKEA's reason of choosing to establish in Morocco was driven by the country awareness of the brand due to their connections to Europe and the market need for furnishing options; the market research also indicated that it is a stable country economically and politically which demonstrate low short-term risk. Another important criterion was the country suitability for long-term strategy and the promising conditions of expanding.

6.2 Influencers of Entry Mode

As Yükse (2012) discussed, there are several Political, Economical, Social, Technological, Environmental, Legal issues that companies could face when establishing in new markets. For IKEA who is planning to enter the Moroccan market in the near future, it is crucial to be aware of the PESTEL situation of the market. IKEA usually does not deal with many legal obstacles since they are aware of the country procedures and try to follow all the required legal steps as it should be; their legal interest is highly focused on hiring requirements and laws, material policies, brand protection laws and pricing regulations. IKEA also is concerned to examine court laws and the country international performance especially when it comes to corruption and other similar aspects in order to be fully aware of potential controversies.

After conducting a PESTEL analysis, IKEA does not expect to face any of the legal issues above in Morocco which gives them an effective start into the market. On the other hand, when it comes to political situation, IKEA believe that the only issue that might occur in establishing in Morocco is if the laws and regulations are changing after they enter the country which can create new barriers or upcoming laws that IKEA should reconsider. However, socially IKEA is optimistic due to the young and highly educated personnel that the country could offer which will be an asset for IKEA to manage their new store in Morocco in an efficient and skilful way together with their franchisee Al-Homaizi United under the trade mark SYH Retail.

Another aspect IKEA considered while researching the Moroccan market was the technological qualifications of the country which can include the country's technological investment rate and its level of adapting new technologies (Yükse, 2012). IKEA is currently exploring the IT setup in the country but the positive feature in this case is that IKEA usually have their own IT team when they establish in a new market so that would be the plan when establishing in Morocco as well; the only technological challenge that they think the firm might face is to understand the laws and regulations related to that field.

The last aspect is environmental challenges which can be formed through the extent to which the country is contributing in green solutions and environmental management (Yükse, 2012); IKEA is actually not expecting any environmental issues in Morocco, in contrary they are aiming to increase their sustainable strengths through using the sustainable opportunities the country offers such as solar energy power to improve and update their environmental actions. By using Morocco's PESTEL analysis IKEA creates a clearer future vision of the country, PESTEL analysis is often applied by business directors all over the world to support them to build a coherent view of the future; it is an effective method to ensure that the company's strategy is correctly aligned with the world changes which will help them take advantage of opportunities and increase their chance of growth (depts.washington.edu).

According to Hollensen (2014), foreign markets are usually anticipated to be uncertain than the domestic markets. The level of risk a firm faces in the foreign market doesn't only rely on the market environment itself but also the firm's involvement method. In IKEA's case, their market analysis is built to highlight the country risks to help them overcome the most significant issues; however they actually access countries based on their aim to contribute to the many people rather than the level of risk.

Market size and growth are also an important element in order to determine the right strategy to enter a new market. As Hollensen (2014) said country size and market growth are two significant measures that could affect the company's strategy and entry choice, the larger is the country size the more likely management will carry resources to its development; while in small markets that have difficulties to be served by the neighboring countries due to geographical barriers may not get any attention or resource. Market growth is also a very significant key when entering a new market, it is important for companies to examine the market growing rate, growth sustainability and the level of demand in the chosen market (Koch, 2002). For IKEA, if the market is not big enough and it indicates a low return on investment the solution would be to change their approach, postpone the plan to enter that market or develop a second alternative. They also measure a market size and growth from a region perspective, since it is very necessary for IKEA to enter a market that is located around their suppliers range to ensure that shipping costs will remain low so they can keep their pricing concept for the consumers.

When a company is entering a foreign market, they should never underestimate local competitors. As Albaum & Duerr (2011) said that competition usually grows during the firms search for niches in the economic world while trying to make the most of their uniqueness. IKEA could face an intense competition in Morocco from different furniture retailers, they believe that their direct competitors would be furniture firms or hand-craft stores that are already established in the market then the indirect competitors who can be any other firms that would share IKEA's part of a household extra expenses which could be leisure, electronics etc. According to Albaum & Duerr (2011), companies strive to establish a differential advantage that would put them ahead of their competitors and that what makes competition a dynamic world. To create a differential advantage, IKEA is planning to introduce outstanding offers that combine products and solutions for the people; they plan to stand out by creating opportunities and add a dynamic touch to the market through their aggressive low pricing that forces the competitors to decrease their prices which work for the consumers' advantage.

IKEA's approach on focusing on people is one of their most powerful key differentiator; they highly invest time, energy and money to understand consumers more than their competitors to create the right ways to reach their needs. IKEA's store is another feature that takes shopping experience to another level through providing high technology assistance, creative product demonstration, inspirational atmosphere, restaurant and of course low prices putting IKEA way ahead of their competitors.

6.3 Cultural Distance

Culture has a great impact on consumers' behavior which is one of the main corners of a market and it also influences attitudes toward competition. The companies chance to reach successful results in international markets depends heavily on their understanding to the cultural differences of the foreign market; which relies on learning its origin, history structure and functioning and the way institutions have developed to cope with the environment and the influence of geographical environment on culture (Albaum & Duerr, 2011). For IKEA the first step to decrease cultural distance would be to learn about the host country cultural diversity, their values and attitudes and make sure to respect them; IKEA's display their comprehension of culture through their store and the way they introduce their ranges according to each country believes and values. They also make sure that their execution of cultural respect begins within IKEA through creating facilities for the employees with different backgrounds such as praying rooms for Muslim personnel.

Hollensen (2014) discussed that culture is a significant determinant of ethical decision-making; it influences how individuals identify ethical problems, options and consequences. For firms to succeed in today's international markets, it is critical for managers to be aware and fully understand how ideas, values and moral standards vary across cultures and could easily affect marketing decision-making. In order to create an understanding of the Moroccan culture and create a team of personnel that is aware of IKEA's concept, they introduce the new employees to IKEA's training program managed by experts in different topics. These training programs take place in Delft in Holland or in a market similar to the employees' home countries, recruiting people in IKEA is based on their values and the extent to which it is aligned to the company's values; IKEA believe that competences can be trained unlike values and attitudes.

In a market place that is becoming increasingly complex and uncertain, companies are focusing more and more on building trust between collaborating individuals, groups and together with their clients as well (Dani, Burns, Backhouse & Kochhar, 2006). In IKEA's case, marketing approach in Morocco should reflect their awareness of the Moroccan lifestyle and focus on creating trust through their message and the way they choose to send it. They are planning to create communication tools that translate our understanding of the way people live to touch their hearts and introduce their humble and caring characteristics through their message.

Classifying cultures on different dimensions shown great results for being a very constructive method; therefore companies classified as most ethical usually address the following issues as their code of ethics: Organizational, economic, employee, customer, industrial and political relations; such classifications help firms to vocalize and label cultural differences and similarities (Hollensen, 2014). IKEA has developed a code of conduct called IWAY which help them evaluate their suppliers and third parties to ensure an organized and clear way of conducting business even when it comes to cultural differences. There are different countries that actually tolerate bribing or child labor, in such countries IKEA would follow their code of conduct despite the country's resilience to such practices.

6.4 Chapter Summary

This chapter has illustrated the results of the empirical findings which have been collected through in-depth interviews with IKEA's managers. During the analysis of the collected data, the author has highlighted the main key concepts that IKEA focuses on when entering a new market. These concepts shows the significant aspects that could be affected by a new market environment and that IKEA should secure during strategic planning as a measurement of the foreign market potentiality for the long-term. The following figure shows the major elements IKEA consider when choosing a new market:
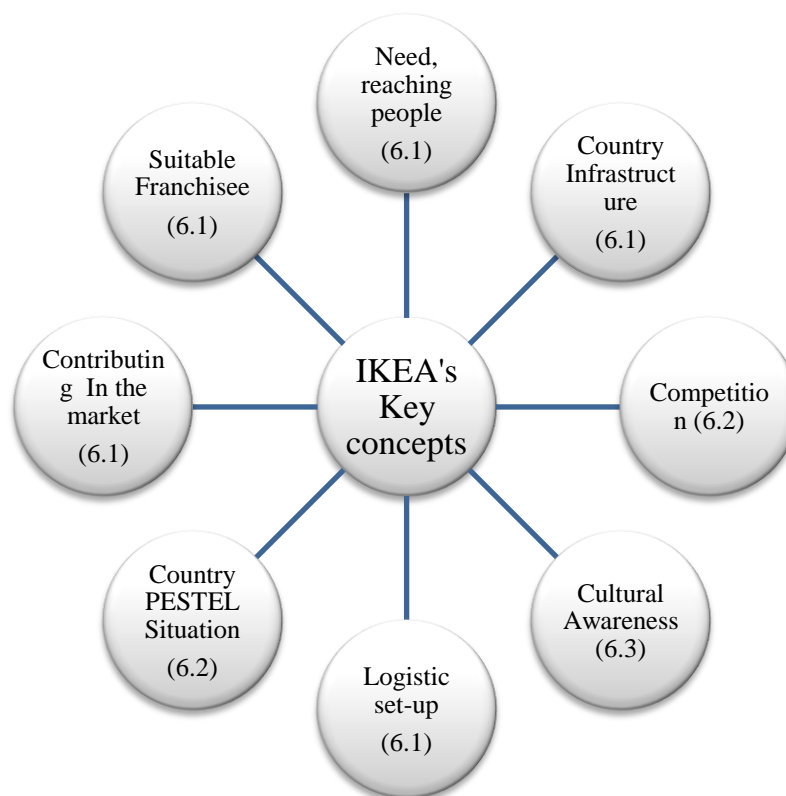
Figure 6: IKEA's Significant Key Concepts

7. Conclusion and Implications

The aim of this chapter is to demonstrate the study purpose through explaining forms of external and internal factors that could affect franchising in Morocco. It is also assigned to illustrate the theoretical and managerial implications of the research; the theoretical section will address theories from an accurate and research-oriented perspective. While managerial implications; will be focused on practical suggestions for managers which have been concluded throughout this study. The chapter will also address aspects to consider when continuing the research and the limitations that occurred throughout the study.

The conclusion of this study indicated that companies entering the Moroccan market while applying a franchising model won't face a major number of internal and external factors that would affect them in a significant or negative way causing their operations to fail. In the last decades Morocco is becoming the new potential opportunity for many international brands; some of this firms enter the market adopting franchising model since it is a flourishing mode throughout the last 15 years as it became a real investment fashion among entrepreneurs. Nowadays, franchising practice in Morocco exists by 363 franchise networks, displaying 310 brands and 2726 sales locations, owned and managed by 1041 franchisee (Thanae, 2009). This undeniable growth of franchising in the country shows a fair potentiality of this mode which makes it important for companies to increase their knowledge of the market to avoid any collapses that could occur due to internal and external challenges in the Moroccan market.

When it comes to foreign direct investment, Morocco has taken different initiatives to drive development and encourage foreign companies to invest in the country; through introducing new legal reforms, commercial courts, tax advantages for investments and much more beneficial adjustments (Doing business in Morocco, 2011; U.S Commercial Service, 2011). This reforms to encourage foreign direct investment is a beneficial aspect for foreign companies entering the Moroccan market, it increases their chances to a successful entry through accessible procedures and provide protection of their legal rights.

Political Challenges

Companies deciding to establish in Morocco are less likely to face any political challenges due to the country's stable situation at the moment (5.2.1); however corruption could be an obstacle that firms should be aware of and knowledgeable on how to handle it. In attempt of Morocco to decrease the large expansion of corruption, the government has applied a major anti-corruption motion in accordance to a designated agency; aiming to tackle the damaging corruption in the country and its secondary effect on economy and other significant fundamental areas in the society (The Swedish Trade & Invest Council, 2014). The country initiative to diminish these phenomena is another asset for foreign firms which will ease their entrance into the market with less legal controversy.

Economical Challenges

The economical status of a country is an important aspect while entering a new market; it is an efficient component that supports managers to frame the company's future vision (depts.washington.edu). Economic situation of Morocco is another external challenge that companies should investigate before taking any step into the market; Morocco has a stable GDP growth, on average 4.5% during the past decade (see Appendix C) (The Swedish Trade & Invest Council, 2014). These indicates a stable emerging economy that could be a beneficial ground for companies that are aiming to expand internationally, it also eliminate any risks that could affect firms performance. The country economy is also very diverse; its key areas include agriculture, tourism, mining, and textile as well as apparel (Arrief, 2013); this variation in business domains can create a rich economical environment built on continuous development as well as offering foreign companies the opportunity of expansion and growth.

Another aspect that could be beneficial for Morocco but demanding for international companies looking for profitable settings is the country's free trade agreement with United States and European Union. The strong encouragement for foreign investments is a positive initiative for the country but it can be challenging for companies as it increases competition intensity between new entrants as well as from national companies who can be resistant against new companies. Competition is another external challenge that firms should consider while entering Morocco either choosing franchising model or any other type of entry mode, in a market where competition is divided between local and international firms; the key to

overcome this challenge is to establish a unique and solid differentiation method that would put the company products and message ahead of their competitors.

Environmental Challenges

Companies entering the Moroccan market might face few environmental challenges when it come to waste management or recycling since the country is still in a developing condition and some international firms might have higher standards than Morocco like the case for IKEA (6.2). However, environmental preservation in Morocco is increasingly acquiring attention; the country is leading the way for environmental laws in the region for the last couple of years (The Swedish Trade & Invest Council, 2014). The country initiative to develop its environmental performance can only affect foreign firms in a positive way, providing them with new sustainable solutions and assistance.

Morocco has also set a goal to reach 42% of installed renewable energy capacity, through implementing a Solar Energy Project and an Integrated Wind Energy program aiming to set up a capacity of 4GW by 2020 (www.worldbank.org; The Swedish Trade & Invest Council, 2014). International companies can benefit from the country sustainable solution in different ways, such as updating their environmental solutions by generating power through applying solar energy equipments, turning opportunities that the country contribute to their advantages.

Cultural Challenges

Morocco's unique and strategic location makes the country an intersection between Europe and the Middle East which has resulted in a social collage; rich of diversity and a blend of languages and cultures (The Swedish Trade & Invest Council, 2014). In a market culturally diverse, companies might experience different challenges that could affect their entry efficiency. In Morocco there is a rich use of languages that firms should be aware of in order to choose the right way to communicate with their consumers and reach their hearts, internally firms should be capable to adapt to the new environment and be competent enough to adjust their strategic approaches accordingly to avoid any cultural clashes. In handling Morocco's cultural differences, firms will display their international experience and demonstrate their effective internal management and the extent to which they are prepared to cope.

In IKEA's case, such company with a strong culture and concept it is challenging to make sure they live up and blend in the Moroccan culture through understanding it and cope with it. The first cultural challenge for a company entering Morocco is to build trust; the country is

very relationship-oriented culture, where building trust should be the main ingredient for business success (http://www.internations.org). It is crucial for firms to consider every detail about the opposite culture because what is insignificant for a culture could be major for another. For IKEA entering the Moroccan market means dealing with a collectivistic society that is built on taking responsibility for other members of one's group and maintain strong bonds (geert-hofstede.com); employing people with a collectivistic nature require different management techniques to ensure successful execution of the company's operations, this management should be based on managing groups where the employer/ employee relationship are perceived in a moral sense as a family link for that reason handling hiring and promoting decisions should consider the employee's in-group.

7.1 Theoretical Implications

There is a theory (2.5) which indicates that a PESTEL analysis is a good tool to examine and investigate the potentiality of a foreign market as well as it can be effectively used to ensure that what firms are doing is positively aligned with the world changes, however interviews with IKEA managers ensured that researching PESTEL situation of the country in hand is very crucial in determining the extent in which that market could be beneficial in the long run and it helps on learning about the market in-depth, culture and the competition environment.

Theories (2.4) shows that culture is a significant key in understanding consumer needs and blending in a new market; the interviews with IKEA's managers supported that theory by highlighting that understanding people and respecting their culture is a key success for IKEA in their international markets. The findings also showed different elements of market risk assessment that didn't support any theory since IKEA use it in different ways especially that they enter a market based on the need rather than the risk and also internal and external factor theory was taken into consideration in a different way by the company.

7.2 Managerial Implications

The findings of this study demonstrate a variety of important implications for managers to consider while entering the Moroccan market.

First, entering a foreign market requires a variety of research and analysis of the market current status; therefore it is crucial for managers to conduct an in-depth market analysis where they focus on every detail of the market environment as well as develop forecasts especially when it comes to the political and economical aspects in order to have alternative plans in case of sudden changes.

Second, while entering the Moroccan market companies can face corruption issues that could delay some of their administrative procedure. Managers should be aware of the phenomena and informed of the action that should be taken against it such as contacting the anti-corruption agencies that the government has established to diminish these practices.

Third, Morocco has several trade agreements with EU, United States as well as other countries; companies should be fully aware of these agreements and the policies applied with each country. Being aware of such policies could save firms entering Morocco time and money, it will help them avoid dealing with forbidden materials or breaking policies for that reason it is important to secure suppliers in the right locations and country that Morocco has agreements together with.

Fourth, culturally firms should be knowledgeable of the differences between their home country and the host country. Morocco is a bilingual country where French, Arabic and Tamazight are the main languages, firms should be careful in deciding the right language to communicate with their customers in order to be able to reach the hearts of their target groups. They should also consider other cultural differences such as religion and values.

Fifth, Morocco is developing their environment actions through applying a variety of green solutions and requiring companies to get involved to create a powerful change. For new firms who are often looking to increase their environmental actions, Morocco could be a challenge since it is still in a developing process; however it can also offer new solutions such as the use of solar energy to generate power which can give firms an advantage in updating their functions as well as be part of the country's green project.

Sixth, culture does not rely only on understanding the host country cultural differences but also on the extent managers are successful to integrate both the company's culture with the Moroccan values and culture to avoid clashes and link the similarities rather than focus on the differences. By aligning the firm's and the Moroccan culture, companies will have two advantages to begin with; first is ensuring a healthy and balanced management within the organization that have full understanding to local employees, second is getting a step closer to the customers through understanding and giving them the chance to be fully aware of the firm culture and values as well.

Seventh, government involvement in Morocco is a given; managers should take initiative of meeting government responsible to explain their business and introduce them to the

company's idea and values, this way they will decrease resistance barriers. It is also an advantage since the government plays strong roles in large deals; they can carry opportunities to coordinate multiple suppliers across industries and drive longer term deals.

Eighth, managers should identify the future patterns of the Moroccan market trends, through analyzing the strong and weak parties and the market dynamic. This will help them to spot the key domains in which it will be beneficial for them to compete in the future and help them design an effective long-term plan.

7.3 Limitations

This section illustrates limitations that have appeared while conducting this study.

Conducting interviews was limited within phone and Skype meetings due to distance issues; every manager that was interviewed was located in another country which made it impossible to conduct face to face meetings and increase chances of observation and closer interaction to the interviewee which might have helped on discussing the questions in hand differently.

Time was another issue of limitation that occurred to affect the number of interviews conducted, due to time restrictions it was difficult to manage more than four interviews with IKEA's managers; this limitation could affect the development of the study and result on some limitations on the collected data.

7.4 Future Research

This study is based on examining external and internal factors that could affect franchising in Morocco and the significant steps that companies should consider when entering the Moroccan market. Below is a variety of directions for further research that could be applied:

When it comes to entry mode selection, a research could combine different entry modes such as joint ventures, export and licensing and compare it to franchising in order to highlight its differences and to which extent franchising could be the best option to apply when entering the Moroccan market.

Another option is to use a multiple case study, this could be applied through choosing two other companies who entered Morocco by franchising alongside with IKEA's case study; the research could be an analysis of the companies' performance and an outline to the steps and strategies that have been used and then conclude a guide to the most successful franchising implementation approach when entering Morocco.

From a furnishing industry perspective, the study could also be carried out through a comparative approach between two furniture franchising companies and conduct a study to highlight the positive and negative sides of choosing franchising in the furniture industry and to which extent it can be successful in Moroccan market.

7.5 Concluding Remarks

Globalization is an expanding interdependence of national economies that involves customers, producers, suppliers and governments in several markets. Global markets in this case reflect the trend of companies selling and distributing services and products in various countries around the world. Nowadays the most attractive markets are the emerging ones since it provides a variety of opportunities and unique arrangements for international firms that are aiming to expand and reach new consumers worldwide. Morocco is an emerging market that have succeeded to attract international companies' attention through the government's efforts to encourage foreign direct investments, the country takes initiatives to build a suitable and reliable ground for foreign firms through the creation of a variety of law reforms that includes improvements of taxes, trade agreements, real estate regulations etc. The country strategic approach to encourage foreign firms to enter the market is proved in the country diverse business environment that holds a mixture of national and international companies that are competing to reach the Moroccan consumer. In entering the Moroccan market, companies are applying several entry modes that are influenced by the firm's strategic approach. During the last three years, franchising have been showing a large growth in the market indicating the model's potentiality to be successful in Morocco aligned with the several internal and external factors that could influence a franchise operations if not handled strategically. For a company to go international either by using franchising or any other form of entry mode, there are many factors that should be considered in order to avoid threats and take advantage of the foreign market opportunities. This study was focused on illustrating factors that companies could face in the Moroccan market which could be external such as cultural, political, economical, legal and environmental challenges or internal which depend mostly on the company's international experience, products and operational processes; it also concluded several aspects that management should consider when conducting their market research before entering the Moroccan market. These were few aspects of why studies about market entry strategies and globalization are significant today since it can bring out interesting facts about entering foreign markets.

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Appendices

Appendix A - Interview Questions

Linnæus University
Sweden

Market entry strategy- market entry modes

1. What form of entry strategy does IKEA adopt to enter a new market?

    - Why?

2. What are the main/ four challenges IKEA faces while entering a new market?

3. What form of criteria does IKEA consider to select a new market?

4. What were the main reasons of choosing Morocco as a potential market?

5. What entry mode does IKEA plan to implement in Morocco?

6. Which factors were behind choosing this entry mode?

7. Which steps IKEA is planning to follow to implement the chosen mode?

8. What are your major short and long-term objectives in entering this market? Why?

9. What did you focus on the most when conducting your market research?

External and internal factors influencing entry mode selection

10. What form of legal challenges does IKEA usually face in new markets?

11. Which are the major political/legal/social/economical/technological and environmental factors that could challenge IKEA in Morocco?

12. Which country risks does IKEA often meet in new markets?

13. What are some of these risks IKEA might face in Morocco?

14. To which extent does market size and growth affect IKEA's entry mode selection?

15. Who are IKEA's potential competitors in Morocco?

16. How is IKEA planning to differentiate themselves from their competitors in Morocco?

17. How will IKEA position their modern designed furniture against Moroccan traditional handmade furniture?

Cultural Distance

18. What measures does IKEA take to decrease cultural distance in new markets?

19. How aware are you of cultural differences between Sweden and Morocco?

20. How does IKEA plan to overcome cultural differences in Morocco?

21. How is IKEA planning to coordinate and train their local employees to reach IKEA's service standards?

22. What type of marketing approaches IKEA is planning to apply considering cultural differences?

23. To which extent does cultural differences impacts IKEA's way of conducting business in a foreign market?

Appendix B - Interview transcripts

Interview Transcript 1

Interviewer	Rania Akhsassi
Interviewee	Marino Maganto
Interviewee position & Experience	CEO of SYH Retail, 17 years (experience)
Setting	Skype meeting
Duration	1 hour 25 minutes

Interviewer: What form of entry strategy does IKEA adopt to enter a new market?

Interviewee: when you look into the market you need to implement 5 steps, why we want to enter the market (is there a need?) for our range, is the market ready for a company like IKEA from a infrastructure point of view and the possible ways to get the goods into the country, logistic setups, customs regulations, laws and standards. Then IKEA need to evaluate the economy, political situations, how are the people, what is the market potentials, the competitors and conduct a major market analysis. There are many things to take into account before even consider entering a market. When it comes to entry mode, IKEA actually work with the franchising model.

Interviewer: Which entry mode did IKEA implement in entering Kuwait?

Interviewer: IKEA implement franchising, there are two types of franchising that IKEA adopts; one would be within IKEA group and another is outside the IKEA group. In Kuwait, no foreign investor can be the only owner; the local investors should be part of the investments. The only way to enter Kuwait was to find local investors that are from Kuwait not Europe or the US. However, the laws are changing which allows for partnerships like a joint venture 51% for local owner and 49% for the foreign investor instead of 100% for locals; so the person from Kuwait will still the biggest shareholder. I will say that would depend very much from market to market, so there are markets like Korea where the franchisee should be within the IKEA group; so at the end it also depends on IKEA's decision

92

on what will be the best way to enter a market. So again in Kuwait case, IKEA rise the question "can we legally enter that maker?" when it's no, then we should find a partner since we believe in the market potential and we believe there is a need.

Interviewer: What are the main challenges IKEA faces while entering a new market?

Interviewee: As I said before the first step is to study the market and understand political situation, consumers, logistic infrastructure, the cities, the clusters, the economic situation, what are the income levels; then the next challenge is to understand how people live, what are their need, what are their dreams and solutions they need. So I think the challenge is to gather all the main information in order to create the best possible solution for that market; IKEA store in Sweden look exactly the same as the one in Kuwait; you can easily recognize an IKEA store but the differences are in our rooms settings because they are a little bit different than the Swedish and the reason for that is that homes here are 600m2 but in Sweden around 250m2 so the rooms in Kuwait are bigger so at the end of the day, this is the part that we need to understand and what are the differences. People are all the same, we all have the same basic needs but how we carry them out is a little bit different; from country to country and from culture to culture. So the challenges are to understand the people, understand the culture and respect it which is very important and at the same time provide solutions (praying room example).

Interviewer: What were the main reasons of choosing Morocco as a potential market?

Interviewee: I can explain not from IKEA perspective but more from us like a company why we decided to establish and invest in Morocco. First of all, Moroccans know IKEA since they travel to Spanish Island, Spain and France; so we know that they are aware of the brand and appreciate it, people also like it. Second Morocco is a very stable country, there is no risk in short-term as you never know, Inchallah there will be nothing happening there. It is also politically stable, a country where the main power is in place, we also found highly educated people and certainly there is a need. Today the market is extremely expensive; I have been to Morocco visiting the competitors and food courts, and understanding the people salaries (how much they earn and how much they have to spend on furnishing?), IKEA can really contribute there to create a better every day for the Moroccan people and the same time be profitable for us. So it is not one main thing (like the population is there, lets open stores) but it is more to contribute to improve people's life in Morocco.

Interviewer: Which factors were behind choosing this entry mode?

Interviewee: It is the most suitable one, and we are going as franchisee outside IKEA group. The company is called Al-homaizi United under the trade mark SYH Retail.

Interviewer: Which steps IKEA is planning to follow to implement the chosen mode?

Interviewee: First thing we do is to have a discussion with IKEA, either we apply to franchise or IKEA calls us and say listen guys we trust you, we have a business opportunity would you be interested to be part of that?. Then once we both agree, then of course you have all the legal procedures like contracts and that you are granted the rights for the territory so you are giving the right to explore it. Then once we explore the territory, and we say yes we like it and we believe we can do that; then we start signing license agreements and different types of legal documents.

Interviewer: What did you focus on the most when conducting your market research?

Interviewee: First of all like I said, Economics and how does the economy of the country look like (average income level, food expenses, leisure, travelling and so on. What are the economic drivers of the country? You know like what drive the economy, because it will say it's a small country and its only agriculture driven then their need for furnishing is small not like a big city. It can be tourism driven and what are the risks or opportunities that are there, both need to be analyzed and conducting risk analysis. Are there any trade barriers or governmental barriers (for example in Morocco we know you cannot import things from countries you do not have a trade agreement with) we also need to understand does IKEA have any limitations when it comes to trade because if the government said we cannot import wood and since our products are made from wood we need to find an alternative like if we can produce in Morocco, at the end we need to understand the whole situation and then take the decision that is needed. We have to check if there are any political risks, the world is shifting so quickly if today there is no risk it might occur tomorrow; so you can never be 100% sure. The competition should be taken into consideration and how are the prices, which is the target group, and then of course which also very important how much profit turnover to make sure for long term that the business will work because if we won't make any money then it is not a good investment. It is also important to choose the right city, therefore we have chosen Casablanca. In the future we don't know, maybe we will open second or third store; depending on how the market develops. We already have a wish of how many stores we want

to open and where we want them to be. City size and where we expect the population growth to take place. Zenata is where we have chosen in Casablanca, it is going to become a very important hub. There is a lot of development that is taking place there, all this things we take into account.

Interviewer: What form of legal challenges does IKEA usually face in new markets?

Interviewee: I would say that we don't face so many, the reason for that is one of the things IKEA could be proud of is that we follow all the needed steps; to make sure we are applying all the regulations in the country, so of course legal requirements are part of the analysis we do before we enter a new market. The main elements are the hiring requirements, used materials etc. So I would say that we are not facing any legal issues from my personal point of view for being responsible for Kuwait and Jordan and I don't expect to find any in Morocco neither.

Interviewer: Which are the major political/legal/social/economical/technological/Environmental factors that could challenge IKEA in Morocco?

Interviewee: in Political or legal factors, the only thing that can occur is if the laws are changing after we enter a market, for example is Morocco we already know a new law that will be reinforced in September 2015 regarding labeling so we are working toward that law. From a political point of view, the only challenge is if the political situation changes and new laws coming to place then it will be tricky if we can't sort those things out. But in general we try to work very hard and talk to the authorities and meet the key people (I will soon travel to Morocco and meet the minister to explain who we are again, take them to Sweden to introduce them to who is IKEA because its better if they go to Älmhult and see and talk to the designers and employees, product development and quality control and also to give them a peace of mind and to prove to them that this is not a company that will cheat the system, that we pay our taxes, treat our employees the right way and make the government trust us). Socially I'm already impressed so far what I saw when recruiting and conducting some interviews, I found highly qualified people who speak more than one language, open minded, I don't expect to find any social challenges when it comes to recruitment or accepting IKEA concept, my job is to ensure that we enter with the right prices, right services and setups. I'm only little concerned when it comes to the construction part and meeting the deadline; it is because the project fell on Ramadan period and will take time. When it comes to economical

challenges in Morocco, we are actually not facing any for the moment. For technological challenges, we are now exploring the IT setup, which is very important for IKEA but the good thing is that we take our IT staff with us. So the only challenge we will face is to understand what the regulations there are, so I don't think from an IT perspective and Moroccans as I know they are much active when it comes to technological sight (internet), in Kuwait and Jordan we also brought our IT group with us and used the same software we are planning to use in Morocco. For environmental challenges we actually have environmental wishes, as you know IKEA is concerned to be a good neighbor and reduce waste; it can be that IKEA is stricter when it comes to environmental restrictions and in many countries IKEA is more forward when it comes to environmental approaches (recycling, waste management, food waste management) than the country itself. Most of the time IKEA is more independent from the environmental perspective than the host country, so we never go lower but we go higher if the country have high standards. So it is good to contribute and show others that it can be done when the standards are lower than IKEA's.

Interviewer: Which country risks does IKEA often meet in new markets?

Interviewee: I think this depends from country to country, but I can tell you the ones we might face; as I said before legal restrictions barriers, changes in laws like we mentioned before. It doesn't happen all the time but it can occur. Concerning that we do a very deep risk analysis to verify before we enter any market. We take market analysis in a yearly basis to understand the consumers and how is the brand being perceived in the market. Market research for Morocco started 2010 which 4 years of analysis.

Interviewer: What are some of these risks IKEA might face in Morocco?

Interviewee: According to the market analysis, I don't expect to find any in Morocco. We have already gone through the regulation and we have not experienced any issues so we are very satisfied with that. We already know how much taxes we will be and the competitors' intensity.

Interviewer: To which extent does market size and growth affect IKEA's entry mode selection?

Interviewee: At the end of the day, if the market is not big enough for a big company like IKEA then we need to make return on investment calculations and if it won't be profitable we either change the model or decide it's not the time yet to enter that market or find a second

alternative like selling through E-commerce and that is the advantage that the technology offers nowadays but for the moment we are not selling through E-commerce to any country.

Interviewer: Who are IKEA's potential competitors in Morocco?

Interviewee: Everybody, since everyone has an extra amount of money (his son example, computer and a table for 1000 SEK, computer company will be competitor) therefore at the end of the day, I need to introduce outstanding offers and IKEA doesn't only offer products but it also offer solutions for the people. I also have to say that we sell dreams since our homes are very important for us, so we help them to get as close as possible to reach their dream homes. When people ask me who are your competitors, I personally always say its everybody; we have our direct competitors who are furniture firms that everyone knows (KITEA & Mobilea). Also the good thing that is proven is that when IKEA enters a market, we create opportunities and everyone grows with IKEA. Because we are shifting that money from the "computer" to the furniture, we also know that IKEA enter markets with aggressive low pricing which push competitors to lower their prices as well which is fantastic for the people and they are the ones benefiting at the end of the day.

Interviewer: How is IKEA planning to differentiate themselves from their competitors in Morocco?

Interviewee: I can give you one million examples; first of all we are focusing on people as we are spending time, energy and money in understanding consumers. In May I will go to Morocco and visit about a hundred different homes and sit with people to get a deep understanding and I think that is something that competitors don't do. The second is the store experience, we will have a completely a different store experience and we will be in the edge when it comes to technology, marketing and product presentation, inspiration and of course prices. I also would like to have the biggest restaurant in Casablanca which IKEA restaurant because that experience is also important. We take everything and try to do it at its best, professionalism, execution and pay attention to details which makes us different than our competitors; we are really detail oriented. We will have a global IKEA with a Moroccan flavor as we do anywhere else in the world so people feel more at home. I think IKEA is unique.

Interviewer: How will IKEA position their modern designed furniture against Moroccan traditional handmade furniture?

Interviewee: We are very modern and also have a traditional side, we need to find the right balance so people from two sides can relate and be comfortable with. Traditional handmade furnishing stores can be powerful and we don't underestimate them, it will add more variety for people to choose from, we don't want to run a monopoly. This is what we want to add to Morocco design, modern, good prices and a different alternative of what exist in the market.

Interviewer: What measures does IKEA take to decrease cultural distance in new markets?

Interviewee: When we explore the market, every market is different so the first thing I learn within Spain which is my home country, there is different areas in the same country and same goes for Morocco and other countries. The first thing is to respect and learn the other person culture, since I'm responsible of Jordan, Kuwait and Morocco and being Christian the most important thing for me was to learn how is it to me a Muslim, their values and attitudes. For example in sitting up the store in Jordan or Kuwait, the store should reflect our respect to the culture to how we display our range (wardrobe and short skirts example). We should learn their tastes and what food they like, adding local dishes to the IKEA menu and Halal food. Building prayer rooms in the store is very important to respect culture; it is more than just building it is more about understanding it. Respect is a very important element in IKEA.

Interviewer: How aware is IKEA of cultural differences between Sweden and Morocco?

Interviewee: We are very aware; it is not only between Sweden and Morocco. It can be just between Norway and Sweden, Spain and Sweden.

Interviewer: How is IKEA planning to coordinate and train their local employees to reach IKEA's service standards?

Interviewee: To give you an example, we already have recruited Moroccan people and they working now in the Moroccan project. So that means we recruit in advance, IKEA has also a fantastic training program; they have a school in Delft where Cathrin is based. We create a group of trainers in specific topics (logistics and within the same department). Then those trainers will train the employees and there is of course a continuous evaluation of learning. In Morocco's case, I have recruited a shipping specialist who takes care of how the regulations

work, I sent him to Sweden to understand how IKEA works then sent him to Kuwait to observe our shipping and now he is in Jordan. So he spent the first 3 months only training in understanding the processes so I won't expect him to begin until the coming 3 months. The shipping guy, he is going to be based in Morocco as a specialist. We also have customer service training on how employees should handle customers, services and they need to learn IKEA concept. There is a huge investment in training employees. When we recruit, we based our recruitment on choosing people values not only competences, so we make sure their values are aligned with IKEA's values as well; competences you can train but values and attitudes you can't.

Interviewer: What type of marketing approaches IKEA is planning to apply considering cultural differences?

Interviewee: first of all as an example, we will use French and Arabic in everything we do. We will be a bilingual company. We learned that in Morocco the business language is French and the most spoken language at homes is Arabic; we want people to feel at home so we will address them in those two most spoken languages. By understanding how people live, we will create communication tools that reach people hearts; so it is not to introduce ourselves an arrogant Swedish company, we are very humble firm so the voice should be humble and close to the hearts. When it comes to which marketing tools we will use, it is very early in this stage to point out to be honest. We are now defining the market entry strategy, we know the process but after that we will connect with a media company and decide messages and what solutions we want to introduce. So each message would be suitable to different marketing tools like TV, billboards, press, radio or others. So actually we are still working on that.

Interviewer: To which extent does cultural differences impacts IKEA's way of conducting business in a foreign market?

Interviewee: it does not; we have a strict code of conduct that we call IWAY which how we evaluate our suppliers and third parties. For a supplier to work for us they have to reach our standards and employees should stick to our code of conduct as well. For example if in a country bribe is fine, we do not do that because it is against IKEA's standards and belief. We do not take bribes or money in the side; it will be opposite to our code of conduct. There are countries in the world where people work when they are 13 years old but for IKEA if you are not 18 you won't work even if they law allow it. It could impact us because if we hire younger it could be cheaper but still it's against IKEA's standards. In countries where bribe

could slow down our process, IKEA take it with the government and we are not expecting any risks of that kind since we have never faced bribes in any of the countries we established in. if it will take longer then it can take longer. At the end of the day, IKEA is a huge company so government is willing to support IKEA because we create many jobs and we have a huge impact on the economy. We ship hundred of containers a week so we activate the economy. I don't think any government would like to slow down a creation of thousand jobs and huge investment. In Ramadan in Kuwait we close the store, we work around hours during the day and then we close, after Iftar we open again. That level of commitment shows the respect of local values and traditions.

Interview transcript 2

Interviewer	Rania Akhsassi
Interviewee	Cathrin Lundberg
Interviewee position & experience	Manager of IKEA markets, 9 years experience
Setting	Phone meeting
Duration	50 minutes

Interviewer: What form of entry strategy does IKEA adopt to enter a new market?

Interviewee: we only work with franchising; all stores are operating under the franchising agreement except one which is the store in Delft that we own and you can call it our college.

Interviewer: What are the main/ four challenges IKEA faces while entering a new market?

Interviewee: we need to secure that we have a saleable range; we also need to check for suppliers. We should have a saleable range, we should setup an efficient supplier (prices) and of course we need to find the right partners but that we do first, actually those are the two main challenges.

Interviewer: What form of criteria does IKEA consider to select a new market?

Interviewee: There are many, when we look at the globe it needs basically as we said before that the range should be saleable and we have to have a sufficient supplier setup. It should be in a good level for reaching the many customers and people in the country. The market also should fit it in to our global pattern since we need to ship around the world quite big heavy machines so the location should be efficient. The market should basically contribute to the many people, when you go to Southern markets, sometimes it's not ready then maybe there is not much of brand awareness, legislations should be able to protect our brand as well.

Interviewer: What were the main reasons of choosing Morocco as a potential market?

Interviewee: It was a good setting for our total long-term strategy, where we will focus on franchisees having the ability of expanding; out of financial means, how they handle the brand and operations. It was also suitable to sale the range. When we look from now 10-15 years we see that the market have potential within region and we can expand in the same region which would lower costs. If you have more stores you get more cost gains as well.

Interviewer: Which factors were behind choosing franchising?

Interviewee: It was a strategic decision that was taken a long time ago; it's a very healthy business model that has worked quite well. We have never considered another model.

Interviewer: Which steps IKEA is planning to follow to implement the chosen mode?

Interviewee: We look at our plan and we notice that Middle East and Africa are flourishing then we see the franchisee that could establish in those markets and reach the many people which IKEA's vision. We check if it will contribute to people and we look at which franchisees would have ability to actually establishing our operations in the specific country and then we identify a number selection criteria that we go through when looking for franchisee, then we have an evaluation stage and take a decision to proceed to the market with the chosen franchisee. So the franchisee that we corporate with will then evaluate the market himself because when we have a franchising model we provide the knowledge of the concept and the franchisee provide the knowledge of the local market so he needs to take full ownership to implement the concept. They work together with us, we support them and guide them, they introduce how they want to approach the market and how they want to introduce IKEA's concept then we evaluate their offers and we take a decision accordingly. The franchisee will be responsible of buying the land and following all the needed steps in establishing, how to build up a store and where to locate it. We make the drawings of the store, there are many people involved on the process but it is all the franchisee responsibility to follow our guidelines and manuals.

Interviewer: What are your major short and long-term objectives in entering Morocco? Why?

Interviewee: Reaching the many people is always our main objective.

Interviewer: What did you focus on the most when conducting your market research?

Interviewee: Actually we always have a set way of approaching markets and franchisees, we start by looking 15 years ahead which market will be suitable then we look at the market closely with the franchisee and evaluate it. We look basically as I mentioned before the salability of our products. Check if there a market that we can actually enter for the gain of many people, in case there is a lack of legal protection for our brand then we won't enter because the market won't be valid. For Morocco, when we looked at the country we checked if it fit in our long-term plan, then we check the suitable franchisee with the right knowledge to invest in the market. We contact the franchisee to make a market study of the consumption, competition and other elements. IKEA's does some study but the franchisee need to have a view of the market as well (location and best time of opening for example). They do all the studies, when we have a franchisee doing a market research we can actually do it pretty fast before we decide to go further with the franchisee, we say it would take around a year or less depending on the market.

Interviewer: What form of legal challenges does IKEA usually face in new markets?

Interviewee: Basically what we first do is checking the legal environment, the protection and how enforceable are the contracts; we also check court laws to make sure we can protect our brand. We as well check international performance from different areas like corruption and other aspects. Then we check pricing regulations, since we want to keep our pricing to reach the many people. As an example, we have faced sometimes when we enter a market the import restrictions could be restrict to protect the local production so what we do is that we explain to the government who we are and our concept when we enter a market.

Interviewer: Which are the major political/legal/social/economical/technological/Environmental factors that could challenge IKEA in Morocco?

Interviewee: Right now in Morocco I actually don't see any political obstacles. We enter Egypt last year and there we had a lot of more political obstacles with the country changing the regime, change laws. With such continuous change in government, we had to explain who we are to every new person coming to the government so they know who we are. When it comes to economical challenges, what I have seen so far I don't expect any economical

obstacles so we actually don't foresee any issues in that area. Technological challenges, it will be related to IT system and that won't be a problem since it is on track. Environmental challenges, I actually haven't seen any for Morocco so far. Maybe we will spot it now when they will start building the store.

Interviewer: Which country risks does IKEA often meet in new markets?

Interviewee: IKEA is expanding not in a very fast mode, so we can be cautious in countries that we enter. The main issues as we said before if the product ranges are saleable and if we can reach the many people and ensure import regulations. We don't access countries on their risk level we actually access it through asking ourselves if we will contribute to the many people. During market research if the franchisee spot any risks then we might just say we can wait a few years and look it later on.

Interviewer: To which extent does market size and growth affect IKEA's entry mode selection?

Interviewee: Market size and growth we look at it from a region perspective, it is important to check if it is located in a supplier range. We need to have shipping in right prices so we don't have it expensive and then we need to sell expensive to customers which we don't want to.

Interviewer: How is IKEA planning to differentiate themselves from their competitors in Morocco?

Interviewee: Well, in the country where we enter they have modern furniture. But we offer them a very good purchase to furnish their homes. In some countries the traditional furniture is custom made and pretty expensive so what we will offer is well functioning and designed furniture with prices that many people can afford and doing that in a shop that is pretty much complete for the house hold.

Interviewer: What measures does IKEA take to decrease cultural distance in new markets?

Interviewee: I will give an example, when we went to Saudi Arabia you see men and women shopping at the same place that you don't see in other places in Saudi Arabia; so only by being present and employing different people we give them an example. The good thing by having a franchisee that knows the local market we can have our IKEA store and display it in

a way that is locally adapted. If we didn't have a local franchisee it will be harder to give a good offer to the customers according to how they live and work.

Interviewer: How aware is IKEA of cultural differences between Sweden and Morocco?

Interviewee: We are quite aware globally about all the differences, again this is what the local franchisee contributes; all the local concepts, legislations and culture as well to be relevant in the market.

Interviewer: How does IKEA plan to overcome cultural differences in Morocco?

Interviewee: They would do different things, in Qatar as an example the franchisee do many home visits to see what kind of living situations since it differ from Dubai, Saudi or Kuwait. Local franchisee makes visits in homes to see how they live, things they appreciate, their way of cooking, places they sleep etc. Then we display our product ranges in a way so they can feel at home.

Interviewer: How is IKEA planning to coordinate and train their local employees to reach IKEA's service standards?

Interviewee: When we start in a new country, we start recruiting people and we have a training place here in Delft so we teach them in certain training course; we also have local trainers that train employees to reach IKEA's standards and understand our values, for IKEA our values are core. We have several training passes that could involve spending time in Delft or other IKEA stores to train employees in markets that could be similar to the Moroccan market then we have trainers that are certified in other franchisees. We determine the priod needed for the employees to be trained.

Interviewer: To which extent does cultural differences impacts IKEA's way of conducting business in a foreign market?

Interviewee: We need to be relevant for the customers and understanding them, I will go back to Qatar example of visiting homes, and we try to bring the culture into the store and also for the people to understand our concept. The values we present are human values so they actually fit often quite well anywhere we decide to open. Maybe it's harder in hierarchical countries like Asians who don't express when they don't understand but then again having local franchisees who knows local culture makes it easier.

Interview transcript 3

Interviewer	Rania Akhsassi
Interviewee	Kai Fuhlrott
Interviewee position & experience	Deputy Retail Manager- IKEA, 22 years
Setting	Phone meeting
Duration	60 minutes

What form of entry strategy does IKEA adopt to enter a new market? Why Franchising?

The whole set-up of IKEA is always franchising, it doesn't matter if it is internal or external franchisees. Normally most of the stores are owned within IKEA organizations but when you come to completely new markets like Dubai or Kuwait then it is very often based on the actions of local companies asking IKEA for the possibility to franchise. We choose franchising because we always want to have the possibilities to own the companies and have some control and be part of it. We never had a 100% franchisee, it is often 50/50 and sometimes it depend on the country; like in India where the foreign companies are not allowed to have more than the local partners.

What are the main/ four challenges IKEA faces while entering a new market?

It differ from market to another, like in India it is a longer procedure to check who is owning what and the percentage of the share. It is also a challenge to find the right partners in the countries. The other part is the question if we have the right supply chain and the possibilities to get a logistical settlement to deliver to certain countries, for example Africa we don't have a logistic set-up or any production places which was a big challenge to enter South Africa. If we go somewhere that will be costly when it comes to logistic then we won't be able to reach the people through good pricing. When it comes to Morocco we won't have a problem with logistic since it is not far from Spain and Portugal where we have a lot of production. Another challenge is sustainable growth which is focusing on the existing markets, then when entering new markets is only the second step of expansion strategy of IKEA.

What form of criteria does IKEA consider to select a new market?

It is really the calculated potential of the market and the number of people which have a big need to furniture solutions which we can offer. For example in China the need is endless and there we have to take care that the expansion is not going too fast because the potential is high.

What make you think franchising would succeed in Morocco?

I think it will work all over the world because it is always a solution, one who has the knowledge of the local market, the country, culture and values and the other have the knowledge of the business and the concept of how to do the business; this is for me a clear situation. But the first step is to find the right organization.

Which steps IKEA is planning to follow to implement franchising?

The new partner would get a lot of support from the Inter IKEA system, go through the process of knowing the way to get the goods, manage the store and everything is described in IKEA manuals that come during the franchising agreements. IKEA can contact a good organization about a potential market and in other cases IKEA's receive offers from potential franchisees; then it up to IKEA to decide if the suggested country has any potential.

What are your major short and long-term objectives in entering this market?

The first part is to touch the people with our range and to make them familiar with IKEA's concept, the purchasing experience and the way to assemble the goods. As well to expand in the country, since in Morocco there are many big cities that can have IKEA's stores in the future.

What did you focus on the most when conducting your market research?

In the beginning is about the full potential of the investment in home furnishing, then it is looking into the single living situation of the household, where the majority of people are located, income, we focus on families with children/couples. Then you can see the different market shares and then you can very easily calculate the potential possibility for the future.

What form of legal challenges does IKEA usually face in new markets?

Apart the legal issue of the share percentage between a foreign and local partner, there is also getting permission for the big stores we normally build and this needs big sites that the many people can reach. There is also in some countries legal forms that want to protect local retailers from foreign companies.

Which are the major political/legal/Social/Economical/Environmental factors that could challenge IKEA in Morocco?

Legal: I think it is good to have the local franchisee that is aware of legal factors, so right now I don't see that big legal risk in Morocco. Political: so far there are no difficulties but the question is about what happens on the way, things might change. Economical: it depend on the entire Arabian world, there are many changes going on that might affect all especially European and American companies, but I'm very optimistic about the situation so far. Environmental: I think when it comes to all the sustainability questions is the way we have to go, but the general view of IKEA is when you enter a new market or a new city in existing markets the store should have always the newest sustainable solutions and then in Morocco we have another good possibility of using solar energy.

Which country risks does IKEA often meet in new markets?

Mostly the political risks, if things are changing or if we are not prepared to enter a new market even from a cultural perspective. We had our own experience in IKEA when entering the US market thinking that Americans must love Swedish furniture and it would successful as in Europe but we haven't had in mind that the purchase behavior of Americans is completely different that Europeans and their needs are different; they have bigger sizes of sofas, beds and kitchens. We didn't have that in mind but after 10 years the management decided to step out to the market and create re-start and after understanding all this element we were successful but if we were aware from the beginning we could have performed better faster.

What are some of these risks IKEA might face in Morocco?

Comparing to the previous example, I don't think that would be a risk in Morocco since in start there will be people purchasing from the store and later on if any problem occur we adjust our offers accordingly.

Who are IKEA's potential competitors in Morocco?

I guess the big retailers are our first competition.

How is IKEA planning to differentiate themselves from their competitors in Morocco?

I think the biggest differentiation is that we don't only offer home furnishing; we offer solutions to the needs and reaching the dreams of people and creating new. Another difference between IKEA and other companies is that we respect the country culture and we try our best to understand the people and they can sense that. We also want to offer the best price of the current quality which is our concept which people realize very fast.

How will IKEA position their modern designed furniture against Moroccan traditional handmade furniture?

That will be interesting, I think there is a lot of possibility to combine and even in Europe today they like to have basic IKEA furniture and then they combine it with traditional sofas or tables. We have to present in our stores the traditional lifestyle of Morocco combined together with IKEA's furniture. We usually do home visits to understand how people live to combine their dreams their needs and their current situation.

What measures does IKEA take to decrease cultural distance in new markets?

We try to understand our customers from the early beginning, the differences of people and the market that's why we are using local people who understand. We don't want to turn Morocco Swedish but we want to do it the other way around. I think it start by understanding the culture, to use the cultural differences as an advantage for the company rather than a threat. We ask, listen and respect to the people and the secret is in that.

How does IKEA plan to overcome cultural differences in Morocco?

What we usually do is to have surveys with our co-workers and customers twice a year and then we get a lot of feedback and then we see what we can develop. If we listen and talk to the people, it is the best measurement we can have.

How is IKEA planning to coordinate and train their local employees to reach IKEA's service standards?

We have within our IWAY demands; we have set up our standards when it comes to give possibilities to employees. Then we have international standards when it comes to work conditions, local legislations that we should fulfill. We examine the legislation and we create training program accordingly for the new employees. In the beginning we bring people who have IKEA's knowledge, and then they train recruited local employees.

What type of marketing approaches IKEA is planning to apply considering cultural differences?

We are doing quite good when we use local companies, marketing is different from country to country and one can do small stupid mistakes if not aware of the differences that's why we are always looking with the local agencies who supports us.

To which extent does cultural differences impacts IKEA's way of conducting business in a foreign market?

We are thinking about all the different religions working in IKEA and we have to respect their different religious events and try to celebrate it with them in the stores. We have also created special areas in the store for Muslim employees to pray so this is all about respecting the differences.

Interview transcript 4

Interviewer	Rania Akhsassi
Interviewee	Laurent Tiersen
Interviewee position & experience	Marketing Manager- Inter IKEA, 15 years
Setting	Phone meeting
Duration	60 minutes

What form of entry strategy does IKEA adopt to enter a new market? Why?

We use franchising, some of the franchisees are within IKEA and the others are retailers and not all the markets are run by the same franchisee. We choose franchising since it allows the company to grow faster; it is also a legal set-up that IKEA decided to adopt.

What are the main/ four challenges IKEA faces while entering a new market?

The first challenge is to get permission to open, sometimes there is resistance toward the "big box", and competition sees IKEA as a threat. There are many legal actions and PR to show we are not taking over the market but we are creating one; creating new needs but it is difficult to convince people. When it comes to the consumer, in some markets we don't have a big middle class and they don't have necessary a home furnishing culture so our job is to trigger that interest. There are also markets where we find middle class that could afford our furniture but they rather spend their money on other things, then it's a challenge to trigger their attention to IKEA. Is it also a challenge to present the brand, sometimes in some markets IKEA could be perceived as a luxury brand; so our job is to introduce it so people understand it's about giving people solutions at good a price.

What form of criteria does IKEA consider to select a new market?

The criteria is basically the calculation of the income and if we the market is good, it is not always about the criteria or the population, if we look at the population we could build so many stores in a country with large inhabitants. Another criteria is the logistics set-up,

opening in a country completely disconnected to our logistic set-up means we need to create a new one and then the decision won't be profitable.

What were the main reasons of choosing Morocco as a potential market?

I think the economy is growing and population is young and there is a middle class so there is a potential to open an IKEA. For the logistic concept would be easier to connect to the Mediterranean set-ups. The political situation is also more stable comparing to our experience in Egypt.

Which steps IKEA is planning to follow to implement the chosen mode?

There some marketing intelligence and trainee to understand what the concept is about, we also have communication tools and manuals. In case of Morocco we will give a closer look, we found out in the recent countries we are little loose in terms of franchisor and in demanding to enter the market in a stronger way like having a stronger control of what the franchisor and franchisee is doing, we would go deeper on the type of campaign they are planning to run and their understanding of the market so make sure they do a strong launch campaign; in preparing the market for entering Morocco not only Casablanca.

What are your major short and long-term objectives in entering this market?

Short term objective is the awareness about IKEA's brand, to build awareness. Long-term objective is to build the positioning. Both objectives are integrated we need to build brand awareness on the right time so that positioning is done right.

What did you focus on the most when conducting your market research?

Even before we do the pre-study about the brand, what we recommend to do is to conduct an in-depth analysis on how people live. It's a lot of home visits where we interview people and what are their challenges in life so it is really to understand the way people live. It is usually a qualitative research; the first research is done about market potential. Then we take a survey about the brand one year before, this is more to look on the number of people who are aware of IKEA, if they agree to do things by themselves so it is a small form of quantitative survey.

What form of legal challenges does IKEA usually face in new markets?

Local authorities, competitors and also the general public who resist the "big box"; in some areas they refuse having big retailers (Nice, France).

Which country risks does IKEA often meet in new markets?

We might face political risks as the case in Egypt; we have faced also an environmental risk when entering Thailand where the city was flooded just when we opened the store. We also have some challenges to find resources since getting right people is not that easy. For example in Russia or Australia retail is not quite an attractive sector, it could also be the role of women at work since in IKEA we believe in having a workforce balance of men and women.

Who are IKEA's potential competitors in Morocco?

I think other retailers could be a competition as well as the share of wallet. Handy-crafts and small stores could be competition where people have close relations with the owners and can receive discounts and negotiate the prices.

How is IKEA planning to differentiate themselves from their competitors in Morocco?

I think we need to do things differently, if we have a low price we should show the meaning behind it; also in our way of communication should be different than other competitors way of communication. We also need to show the solutions that they don't have.

How will IKEA position their modern designed furniture against Moroccan traditional handmade furniture?

IKEA has a range that is a bit traditional which they can use together with the modern.

What measures does IKEA take to decrease cultural distance in new markets?

We recruit people that know the market and they have to visit homes and go in depth on how people live. We tried to understand the culture then we can find out the issues or things we need to address.

How is IKEA planning to coordinate and train their local employees to reach IKEA's service standards?

There are some foundation trainees and some special programs that they need to join; there is as well a set of manuals to use. There is training programs that are requested for the new employees.

What type of marketing approaches IKEA is planning to apply considering cultural differences?

We need to understand the culture to act accordingly and it's different from market to another.

To which extent does cultural differences impacts IKEA's way of conducting business in a foreign market?

IKEA is usually pragmatic and quit adaptable, but there are some guidelines that we don't overcome; for instance if a country allow child labor we won't apply that and we won't deal with suppliers that employ children or also corruption. For the rest of cultural differences we are very adaptable, so if the locals discuss business over a meal then we do that.
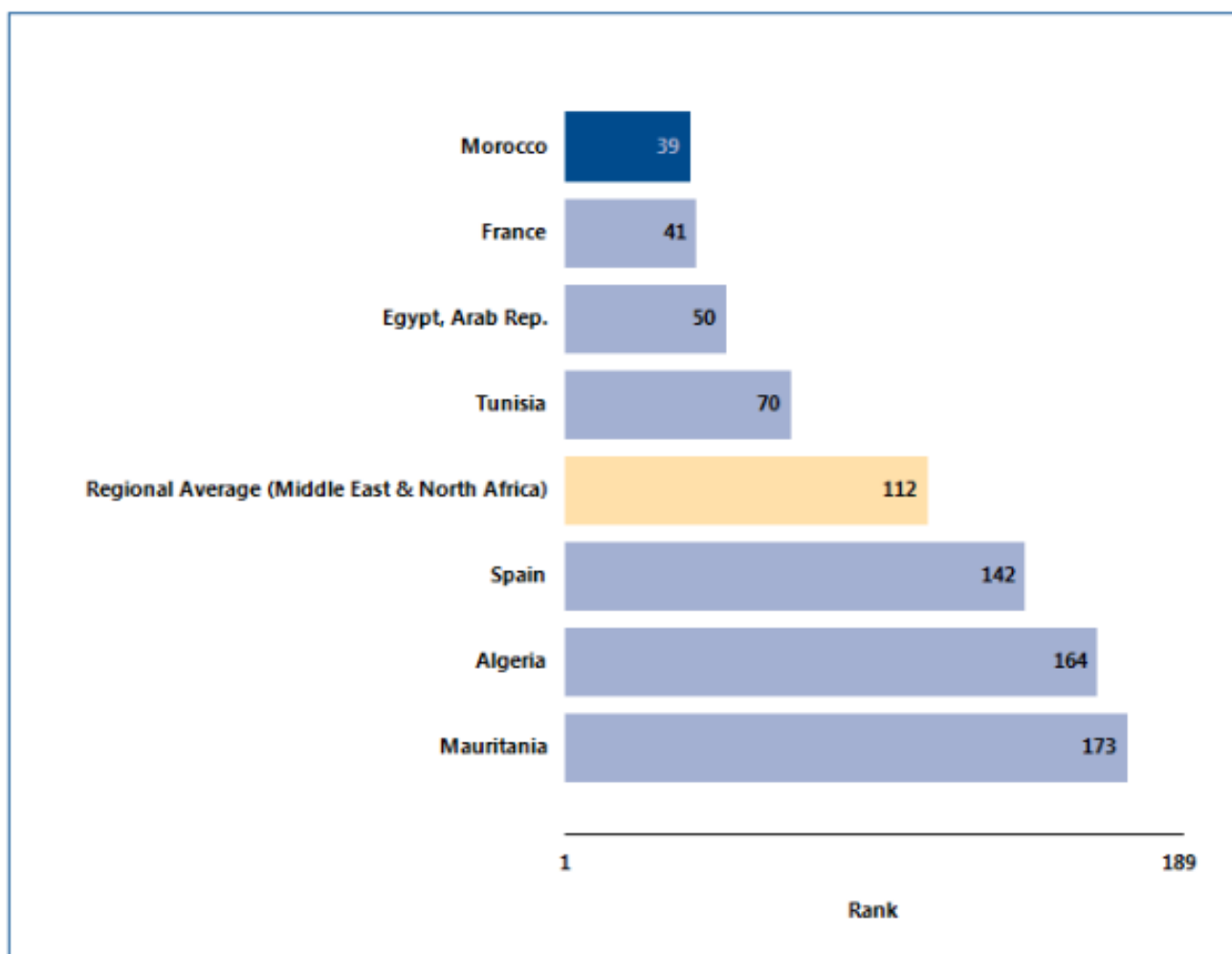
Appendix C – Morocco: Major Economic Indicators

For Morocco in 2010	Indicator value
GDP growth (constant prices, national currency)	4%
GDP (current prices, national currency)	MAD 777.139 billion
GDP (current prices, US dollars)	US$ 91.702 billion
GDP deflator	121.731 (index, base year as per country's accounts = 100)
GDP per capita (constant prices, national currency)	MAD 19,967.48
GDP per capita (current prices, national currency)	MAD 24,306.57
GDP per capita (current prices, US dollars)	US$ 2,868.15
GDP (PPP), US dollars	US$ 152.619 billion
GDP per capita (PPP), US dollars	US$ 4,773.45
GDP share of world total (PPP)	0.21%
Implied PPP conversion rate	5.092
Inflation, average consumer prices (indexed to year 2000)	189.31 (index, base year 2000 = 100)
Inflation (average consumer price change %)	1.50%
Inflation, end of year (indexed to year 2000)	187.117 (index, base year 2000 = 100)
Inflation (end of year change %)	1.50%
Unemployment rate (% of labor force)	9.60%
Population	31.972 million
General government revenue (national currency)	MAD 191.342 billion
General government revenue (% of GDP)	24.62%
General government total expenditure (national currency)	MAD 217.374 billion
General government total expenditure (% of GDP)	27.97%
Total government net lending/borrowing (national currency)	MAD −26.032 billion
Total government net lending/borrowing (% of GDP)	−3.35%
Total government net debt (national currency)	MAD 382.659 billion
Total government net debt (% of GDP)	49.24%
Total government gross debt (national currency)	MAD 387.986 billion
Total government gross debt (% of GDP)	49.93%
Fiscal year gross domestic product, current prices	MAD 777.139 billion
Current Account Balance (US Dollars)	US$ -4.86 Billion
Current Account Balance (% GDP)	-5.30%

Source: doing business database, 2014

Appendix D - Morocco rank on the ease of starting a business

	Rank
Morocco	39
France	41
Egypt, Arab Rep.	50
Tunisia	70
Regional Average (Middle East & North Africa)	112
Spain	142
Algeria	164
Mauritania	173

Source: doing business database, 2014

Appendix E - Morocco Ranks on Doing Business Topics

Starting a Business (39)

189

Resolving Insolvency (69)

Dealing with Construction Permits (83)

Enforcing Contracts (83)

Getting Electricity (97)

Trading Across Borders (37)

Registering Property (156)

Paying Taxes (78)

Getting Credit (109)

Protecting Investors (115)
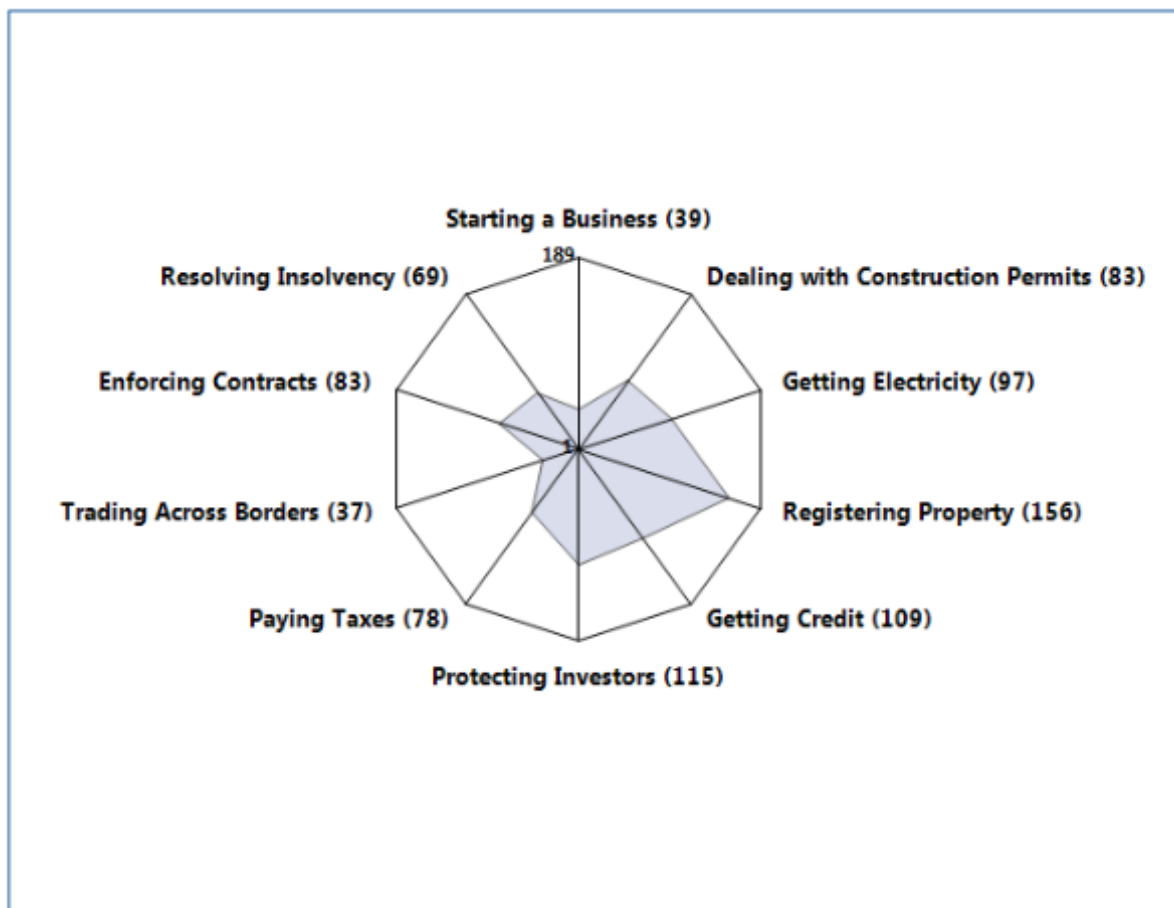
Source: doing business database, 2014

Appendix F - Moroccan Key Figures

General Information	
Population	32.52 million (2012)
Area	710,850 km²
Capital	Rabat
Head of State	Mohammed VI
Religion	Islam (99 %) and Judaism
Languages	Arabic and Amazigh (official), French (spoken)
GDP	USD 95.98 billion (2012)
GDP/Capita	USD 2951 (2012)
GDP Growth	4.6% (est. 2013)
Currency	Moroccan dirham (MAD)
Export	Phosphate, textile, electronics, agriculture, fishing, automotive
Import	Energy, agriculture, automotive
Swedish Export	SEK 2.9 billion (2012)
Swedish Import	SEK 179 million (2012)
Free Trade Agreements	EU (2000), USA (2005), Turkey (2004), Arab league excl. Algeria, Djibouti, Mauretania and Comorerna (1998).

Source: (The Swedish Trade and Invest Council)

Appendix G – IKEA's Overview

The IKEA concept began with the idea of providing a range of home furnishing products that are affordable to the many people, this vision is established through combining function, quality, design and value. IKEA's concept exists in every corner in the company, from design, sourcing, packing and distributing through their business model. This concept comes to life in different ways such as the firm's worldwide stores, IKEA's catalog, web and apps, and most importantly in millions of homes all over the world.

IKEA story began in Småland, Sweden by the founder Ingvar Kamprad, the following history illustrates how over six decades IKEA went from the woods of southern Sweden to become major retail experience in countries all around the world:

IKEA's History

1920s	At an early age (5-7), Ingvar Kamprad (the founder) started executing his business ideas, from selling matches to selling greeting cards, Christmas tree decoration and later pencils and ball-paint pencils.
1940s- 1950s	Ingvar Kamprad is entrepreneurial in developing IKEA into a furniture retailer; this period sees exploration of furniture design, self assembly, advertising, the use of catalogue and a show room to reach the many people.
1960s- 1970s	The IKEA concept starts to take shape, new IKEA stores open and hero products are developed (Poäng, Klippan etc)
1980s	IKEA expand dramatically into new markets such as USA, Italy, France and the UK. IKEA began to take the form of today's modern furniture.
1990s	Children IKEA is introduced and the focus is on home furnishing solutions to meet the needs of families with kids. The IKEA group is formed and responsibility for people and environment is seen as a prerequisite for doing good business.
2000s	IKEA expands into even more markets such as Japan & Russia. This period sees the successes of several partnerships regarding social and environmental projects.

Source: www.ikea.com

More than 30 years ago, IKEA founder Ingvar Kamprad was considering several options to finance future growth. He wanted total independence and an ownership structure that would

support a long term perspective. He believed that the resources needed for future IKEA development had to be based on savings and what had been created through the IKEA business. Therefore the stock market was not an option; instead, the IKEA franchise operation was established in the early 1980s.

345 IKEA stores

42 countries

IKEA

IKEA franchisees

Franchisees*	IKEA stores	Countries
Al-Futtaim Group	3	United Arab Emirates, Qatar
Al Homaizi	1	Kuwait
Al-Sulaiman	3	Saudi Arabia
Cebas	2	Australia
Dairy Farm Group	7	China, Taiwan
House Market Group	7	Bulgaria, Cyprus, Greece
IKANO Group	4	Malaysia, Singapore, Thailand
INGKA Group	303	Australia, Austria, Belgium, Canada, China, Czech Republic, Denmark, Finland, France, Germany, Hungary, Ireland, Italy, Japan, the Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovakia, Spain, Sweden, Switzerland, United Kingdom, United States
MAPA	5	Turkey
Miklatorg Group	2	Iceland, Lithuania
Northern Birch	2	Israel
Sarton Group	5	Dominican Republic, Spain

Source: 2013 Facts & Figures, Inter IKEA B.V.

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