Identifying Barriers with Joint Venture Implementation
Empirical Evidence on Petia

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Abstract

In order for the companies to continue existing and stay competitive in today’s business world, they must go international. More and more researchers are stating how all companies should expand to new and existing markets. Emerging markets are showing more and more potential for growth and customer demand. However, when expanding internationally, barriers will arise to hinder the expansion.

In order to have successful implementation, companies need to be aware of potential barriers prior to entry. During the course of this paper, the authors discussed the barriers that the case company encountered when implementing their joint venture in Bulgaria. To discover what these barriers were, the authors conducted a deductive and qualitative study. The authors gathered information by using primary data such as semi-structured interviews with the addition of follow up questions. This information was also triangulated with secondary data. To further validate the authors’ findings, they conducted interviews with both founders of the case company and followed up with companies that the founders utilized when implementing their joint venture. The variables that were investigated were strategy formation according to Mintzberg, Hofstede’s cultural dimensions, PESTEL analysis focusing on legal issues and the case company’s joint venture implementation as a whole. The authors’ investigation led to the confirmation that, the variables measured were actually relevant to joint venture implementation; in addition they had great influence on each other. Even though, the findings were specified to a case company, the conclusions can be generalized for managers that wish to expand to emerging markets.

**Key words:** Developing countries, Emerging markets, Bulgaria, Low-cost countries, International expansion, Low-labor costs, PESTEL Analysis, Cultural Dimensions, Joint Venture, Legal factors, Barriers to entry
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1. Introduction

It is widely discussed in today’s business world how internationalization is becoming a necessity in order to stay functional. One of the most significant interests in international economics has been formed around international outsourcing that clearly contributes to change in factor productivity (Egger & Egger, 2006). Continued globalization, that generates world’s economies and competition, have stimulated an ever-increasing number of firms to internationalize (Morgan et al. 2012).

The term international usually refers to either an attitude of the firm towards foreign activities or to the actual carrying out of activities abroad (Johanson & Wiedersheim-Paul, 1975). Johanson and Wiedersheim-Paul (1975) discuss the relationship between attitudes and actual behavior and conclude that the attitudes are the basis for decisions to undertake international ventures and the experiences from international activities influence these attitudes.

Kotler and Armstrong (2014) also believe that companies should expand internationally into new or existing markets. They give justifications such as gaining strategic positions, keeping up with traveling markets and other reasons that will be further discussed later in this study.

Belu and Caragin (2008) state that “entering new foreign markets may be achieved in a variety of ways. Each of these ways places its unique demands on the company in terms of organizational and financial resources. Most of the times, entering international markets is not a matter of choice but of necessity to remain competitive in new or established markets” (p.83).

Kusaba et al. (2011) discuss in their research many firms currently have a significant and growing presence outside their country of origin. This includes many developing countries, to extend their sales and sourcing markets. The aim of global sourcing is to oppose the threat of foreign competition in domestic markets. As the value of the purchased input as a percentage of cost of goods sold for most industries has continued to rise, global sourcing can be interpreted as a proactive strategy that is capable of creating a competitive advantage for companies.
Karakaya and Stahl (1989) discuss that numerous companies enter new or familiar markets in an attempt to grow by introducing new or modified products. The firms face market entry barriers and great financial risks. Market entry barriers are considered to be crucial factors in the market entry decision. To succeed in holding onto a market by keeping the barriers high, an incumbent must first identify the relative importance of the barriers.

Culture refers to the patterns of beliefs and values that are manifested in practices, behaviors, and various artifacts shared by members of an organization or a nation (Pothukuchi et al. 2002). Joint venture is a new firm formed to achieve specific objections of a partnership like temporary arrangements between two or more firms (BusinessDictionary, 2014). Growth in global markets and technologies has led to a dramatic rise in cross-national joint ventures even though joint ventures are considered to be risky (Pothukuchi et al. 2002). Governmental or legal issues are defined as the extent to which government limits or forecloses entry into industries with such controls as licensing requirements and limits access to raw materials, these can be for example regulated industries and Environmental Protection Agency laws (Karakaya & Stahl, 1989). When forming a joint venture, two or more independent entities decide to share certain assets, which are governed jointly, and with substantial influence of the business partners (Georgieva et al. 2012).

The concept of cultural distance will be examined in relation to how the performance of joint ventures are affected by the distance on given cultural dimensions at an organizational level based on a company case that focuses on a joint venture in Bulgaria. The authors will also examine to what extent legal factors and strategy formation can appear as barriers of entry into new markets.

1.1. Background
The main topic is international expansion in a low cost country as the main subject, since it is an emerging industry and companies are becoming more interested in working with low labor. The reason for this is that they are starting to understand that the product and service quality can still be high based on the following information.

Kusaba et al. (2011) have defined Low Cost Country Sourcing (LCCS) as “an increasingly frequent, but specific case of global sourcing, where cultural, geographic and economic
distance from the buyer to the supplier country have decisive implications on the sourcing process and the required competences” (p.75).

Kusaba et al. (2011) also discuss that as a consequence of globalization, the pursuit of LCCS arrangements and the outsourcing of operations to developing countries has become an almost inevitable trend.

The general public and the policy makers believe that transferring low tech manufacturing jobs to cheap labor countries will de-industrialize the European economies. However, findings from a case study by Navaretti et al. (2010) have shown no evidence of negative effects toward investing into low cost countries. The case study has found if anything that the expanding to these countries enhances the efficiency of home activities and had positive effects on the size of domestic activities.

According to Lockström (2007) one of the most effective ways to achieve cost-saving targets is to source from countries with a comparatively lower price level, which he mentions as “low-cost country sourcing”. He further discusses that this does not necessarily specify that the costs are actually lower; it rather refers to the vast difference in labor costs between high-cost and low-cost countries. Entering low cost countries are not only characterized by low labor costs, but also these markets tend to have a rapid growth and an increasing customer demand, which have turned these countries into important sourcing targets for manufacturers. He also suggests that instead of operating in a geographically concentrated area, companies have become more opened to relocate their value chain worldwide.

Arnold and Quelch (1998) also state that emerging markets (EMs) constitute the major growth opportunity in the evolving world economic order. Their potential has already affected a shift in multinational corporations (MNCs), which now customarily highlight EM investments when communicating with shareholders.

The first reason the authors decided to focus on Bulgaria is due to the fact that the case company of this study is located in Bulgaria. The graph below shows a labor cost comparison in the manufacturing sector within the EU in 2012. On the X axis the non-wage labor costs are presented while on the Y axis, it is the countries corresponding to these costs. Non-wage labor costs refer to social insurance expenditure and other labor taxes (Directorate, 2014).
Bulgarian labor cost in manufacturing was 2.90 Euros per hour. In Sweden this value was 43.80 Euros (Destatis, 2014). As the graph shows Sweden is on the very top in EU, while Bulgaria is representing the lowest labor cost.

![Figure 1 Labor costs, non-wage costs - EU-comparison of Labor costs and non-wage costs](source)

The case company that this study is based on is called Petia O.O.D. Originally it was founded by European Precision Components (EPC) and VBA Group in January, 2013. Petia is an assembly unit that is located in Bulgaria, Plovdiv. Their main idea with founding this company was to lower the costs and risks. Their main targets are traditional Swedish companies within mechanical industry with a turnover of 200-500 million SEK. These companies should be privately owned. (See more in Section 5.1.)

1.2. Specification of Problem

As discussed in the previous sections, many researchers argue that going international has positive impacts on a company’s performance, for example companies can gain competitive advantage and potential financial growth (Egger & Egger, 2006). In addition, expanding to emerging markets can be very profitable due to their low labor cost and these countries tend to have a rapid growth and an increasing customer demand (Lockström, 2007). However, such expansions always come with barriers that a company needs to be aware of. In order to get a deeper understanding about international expansion to emerging markets, the authors decided to identify barriers that can arise. These barriers are discussed and analyzed from both
practical and theoretical perspective in order to give managerial implications. This case study is a combination of two Swedish companies who are working in collaboration in a new country. Bulgaria is one of the emerging countries with low labor costs and is part of the European Union.

1.3. Purpose
The purpose of this study is to identify how legal factors, cultural dimension and strategy formation can arise as barriers and managerial problems with international joint venture implementation.

1.4. Research questions
To be able to fulfill the purpose of this research, the authors have decided to formulate the following research questions:

RQ1: What barriers can be expected when implementing a joint venture?
RQ2: How can strategy formation affect the outcome of international joint ventures?
RQ3: What legal issues can arise that hinder joint venture implementation in Bulgaria?
RQ4: How does awareness of cultural dimensions help a company when implementing joint ventures?

1.5. Delimitations
The main delimitation the authors faced was the chosen populations. Due to the time restraint the authors only had one case study. Thus, the authors only investigated international joint ventures into Bulgaria instead of all emerging markets. However, this let the authors to gain more in depth knowledge about particular barriers. This was a necessity for the authors because the work would be impossible to complete on time otherwise.
2. Theoretical Framework

2.1. Strategy
This theory was decided upon because the authors wish to understand what strategic aspects the case company implemented when creating their joint venture. This concept will elaborate how a strategy can emerge alongside with actual implementation.

According to Mintzberg (1994) “strategy is a plan, or something equivalent - a direction, a guide or course of action into the future, a path to get from here to there, etc. Strategy is also a pattern that is consistency in behavior over time. Organizations develop plans for the future and they also evolve patterns out of their past. We can call one intended strategy and the other realized strategy” (p.23).

Intended strategies that get realized; these may be called deliberate strategies. Intended strategies that do not get realized, perhaps because of unrealistic expectations, misjudgments about the environment, or changes in either during implementation; these may be called unrealized strategies. Realized strategies that were never intended, perhaps because no strategy was intended at the outset or perhaps because, as in, those that were displaced along the way; these may be called emergent strategies (Mintzberg, 1978).

Mintzberg (1994) discusses in his research that “intentions that are fully realized can be called deliberate strategies. Those that are not realized at all can be called unrealized strategies. The literature of planning recognizes both cases, with an obvious preference for the former. What it does not recognize is the third case, which we call emergent strategy – where a realized pattern was not expressly intended. Actions were taken, one by one, which converged in time in some sort of consistency or pattern” (p.24). The following picture is describing how the different strategies described above form to be realized.
2.2. PESTEL

In the following section the authors will discuss what PESTEL analysis can be used for and how it can help a company to overcome barriers of entry and also how some of the factors arise as barriers.

A PESTEL analysis has two basic functions for a company. The first is that it allows identification of the environment within which the company operates. The second basic function is that it provides data and information that will enable the company to predict situations and circumstances that it might encounter in future. PESTEL (political, economic, social, technical, environment, legal) analysis is therefore a precondition analysis, which should be utilized in strategic management. The original form of PESTEL was first conceived by Aguilar as ETPS (economic, technical, political, and social) (Yuksel, 2012).

**Political Factors**

Political environment consists of laws, government agencies and pressure groups that influence and limit various organizations and individuals in a given society. Analysis based on political factors is about covering political factors that can lead to profitable opportunities or potential threats. This could be for example political instability and changes such as new political leaders or new political initiatives. By looking at these factors and how they might affect the current marketing plan and future plans, one can easily analyze the political situation of a country where the business is located (Wood, 2010).
Economic Factors
In the interconnected global economy, recession or recovery in one region can have a cascading effect on the purchasing patterns of consumers and business near and far (Wood, 2010). Nations vary greatly in their levels and distribution of income (Kotler & Armstrong, 2008).

Social-cultural factors
Social-cultural factors are among the most dynamic in the external environment, affecting the size and composition of markets and segments. When planning on social-cultural analysis, a business needs to investigate several demographic details to be able to build useful statistics. Companies that market to business look closely at trends such as the size and growth of targeted industries as measured by number of firms, number of locations or outlets, workforce size, turnover and profitability (Wood, 2010).

Technological Factors
The technological environment changes rapidly. Marketers should be aware of the following trends in technology (Kotler & Armstrong, 2008). When examining technological factors to understand potential threats and opportunities, look at:

- “How rapidly innovations are spreading or evolving
- How technology is affecting customers and others in the marketing environment
- How technology is affecting marketing environment
- How technology is affected by or affecting standards and regulations
- How much the industry and key competitors are investing in research and development, and how technology is affecting costs and pricing” (Wood, 2010, p.39).

Ecological Factors
Wood (2010) states that “Ecological factors can influence marketing in numerous ways. Manufacturers will be unable to achieve their objectives if vital raw materials such as water or minerals are unavailable for production” (p.40).
2.3. Legal Factors

Legal Factors are a part of PESTEL, but these factors play a significant role in this research, they were made a different section. As mentioned before there is a separate research question generated to this topic.

“Legal factors such as legislation, regulation and governmental actions can affect product purity and labeling, communications, data mining, pricing, distribution” (Wood, 2010, p.40).

The quality of legal and regulatory environment significantly influences not only the development of capital markets, but also firm boundaries, in particular, the willingness of firms to contract with each other, especially with partners that operate in substantially different environments (Georgieva et al. 2012).

The laws and regulations, infrastructure, as well as culture of the countries of the joint venture partners should play important role in the willingness of firms to enter this type of contractual arrangement, due to the information asymmetries, the possibility of hold-up problems by joint venture partners, as well as the possible poor contract enforceability (Georgieva et al. 2012). Corruption makes local bureaucracy less transparent and hence adds to the cost of doing business. Moreover, corruption affects the decision to take on a local joint venture partner. On the one hand, corruption increases the value of a local partner to a foreign investor (Javorcik & Wei, 2009).

Corruption also increases the cost of doing business in other ways. Thus, it is not surprising that the issue of corruption has become a prominent item on the agenda of international institutions and national governments (Javorcik & Wei, 2009). Institutional theory asserts that institutions define what is socially or legally appropriate in institutional settings, and consequently affect decision- makers' perceptions and decisions. These institutions, which include the regulatory structures, governmental agencies, laws, courts, and professions have been found to be a particularly important driver of strategic choices. Of the various institutions that exist within the host-country institutional environment, rule of law and control of corruption appear to be particularly important elements in influencing the decisions and behaviors of MNEs (Roy & Oliver, 2009).

Meschi (2009) discusses that, firms that are choosing to operate abroad in emerging economies face governmental corruption that creates uncertainty for the company. This change from a stable country to a more unstable country can be seen as a threat for the
companies in their profit and in their long term planning. In addition the instability can also affect the presence of the company in the country. Some foreign investors see corruption in the host country as a sign of weakness. This could affect the implementation of property rights and contracts as well as the level of economic growth and financial stability within the country.

On the other hand, some foreign firms would want to increase their investment in corrupt emerging economies because they view government corruption as an opportunity. This allows them to overcome obstacles of foreignness and to influence government decisions to their own advantage in a fast and effective way. The knowledge of political situation and government officials in the host country are seen as an asset for the company. In order to benefit from this asset, foreign firms that wish to invest in an emerging economy often agree to share the ownership in the international joint venture with local firms (Meschi, 2009).

2.4. Cultural Dimensions

In this section, the impact of different cultural dimensions will be discussed to be able to focus on barriers and how they can be avoided.

Despite different definitions of culture, there is a general consensus among organizational researchers that culture refers to patterns of beliefs and values that are manifested in practices, behaviors, and various artifacts shared by members of an organization or a nation (Pothukuchi et al. 2002).

The following dimensions have been adapted from Hofstede et al. (2010):

The first dimension was labeled power distance. It is defined as “the extent to which the less powerful members of institutions and organizations accept that power is distributed unequally” and the basic anthropological/societal issue to which it relates is social inequality and the amount of authority of one person over others (Hofstede et al. 2010).

The second dimension was labeled uncertainty avoidance. It is defined as “the extent to which people feel threatened by ambiguous situations, and have created beliefs and institutions that try to avoid these.” The basic anthropological/societal issue to which it relates is the way a society deals with conflicts and aggression (Hofstede et al. 2010).

The third dimension was labeled individualism versus collectivism. “It reflects the position of the culture on a bipolar continuum. The one pole, Individualism, is defined as “a situation in which people are supposed to look after themselves and their immediate family only”,

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whereas its opposite pole, Collectivism, is defined as “a situation in which people belong to in-groups or collectivities which are supposed to look after them in exchange for loyalty”. The basic anthropological/societal issue to which it relates is the individual’s dependence on the group; his or her self-concept as “I” or “we” (Hofstede et al. 2010).

Hofstede et al. (2010) labeled the fourth dimension as masculinity versus femininity. Masculinity is defined as “a situations in which the dominant values in society are success, money and thing”. Whereas its opposite pole, femininity, is defined as “a situation in which the dominant values in society are caring for other and the quality of life”. The basic anthropological/societal issue to which it relates is the choice of social sex roles and its effects on people’s self-concepts.

Hofstede et al. (2010) state that the fifth dimension is long-term orientation. “It stands for the fostering of virtues orientated toward future rewards in particular, perseverance and thrift. Its opposite pole, short-term orientation, stands for fostering of virtues related to past and present in particular, respect for tradition, preservation of “face” and fulfilling social obligations” (p.239).

2.4.1. Cultural impact on Joint Ventures
Managing an international joint venture may be complicated by cultural differences that make communication, decision making, and managing personnel more challenging (Child & Markoczy, 1993). This means that joint venture managers must learn to conduct business in a country that is foreign to at least one of the partners, and also how to work with a local partner (Barkema et al. 1996).

Barkema and Vermeulen (1997) found that when joint venture partners are based in countries with substantial differences in uncertainty avoidance and long-term orientation, the chance that the JV will survive is diminished. Differences in individualism, however, have been shown to improve JV profitability and productivity (Li et al. 2001).

Georgieva et al. (2012) discusses that cultural differences across countries determine the willingness of managers to take risk, impact the development of financial markets and the propensity of firms to enter contracts. In their research, they also discover that culture clashes are cited as a reason for failures of firm-like institutions.

Beamish and Lupton (2009) made the following conclusions when it comes to cultural
impacts on joint ventures: Managers need to be aware of cultural differences when selecting a JV partner and negotiating terms, and in ongoing management. A partner with a low tolerance for uncertainty will likely want the other partner to signal its commitment through actions such as increasing its equity stake and transferring new technology to the joint venture. A large difference in long-term orientation can be a problem, as emphasis on short-term objectives by one partner may signal a lack of long-term commitment. Here the impetus is similar to agreeing on goals: Each partner has to decide what is most important for it and whether it is willing to allow the other partner to achieve its organizational cultures had a higher probability of success. While these differences would also affect a merger or acquisition, they likely affect a joint venture more because the two parent firms retain their separate management. Hence, when selecting a joint venture partner, managers of each parent firm should observe the internal environment of the other parent firm closely to assess the fit with their own. If it is not a close match, this should be addressed before proceeding with further negotiations.

2.5. Joint Venture Entry Mode
Under this section the authors will discuss what joint venture entry mode covers and how it can be implemented. The authors also include advantages and disadvantages of this entry mode to give a deeper understanding of joint ventures.

When forming a joint venture, two or more independent entities decide to share certain assets, which are governed jointly, and with substantial influence of the business partners. At the same time, the partners still retain their independence, and they do not establish the traditional “directional” headquarter–subsidiary relationship that bidder and target create as a result of an acquisition. Because both parties have a “say” in a joint venture, there is a greater need for harmonization in the strategic objectives of each party (Georgieva et al. 2012).

Joint ventures help firms in accessing new markets, knowledge and other resources together. But there are some challenges that a company should be aware of before entering a joint venture. First of is that a joint venture is owned by two or more parent companies. These companies may compete on the market or have different kind of goals for the future of the organization. The companies can also differ from distinct management styles and if the joint venture is in a foreign country, governmental policies and the way to do business can vary a lot (Beamish & Lupton, 2009).
Choosing the joint venture as a mechanism to enter new markets (especially the developing countries and the ones with centralized economy) is usually a second-best option for the companies from developed countries (Belu & Caragin, 2008). Still, the companies show major interest for the local market; the participation in the joint venture could be qualified as a foreign direct investment. Many times, this mechanism represents the only way to be present on a certain market (Belu & Caragin, 2008). Joint venture is an important strategy for the companies to use if they want to access a market in a fast way. Joint venture reduces risk of entering that market by partnering up with another company to share the risk and possibilities with (Beamish & Lupton, 2009).

A comprehensive joint venture contract and cooperative relationship contributes substantially to the formation of trust between joint venture partners. By having high level of trust between the joint venture partners, satisfaction and commitment are more likely to be enhanced. There is a direct positive correlation between high quality working relationships and the achievement of each partner’s goals. Yan and Gray (1994) also noted that the quality of the working relationship between partners directly affects the achievement of each partner’s goals.
2.5.1. Joint Venture Implementation

Foreign participation generally has a positive impact on joint venture performance in emerging economies, resulting from the transfer of production and process knowledge from the foreign parent (Beamish & Lupton, 2009). Several studies examined the relationship between division of equity among partners and joint venture performance, and the results appear to be, at least in part, dependent on the context (Beamish & Lupton, 2009).

The figure below describes the different issues managers acquire in the implementation phase of the joint venture. It also describes when in the implementation process these problems take place. This is figure for managers to be prepared for these different problems and to prepare the organizations for the different issues of the implementation process of the joint venture.

Figure 3 Importance of managerial issues during the joint venture partnering process
Source: Adapted from Beamish and Lupton (2009, p.79)

This figure below describes the challenges for an organization to start up a joint venture. This figure explains deeper the different questions that the managers have to consider before entering a joint venture relationship in a foreign market.
Joint ventures have several advantages and disadvantages. The main advantages are for example, that the knowledge, costs and economic risks can be shared between partners. By using such an entry mode a company can gain capacity and external knowledge. When it comes to the disadvantages, hidden obstacles can arise along with uncertainties. Some main disadvantages can be different management styles and also different cultural aspects. For further advantages and disadvantages see the table below.
The table below describes advantages and disadvantages of joint ventures:

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets and contributed knowledge shared from local market</td>
<td>Irregular tax treatment and possible hidden obstacles</td>
</tr>
<tr>
<td>Costs and economic risks linked to the investment project can be shared</td>
<td>Uncertainties &amp; lack of knowledge create risks</td>
</tr>
<tr>
<td>Early internationalization stage – lower equity ownership, more partners</td>
<td>Level of risk influences the amount of parties to overcome risks</td>
</tr>
<tr>
<td>The greater scale of project – the more partners</td>
<td>Much time and effort to build relationship</td>
</tr>
<tr>
<td>Large number of partners perform better</td>
<td>Lack of communicating objectives</td>
</tr>
<tr>
<td>Controlling equity holdings</td>
<td>Different cultures and management styles</td>
</tr>
<tr>
<td>Gain new capacity &amp; expertise</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from Tang (2013); Boitout and Trelcat (2006)

On the other hand, joint ventures should be considered firm-like deals when compared to contracts among independent entities fully governed by market forces. Joint ventures can lower business risk, mitigate hold-up costs related to expropriation of business partners in firm-specific investments, facilitate efficient exchange of information under information asymmetry and limit conflicts due to cultural and religious differences as well as due to corruption (Georgieva et al, 2012).
2.6. Literature Review
The following table shows what articles were the main contributing sources that the authors used in their theoretical framework.

<table>
<thead>
<tr>
<th>Study</th>
<th>Research Method</th>
<th>Sample and Context (Response rate)</th>
<th>Research Title</th>
<th>Analytical Approach</th>
<th>Major Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Beamish &amp; Lupton, 2009)</td>
<td>Content Analysis</td>
<td>Most highly cited JV performance articles published in the last 25 years</td>
<td>Managing joint ventures</td>
<td>SSCI (Social Science Citation Index)</td>
<td>-Decisions that need to be made during the partnering process -Honesty, Trust, Commitment -Division of managerial responsibilities</td>
</tr>
<tr>
<td>(Georgieva &amp; Jandik, 2012)</td>
<td>Quantitative hypotheses testing</td>
<td>105 sample countries, JV containing 2 partners and announced between 1988 and 2006</td>
<td>The impact of laws, regulations, and culture on cross-border joint ventures</td>
<td>Tobit Regression Analysis, Probit Analysis</td>
<td>US firms are likely to form joint ventures with firms from countries with weaker legal and regulatory environments and with higher cultural, language</td>
</tr>
<tr>
<td>(Meschi, 2009)</td>
<td>Quantitative, Longitudinal study from 1960 to 2007</td>
<td>171 European Firms, broken down by geographical locations</td>
<td>Government corruption and foreign stakes in international joint ventures in emerging economies</td>
<td>Cox proportional hazards model</td>
<td>Government corruption is significantly related to the likelihood of foreign partners to terminate it.</td>
</tr>
<tr>
<td>(Mintzberg, 1978)</td>
<td>Exploratory, Inductive</td>
<td>10 years of longitudinal study</td>
<td>Patterns in strategy formation</td>
<td>Theoretical Analysis</td>
<td>Strategy is not a fixed plan, nor does it change systematically</td>
</tr>
</tbody>
</table>
3. Conceptual Framework

Based the theoretical framework, the authors have come up with the following conceptual model. With this model, the authors are able to present the concepts in hand that are joint venture implementation, strategy formation, cultural dimensions and PESTEL analysis with a main focus on legal factors. These concepts will be analyzed in relation to each other in order to show the barriers that need to be overcome when implementing a joint venture.

![Figure 5 Conceptual Framework](image-url)
4. Methodology
In this section the authors will explain the methodological aspects connected with this thesis. The method will be broken into nine different sections to show more clearly how the authors conducted their research. The sections are (1) Research approach, (2) Research Design, (3) Data Sources, (4) Research Strategy, (5) Data Collection Method, (6) Data Collection Instrument, (7) Data Analysis Method, (8) Qualitative Criteria.

![Research Approach Diagram]

Figure 6 Research Approach

4.1. Research approach
Under this section the authors will discuss what types of research approaches have been applied to conduct this research. This means that the authors will elaborate on their choice of deductive research, and also how and why qualitative research approach was applied.

4.1.1 Inductive vs. Deductive Research
There are two general approaches to reasoning which may result in the acquisition of new knowledge, namely inductive reasoning and deductive reasoning. Inductive reasoning is a theory building process, starting with observations of specific instances, and seeking to establish generalizations about the phenomenon under investigation (Hyde, 2000). Deductive reasoning is a theory testing process which commences with an established theory or generalization, and seeks to see if the theory applies to specific instances (Hyde, 2000).

Byrman and Bell (2011) describes deductive research as a representation of the most common view of the nature of the relationship between theory and research. If researchers choose to
use this approach, they will deduce a hypothesis that must then be subjected to empirical scrutiny, on the basis of what is known about a particular domain and of theoretical considerations in relation to that domain. Concepts in the hypothesis will be translated into researchable entities and operational terms. After this step, the researchers will specify how data can be collected in relations to the concepts. Theory and hypothesis deduced from it come first and drive the process of gathering data. After analyzing such data, the researchers can find out whether their hypotheses are confirmed or rejected.

The last step involved a movement that is in the opposite direction from deduction - it involves induction, as the researcher infers the implications of the findings for the theory that promoted the whole exercise. Bryman and Bell (2011) point out that deductive process appears very linear - one step follows the other in a clear, logical sequence. They further discuss that theory will lead to observations and findings, while with inductive research observations and findings will lead to theory.

After examining the options, this study will be conducted based off the deductive approach. This is because the authors are not creating a new theory based off observation. This study is deductive because it is based on existing theories that were applied on a specific case and led to the findings.

4.1.2. Qualitative vs. Quantitative Research
In this section the authors will discuss both qualitative and quantitative research by defining them and then explain which one is applied and why.

Bryman and Bell (2011) state that “quantitative research can be seen as the collection and analysis of data. In a wide perspective, quantitative research deals with the collection of numerical data, its fondness of a natural approach and a view of social reality” (p.286). They also discuss that “qualitative research puts more effort into words rather than quantification in the collection and analysis of data” (p.286). Further differences can be seen in the following table:
Table 3 Quantitative and Qualitative Research

<table>
<thead>
<tr>
<th>Quantitative</th>
<th>Qualitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Numbers</td>
<td>Words</td>
</tr>
<tr>
<td>Point of view of researcher</td>
<td>Point of view of participants</td>
</tr>
<tr>
<td>Research distant</td>
<td>Researcher close</td>
</tr>
<tr>
<td>Theory testing</td>
<td>Theory emergent</td>
</tr>
<tr>
<td>Static</td>
<td>Process</td>
</tr>
<tr>
<td>Structured</td>
<td>Unstructured</td>
</tr>
<tr>
<td>Generalization</td>
<td>Contextual understanding</td>
</tr>
<tr>
<td>Hard, reliable data</td>
<td>Rich, deep data</td>
</tr>
<tr>
<td>Marco</td>
<td>Micro</td>
</tr>
<tr>
<td>Behavior</td>
<td>Meaning</td>
</tr>
<tr>
<td>Artificial Setting</td>
<td>Natural Setting</td>
</tr>
</tbody>
</table>

Source: Adapted from Bryman and Bell (2011 p. 389)

A classic qualitative study is one in which the findings are “grounded” in the data (Glaser & Strauss, 1967). Instead of descending on the field of enquiry armed with a body of theory, and allowing that theory to color the data, a grounded theory approach would suggest the researcher commences his or her study with an opened mind to the possibilities of the data and the perspectives of the subjects (Strauss & Corbin, 1994). Qualitative data may be in the form of transcripts, in-depth interviews, observations, documents and often takes in form of a case study (Hyde, 2000). Qualitative methods search beyond mere snapshots of events, people or behaviors (Bonoma, 1985).

Bryman and Bell (2011) discuss that “qualitative research is sometimes taken to imply an approach to business research in which quantitative data are not collected or generated. Many writers on quantitative research are critical of such a rendition of qualitative research, because the distinctiveness of qualitative research does not reside solely in the absence of numbers. Sometimes qualitative research is discussed in terms of the ways in which it differs from quantitative research. A potential problem with this tactic is that it means that qualitative research ends up being addressed in terms of what quantitative research is not” (p. 389).

Based on the discussion above that the authors have worked with words and context understanding based off a case study and qualitative research has been applied. This means rich, in-depth data in a natural setting that is collected and analyzed. The main reason for this is because the authors wanted to gain a deeper insight on international joint ventures and the factors that are involved when implementing them. Qualitative research consists of little
amount of respondents and more complicated variables that can be investigated more in depth.

4.2. Research Design
In order to answer the research aim and objectives, a research design is made by the authors. This design gives a framework to resolve specific problem that the authors plan to investigate. The applied design has a significant role, since it will subsequently have influence on further research activities.

According to Krishnaswamy and Satyaprasad (2010) “A research design is a logical and systematic plan prepared for directing a study. It specifies objectives of the study, the methodology and techniques adopted for achieving the objectives. A research design is the program that guides the investigator in the process of collecting, analyzing and interpreting observations” (p.39).

Firstly, exploratory research studies unfamiliar problems where the researcher has little or no knowledge about. The main goal of this research is to get ideas within a certain research area. Exploratory research is a separate type of research, but it is correct to consider it as the primary stage of a three stages process of exploration, description and experimentation (Oghazi, 2009; Krishnaswami & Satyaprasad, 2010).

Secondly, experimental research is planned to measure the effects of certain variables on an event by keeping the other variables steady or controlled. This research method finds out how variables are related to each other. The variable, which is influenced by other variables, is called a dependent variable and the other variables, which influence it, are known as independent variables (Krishnaswami & Satyaprasad, 2010).

Thirdly, descriptive research is a fact-finding method with sufficient interpretation. This research is described as the simplest type of research. Descriptive research is more precise than exploratory research, as it focuses on a certain aspect or dimension of the studied problem. The main aim of this research is to get descriptive information in order to provide information for formulating more sophisticated researches. The data collection is done by for example, observation, interviewing and mail questionnaire (Oghazi 2014; Krishnaswami & Satyaprasad, 2010).

To take it one step further when it comes to research design, descriptive research can lead to two major designs. One is cross-functional and the other is longitudinal design.
According to Bryman and Bell (2011) “cross-functional design is the collection of data on more than one case at a given point of time to collect qualitative or quantifiable data, which are then examined to detect patterns of associations” (p.53). They also discuss that “Longitudinal design represents a distinct form of research that is typically used to map change in business and management research. Longitudinal research is when a sample is surveyed and when it is surveyed again on at least one further point in time. The goal of a longitudinal research is to observe if changes will occur” (p. 57).

This study is a descriptive one, since descriptive research design is conducted by observations and interviews. Since the study utilizes a case study, a fact-finding method was necessary to apply. This kind of research design is suitable for the authors’ purpose because it helps them answer questions such as who, what, when, where and how. Another reason for utilizing this design is because it is more precise than exploratory design. Because of the fact that the authors are working with a time limitation, longitudinal study was unable to conduct. Thus, this study is cross-sectional, since the authors are working with a case company at a given point of time and interviewing several members of the case company.

The Figure below describes the different routes of how research design can be conducted. These different designs have been discussed above to give a more visual understanding the authors have highlighted their path for this study.

Figure 7 Research Design path

Source: Adapted from Bryman and Bell (2011, p.57)
4.3 Data Sources

The sources of data can be classified into two sections (1) primary sources and (2) secondary sources, which can be used for data collection (Oghazi et al. 2012; Krishnaswami & Satyaprasad, 2010).

The primary sources are original sources from which the researchers directly collects data that have not been previously collected (Krishnaswami & Satyaprasad, 2010).

Secondary sources are containing data which have been collected and compiled for another purpose before. The secondary data consists of data that are ready to use by the authors and have been analyzed before (Krishnaswami & Satyaprasad, 2010). According to Bryman and Bell (2011) “There are two distinctive kinds of secondary data. One is the type of data that have been collected by other researchers. The second type is when the data have been collected by other organizations in the course of the business” (p.312).

The authors will use both primary and secondary sources for this report. The authors will gather primary sources by purposefully select participants for interviews. Since there are little amount of respondents with semi-structured interviews, there was no risk of receiving no response. The authors will also gather secondary data from published scientific articles and reliable websites. However, this kind of information gathered does not match the objectives of the study to 100%. The reason for this is that previous research has been conducted with different purposes that do not match the purpose of this study. The authors set some criteria for secondary data. These criteria were availability, relevance, accuracy and insufficiency.

Different characteristics have been described above to define primary and secondary sources. The following table describes further advantages and disadvantages with using primary data:

<table>
<thead>
<tr>
<th>Advantages of primary data</th>
<th>Disadvantages of primary data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specific to needs</td>
<td>Costly</td>
</tr>
<tr>
<td>Up to date</td>
<td>Time consuming</td>
</tr>
<tr>
<td>Tailor made</td>
<td>Possible lack of respondents</td>
</tr>
</tbody>
</table>

Source: Adapted from Krishnaswami and Satyaprasad (2010, p.90)
The following table describes further the advantages and disadvantages with using secondary data:

<table>
<thead>
<tr>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost and time</td>
<td>Lack of familiarity with data</td>
</tr>
<tr>
<td>Opportunity for longitude analysis</td>
<td>Complexity of the data</td>
</tr>
<tr>
<td>Subgroup of subset analysis</td>
<td>No control over quality</td>
</tr>
<tr>
<td>Opportunities for cross-culture analysis</td>
<td>Absence of key variables</td>
</tr>
<tr>
<td>More time for data analysis</td>
<td></td>
</tr>
<tr>
<td>Reanalysis may offer new interpretations</td>
<td></td>
</tr>
<tr>
<td>The wider obligations of the business researcher</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from Bryman and Bell (2011, p.314)

4.4 Research Strategy

The five main types of research strategy that are described below:

- “Experiment - Testing for instance the potential benefits of different kinds of incentives” (Yin, 2009, p. 9).
- “Survey - Testing for instance the, the ability to survey startups in the first place” (Yin, 2009, p. 9).
- Archival analysis - Archival data has been used to understand the research context, rather than to inform the concepts and theories (Fischer & Parmentier, 2010).
- History - Deals with the past, when no person is alive to describe what has happened. History is also what has happened, secondary documents, and cultural and physical artifacts as the main sources of proof (Yin, 2009).
- “Case study - Testing for instance the importance of differentiation first time startups from startups by entrepreneurs who had previously started other firms” (Yin, 2009, p. 9)

The essence of a case study, the central tendency among all types of case study, is that it tries to illuminate a decision or set of decisions: why they are taken, how they were implemented, and with what result (Creswell, 2014).

The following table describes several research strategies in several aspects. For example form of research questions, how much each strategy requires control over behavioral events and whether the type of research strategy focuses on contemporary events.
Table 6 Research Strategy

<table>
<thead>
<tr>
<th>Research Strategy</th>
<th>Form of research question</th>
<th>Requires control over behavioral events?</th>
<th>Focuses on contemporary events?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiments</td>
<td>How, why</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Survey</td>
<td>Who, what, where, how many, how much</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Archival analysis</td>
<td>Who, what, where, how many, how much</td>
<td>No</td>
<td>Yes/no</td>
</tr>
<tr>
<td>History</td>
<td>How, why</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Case study</td>
<td>How, why</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Adapted from Yin (2009, p. 8)

According to Bryman and Bell (2011) “The basic case study focuses on the detailed and intensive analysis of a single case company with interviewing multiple members of the company. The case study approach is a very popular way of gathering information and is widely used research design in business research” (p. 68). The authors have decided to use a case study because they wish to gain a deeper understanding of how international joint venture implementation functions. They also wish to uncover what are the necessary barriers that need to be overcome. Due to what the authors wish to achieve, the other four types of research strategies are not as relevant since they answer different questions, and focus on different aspects from what the authors wish to investigate.

4.5 Data Collection Method
As previously discussed, the study is conducted based off a case study by qualitative research applied. In order to fulfill the purpose of the study semi-structured interviews have been made with the members of the case company.

According to Krishnaswami and Satyaprasad (2010) “Interviewing is one of the prominent methods of data collection. It may be defined as a two-way systematic conversation between an investigator and an informant, initiated for obtaining information relevant to a specific study. It involves not only conversation, but also learning the respondent’s gestures, facial expressions and pauses, and his environment” (p. 99). This method is applied on the managers of the case study company in order to gather more in depth information on the organization and be able to build a case around it. By this the authors are able to collect data on personal and intimate information relating to a person’s opinions, attitudes, values, beliefs, past experience and future intentions (Oghazi 2013; Krishnaswami & Satyaprasad, 2010).
Another reason to apply interviews is that it is required if one aims for qualitative information or probing. The choice of the authors can be reasoned by the fact that respondents are more likely to talk and express themselves rather than write (Krishnaswami & Satyaprasad, 2010). Since the authors focus on managerial perspective based on one company in depth, focus groups were not an optimal choice for the purpose of this paper. Interviews can be more flexible and adaptable to individual situations. Even more control can be exercised over the interview situations (Krishnaswami & Satyaprasad, 2010).

Different structures of interviews are described in the following table with their characteristics in order to visualize the differences between highly-, semi-, and unstructured interviews. The main differences are for example the organization, wording and the extent of questions.

<table>
<thead>
<tr>
<th>Table 7 Interview Structure</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Continuum</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from Merriam (1998, p.73)

Yin (2009) discusses that “Data triangulation is encouraging the researcher to collect information from multiple sources but aimed at corroborating the same face or phenomenon. When data has truly been triangulated, the events of facts of the case study have been supported by more than a single source of evidence” (p.116).

Content analysis is an approach to the analysis of documents and texts which may be printed or visual that seeks to quantify content in terms of predetermined categories and in a systematic and replicable manner. It is a very flexible method, in that it is an approach to the analysis of documents and texts rather than the means of gathering data. However, it is usually treated as a research method because of its distinctive approach to analysis (Bryman & Bell, 2011).

Bryman and Bell (2011) state that “Content analysis becomes applicable to many different forms of unstructured information, such as transcripts of semi- and unstructured interviews and even qualitative case studies of organizations” (p.290).
Krishnaswami and Satyaprasad (2010) define that “The mail survey is another method of collecting primary data. This method involved sending questionnaires to the respondents with a request to complete them and return them. This can be used in the case of educated respondents only. The mail questionnaires should be simple so that the respondents can easily understand the questions and answer them. It should preferably contain mostly closed-end and multiple-choice questions so that it could be completed within a few minutes” (p.117).

Surveys were an important choice to measure Hofstede dimensions from the perspective of the founders and the employees from the case company. This survey can be seen in Appendix 2. In order to receive average scores of Hofstede’s dimensions from the employees’ perspective, the authors made a scale survey. Seven employees filled this survey by rating each dimension from one to hundred. Four of these seven respondents also answered some in-depth questions about culture. The other three employees who answered the survey, did not wish to provide in depth answers. Also the two founders answered the scale survey. This was useful to gain insight from both Swedish and Bulgarian perspective of the Bulgarian organizational culture. In order to triangulate this information, four English speaking Petia employees have been given a set of short interview questions to elaborate on Hofstede’s value dimensions. These set of questions can be seen in Appendix 3.

In the following table, several types of source of evidence are described. These types of sources are most commonly used in research. The aim of this table is to serve as an overview where the strengths and weaknesses are described of all sources (Yin, 2009). This helps the authors to choose their mode to collect evidence by considering all pros and cons.
## Table 8 Source of evidence

<table>
<thead>
<tr>
<th>Source of evidence</th>
<th>Strengths</th>
<th>Weakness</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Documentation</strong></td>
<td>• Stable-can be reviewed repeatedly&lt;br&gt;• Unobtrusive-not created as a result of the case study&lt;br&gt;• Exact-contains exact names, references, and details of an event&lt;br&gt;• Broad coverage-long span of time, many events, and many setting</td>
<td>• Retrievability-can be difficult to find&lt;br&gt;• Biased selectivity, if collection is incomplete&lt;br&gt;• Reporting bias reflects (unknown)&lt;br&gt;• Access – may be deliberately withheld</td>
</tr>
<tr>
<td><strong>Archival records</strong></td>
<td>• same as those for documentation&lt;br&gt;• Precise and usually quantitative</td>
<td>• same as those for documentation&lt;br&gt;• Accessibility due to</td>
</tr>
<tr>
<td><strong>Interviews</strong></td>
<td>• Targeted – focuses directly on case study topics&lt;br&gt;• Insightful – provides perceived causal inferences and explanations</td>
<td>• Bias due to poorly articulated questions&lt;br&gt;• Response bias&lt;br&gt;• Inaccuracies due to poor recall&lt;br&gt;• Reflexivity – interviewee gives what interviewer wants to hear</td>
</tr>
<tr>
<td><strong>Direct observations</strong></td>
<td>• Reality – covers events in real time&lt;br&gt;• Contextual – covers context of “case”</td>
<td>• Time- consuming&lt;br&gt;• Selectivity – broad coverage difficult without a team of observers&lt;br&gt;• Reflexivity – event may proceed differently because it is being observed&lt;br&gt;• Cost – hours needed by human observers</td>
</tr>
<tr>
<td><strong>Participant observations</strong></td>
<td>• same as above for direct observations&lt;br&gt;• Insightful into interpersonal behavior and motives</td>
<td>• same as above for direct observations&lt;br&gt;• Bias due to participant observer’s manipulation of events</td>
</tr>
<tr>
<td><strong>Physical artifacts</strong></td>
<td>• Insightful into cultural features&lt;br&gt;• Insightful into technical operations</td>
<td>• Selectivity&lt;br&gt;• Availability</td>
</tr>
</tbody>
</table>

Source: Adapted from Yin (2009, p.102)

Interviews were selected to describe the steps and characteristics of joint venture implementation. This allows for rich and deep data generated through discussions with the
interviewees. By gaining such information the authors are able to do a qualitative research. The authors have prepared a semi-structured interview guide (Merriam, 1998). The reason for this is that the authors have prepared questions that have been reviewed by research methodology experts and the questions are in order and they are worded carefully. However, the questions are open-ended in order to lead the interviewees into further discussions, thus giving a chance to the authors to apply follow up questions.

4.6. Data Collection Instrument
The authors presented in the previous section how they built up their data collection method. They also discussed the reasons behind their choices. They applied qualitative research and chose to conduct semi-structured interviews to gain rich, deep and more detailed qualitative answers from the interviewees. The interview questions were organized and well-worded. Open ended questions were conducted in order to lead the participants into further discussion and this allowed the authors to ask follow up questions. Multiple research and field experts reviewed the interview questions in order to increase validity.

4.6.1. Operationalization and measurement of variables
According to Krishnaswami and Satyaprasad (2010) “Operational definitions of concepts are the means by which variables are quantified. They are always necessary in a research project. The process of operationalization or defining concepts are operationally is a complex task, requiring extensive knowledge and reflective thinking. It involves a series of steps or procedures to be followed to obtain a measurement” (p. 39). Concepts are categories for the structure of ideas and observations and can be divided into two parts (1) concrete concepts and (2) abstract concepts. At first, concrete concepts are objects, which can be seen, touched and felt, for example a book, a table, or a building. Second, abstract concepts are properties of characteristics of objects such as, weight, height, or intelligence. These concepts are conclusions from observed events (Krishnaswami & Satyaprasad, 2010). This process is visualized below and it describes how a model or a concept can go from a fuzzy concept to something that is measurable in form of variables of specific observation.
Figure 8 Operationalization process

This operationalization is a process based on the data that the authors have collected throughout the data collection process. In Section 3 the authors created a conceptual model to visualize the potential barriers and the theoretical set up of the research. Different potential barriers such as cultural dimensions, legal factors of entering a new market and strategy formation can have a great effect on joint venture implementation. By highlighting these aspects, the authors will be able highlight how these potential barriers can be avoided.

The authors have done scientific research based on reviewed articles. From these articles they were able to define the key concepts. After this step, the authors translated their concepts into measurable operational definitions. When this was done the authors listed and found potential measures for key variables in order to base their interview questions in a successful way.
In the table below the concepts and the operational definitions of these concepts will be listed.

<table>
<thead>
<tr>
<th>Concept</th>
<th>Conceptual definition</th>
<th>Operational definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint venture</td>
<td>New firm formed to achieve specific objectives of a partnership like temporary arrangement between two or more firms (BusinessDictionary, 2014).</td>
<td>A measure that reflects the working process of a Bulgarian case company.</td>
</tr>
<tr>
<td>Strategy</td>
<td>“Strategy is a plan, or something equivalent - a direction, a guide or course of action into the future, a path to get from here to there, etc. Strategy is also a pattern that is consistency in behavior over time” (Mintzberg, 1994, p.23).</td>
<td>A measure that reflects a company’s goals and objectives.</td>
</tr>
<tr>
<td>Culture</td>
<td>Despite different definitions of culture, there is a general consensus among organizational researchers that culture refers to patterns of beliefs and values that are manifested in practices, behaviors, and various artifacts shared by members of an organization or a nation (Pothukuchi et al. 2002).</td>
<td>A measure that reflects the differences between beliefs and values of societies.</td>
</tr>
<tr>
<td>Legal factors</td>
<td>“Legal factors such as legislation, regulation and governmental actions can affect product purity and labeling, communications, data mining, pricing, distribution” (Wood, 2010, p.40).</td>
<td>A measure of regulations that restricts a company’s actions and sets a certain standard within a given context.</td>
</tr>
</tbody>
</table>
The next table shows what main measures were decided on from literature, matching to the original concepts. After the measures have been defined, the authors were able to formulate their interview questions as it was described above.

### Table 10 Measurement of key variables

<table>
<thead>
<tr>
<th>Concept</th>
<th>Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td>Joint venture</td>
<td>Performance, Knowledge Management (Beamish &amp; Lupton, 2009)</td>
</tr>
<tr>
<td>Strategy</td>
<td>Intended strategy, Deliberate strategy, Unrealized strategy, Emerging strategy, Realized strategy (Mintzberg, 1978; Mintzberg, 1994)</td>
</tr>
<tr>
<td>Culture</td>
<td>Power Distance, Uncertainty avoidance, Individualism vs. Collectivism, Masculinity vs. Femininity, Long-term orientation vs. Short-term orientation (Hofstede et al. 2010)</td>
</tr>
<tr>
<td>Legal factors</td>
<td>Corruption (Javorcik &amp; Wei, 2009), Economic (Eurostat, 2011).</td>
</tr>
</tbody>
</table>

### 4.6.2. Interview guide

Bryman and Bell (2011) describe that “*The idea of an interview guide is much less specific than the notion of a structured interview schedule. In fact, the term can be employed to refer to the brief list of memory prompts of areas to be covered that is often employed in unstructured interviewing or to the somewhat more structured list of issues to be addressed or questions to be asked in a semi-structured interviewing [...] What is crucial is that the questioning allows the interviewers to glean the ways in which research participants view their social world and that there are flexibility in the conduct of the interviews*” (p.473).

The authors decided to interview the founders/lead management of the case company in order to ensure that the right perspective will be encountered and the interviewees would be able to contribute to the research with reliable information. In order to have a flowing interview, the authors aim was to conduct the interview with proper circumstances and to execute the interview in a respectful way. In order to assess the quality obtained data the authors recorded the conversations. This allowed the authors to utilize information in empirical findings and analysis. These steps are visualized in the figure below.
The following table describes how interview questions can be formed properly and what type of questions need to be avoided when conducting an interview. For both good questions and for questions to avoid, examples are provided.

### Table 11 Good question vs. questions to avoid

<table>
<thead>
<tr>
<th>Good questions</th>
<th>Questions to avoid</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of question</strong></td>
<td><strong>Example</strong></td>
</tr>
<tr>
<td>Hypothetical Question: asks what the respondent might do or what it might be like in a particular situation; usually begins with “what if” or “suppose”</td>
<td>What would you change if you could start your implementation process over?</td>
</tr>
<tr>
<td>Devil’s advocate Question: challenges the respondent to consider an opposing view</td>
<td>Some people believe that joint ventures that fail brought it upon themselves. What would you say to those people?</td>
</tr>
<tr>
<td>Ideal position Question: asks the respondent to describe an ideal situation</td>
<td>What would your ideal joint venture implementation consist of?</td>
</tr>
<tr>
<td>Interpretive Questions: advances tentative interpretation of what the respondent has been saying and asks for a reaction</td>
<td>Would you say that implementing a joint venture would be easier now that you have done it before?</td>
</tr>
</tbody>
</table>

Source: Adapted from Merriam (1998, p.77-79)
**Testing Interview Questions**

Bryman and Bell (2011) discuss that the measure should reflect the content of the concept in question. This can be done by asking other people whether or not the measure seems to be getting at the concept that is the focus of attention. In other words, people, possibly those with experience or expertise in a field, might be asked to act as judges to determine whether or not on the face of it the measure seems to reflect the concept concerned. By this the authors were able to ensure that their questions would help achieving the objective of their research.

Bryman and Bell (2011) discuss that “Probing is a highly problematic area for researchers employing a structured interview method. It frequently happens in interviews that respondents need help with their answers. For example the interviewee does not understand the question - they may either ask for further information or it is clear from what they say that they are struggling to understand the question or to provide an adequate answer” (p.215).

**Interview questions explanation** (See Appendix 1 for interview questions, Appendix 5 and 6 for the interview transcript)

- **Background**

The authors questioned about the background of the interviewee in order to discover that this particular person is indeed the right choice to gain proper insight from about the topic.

- **Strategy**

The authors questioned the case company’s initial strategy in order to determine how it changed throughout the course of the implementation and to see what new strategies emerged.

- **Joint venture implementation**

The purpose with the questions under this section was for the authors to discover what barriers the managers faced with the implementation and how they came over these barriers. The authors also wished to discover some of the main steps the managers took to implement their joint venture.

- **PESTEL Analysis**

This section was necessary in order uncover what were the most significant legal barriers with entering a new market. Furthermore, this section was also questioned in order to identify the other factors in PESTEL.
• Cultural Dimensions

This group of questions was asked in order to uncover the perspective of the managers of the new market’s organizational culture and see how they managed to deal with these barriers and differences.

• Follow-up

The authors decided to apply follow-up questions after conducting the interview. These questions were additional ones made on the spot. They were based on the findings from the interview after finding out all information they needed to extend the scope of their insight.

In order to triangulate information based on legal factors, a Bulgarian company called Accounting Competence Center (ACC) has been interviewed. The CEO of this company has responded several questions in order to support the authors’ findings relating to legal aspects. The reason for this was that ACC has been the part of the implementation process and helped with several legal issues in Bulgaria. The set of questions with the provided answers can be seen in Appendix 4.

_Sampling and face-to-face interview_

Bryman and Bell (2011) define sampling as “the listing of all units in the population from which the sample will be selected” (p.176).

The group of people under focus of this research is defined by managers who have formed or will form a joint venture. In order to define this population more precise, these managers are limited to expansion to emerging markets. To further funnel down the sample population, the authors decided to limit the sample population to Swedish managers who have done expansion in Bulgarian markets.

Semi-structured interviews are typically conducted face-to-face. This is because of the importance of personal contact in qualitative interviews (Volg, 2013). Some methodological textbooks suggest that the telephone mode is not well suited for qualitative interviewing (Philipson & Oghazi 2013; Gilham, 2005; Rubin & Rubin, 2005). However, the authors applied this method, since they have prepared open-ended questions that can lead to further discussions and they were formulated in a flexible way.
Furthermore, telephone interviews are on the rise because they are low in cost and have good reachability. However, because the personal aspect in qualitative interviews is particularly important, telephone interviews are often dismissed within this research tradition (Volg, 2013).

4.7. Data Analysis Method
According to Creswell (2014) “Data analysis in qualitative research goes hand-in-hand with data collection and the documentation of findings. During the course of the interviews the authors might be analyzing an interview collected earlier. Because text and image data are so dense and rich, not all of the information can be used in a qualitative study” (p.195). Thus, the authors need to crystallize, and filter out the data that is used for the study. Researchers have the option to utilize computer-based or hand coding when analyzing their data (Creswell, 2014). The authors for this research analyzed data with hand coding, due to non-availability of computer-based programs.

4.7.1. Data analysis in qualitative research
The first step during data analysis is to organize and prepare the data for analysis. In specifically, transcribing interviews, optically scanning material, typing up field notes. This step also includes sorting and arranging the data into different types depending on the sources of information (Creswell, 2014). During the interviews the authors took notes and also recorded the conversations. By having good notes at hand that highlighted the main aspects, the authors had the data prepared for analysis.

The next step covers reading and looking at all the data. This gives an opportunity to the information to reflect on its overall meaning. During this process, the authors are taking side-notes and even record insights, to make perspectives about the findings (Creswell, 2014). Here, all the authors listen to the interviews several times to gather more data. It was useful to have the data in a more visual form.

The third step is about coding all the data. Coding is the process of organizing the data by bracketing chunks and writing word representing a category in the margins. Following up this step, the authors use the coding process to generate a description of the setting or people as well as categories or themes for analysis. During this phase the authors generate a small number of themes or categories (perhaps five to seven). These themes appear as major findings in a research study. Themes are analyzed for each individual case and across different cases, as in case studies (Creswell, 2014). At this point, the authors individually
categorized the data based on the different concepts and theories. After this, they compared their transcripts in order to ensure that the categorization was right and no bias could arise.

During the fourth step, the authors use a narrative passage to convey findings of the analysis. This can be mentioning chronology of events, detailed discussion of several themes or discussing interconnecting themes. Qualitative researchers also use visuals during this step, for example, in order to convey descriptive information about each participant in a table, as in case studies (Creswell, 2014). After analyzing all data, the authors created a figure to visualize the relationship between the themes they investigated. This can be seen in Section 6.5.

The fifth and final step involves interpretation in qualitative research of the findings or results. For example, asking “What were the lessons learned?” in order to capture the essence of this idea. Interpretation in qualitative research can take many forms; be adapted for different types of designs; and be flexible to convey personal, research-based, and action meanings (Creswell, 2014). After analyzing all data and the relationships between the themes investigated, the authors were able to draw conclusions for managerial implications and future research. The figure below is visualizing this process:

![Figure 10 Data Analysis in Qualitative Research](image-url)
4.8. Quality Criteria
Bryman and Bell (2011) state that “Validity refers to the issues of whether or not an indicator, or set of indicators; that is devised to gauge if a concept really measures that concept” (p.159). A further and in many ways the most important criterion of research is validity. Validity is concerned with the integrity of the conclusions that are generated from a piece of research. The issue of measurement validity has to do with whether or not a measure of a concept really measures that concept (Bryman & Bell, 2011). They discuss further “Although the terms reliability and validity seem to be almost like synonyms, they have quite different meaning in relation to the evaluation of measures of concepts” (p.157). Creswell (2014) also discusses that “Qualitative validity means that the researcher checks for the accuracy of the findings by employing certain procedures, while qualitative reliability indicates that the researcher’s approach is consistent across different researchers and different projects” (p.201).

4.8.1 Content (Face) Validity
According to Bryman and Bell (2011) “The aim with concept validity is to ensure that the measure apparently reflects the content of the concepts in question. This can be established by asking other people whether or not the measure seems to be getting at the concept. To increase such validity of this research, people with expertise in the field, thus they can judge and determine whether or not the measure seems to reflect the concept concerned. Face validity is, therefore, an essentially intuitive process” (p.160).

In order to increase the content validity of the research, the authors have contacted field experts who reviewed the interview questions in hand. In total there were three university professors that helped the authors with reformulating the questions. After this, several changes have been made before interviewing the participants.

4.8.2 Construct Validity
Bryman and Bell (2011) state that “The purpose of construct validity is to encourage the researcher to deduce hypotheses/research questions from a theory that is relevant to the concept” (p.160). In construct validity the researcher measures to what extent the operationalization distinctly measures the concept it is supposed to measure. This can be assessed by using multiple source of evidence, and allowing key informants review drafts of the case study report (Yin, 2009).
The authors have conducted a pretest with their questions in order to ensure that the questions were understandable and clear for the future interviewees. By construct validity, the authors managed to avoid misunderstandings in the interviews. After the pretest, the authors realized that the set of questions were too extensive. Thus, some of the questions were marked primary and some secondary. Primary questions were the ones that are directly related to the purpose of the paper, and secondary questions were the ones that had less relevance to fulfilling the purpose. During the interviews, the authors were focusing on the primary questions, and if the time scale let them, they also utilized the secondary questions to gain further information.

4.8.3 External Validity
According to Byrman and Bell (2011) “External validity refers to the degree to which findings can be generalized across social settings. External validity represents a problem for qualitative researchers because of their tendency to employ case studies and small samples” (p.160). This issue is concerned with the question of whether the results of a study can be generalized beyond the specific research context (Bryman & Bell, 2011).

During the operationalization process the authors transformed their operational definitions into measurable variables based on literature. This process made the variables valid and scientific. After this step, the authors were able to form their interview questions and were guided by these variables to increase external validity.

4.8.4 Reliability
Creswell (2014) states that “Quality reliability indicates that the researchers approach consistent across different researchers and different projects” (p.201). Reliability refers to consistency of a measure of a concept (Bryman & Bell, 2011). Reliability is concerned with the question of whether the results of a study are repeatable. Bryman and Bell (2011) further discuss that “The term is commonly used in relation to the question whether the measures that are devised for concepts in business and management are consistent” (p.41).

Due to the framework of the report, the authors believe that this research is easily repeatable, because it has been done by deductive research approach. If the study were to be repeated they could ask a newly formed joint venture company about their experience and discuss the interview questions found in Appendix 1. Other researchers could also change the context from Bulgaria to another country to investigate barriers.
5. Empirical Findings
In this section, the authors will present their findings from their interviews that were conducted with the two founders, the employees in Bulgaria and the CEO of ACC. Some of the data will also be supported by secondary data in order to ensure the triangulation process.

5.1. The Company
Originally Petia O.O.D. was founded by European Precision Components (EPC) and VBA Group in January, 2013. Petia is an assembly unit that is located in Bulgaria, Plovdiv. Their main idea with founding this company was to lower the costs and risks.

“The way our own management becomes functional is based on our mission that is to simplify and create a competitive edge for our customers by offering everything from simple assemblies to full contract manufacturing within a stimulating environment. Our vision is to always be the best alternative with a strong focus on customer benefit. For our customers, this means that we minimize the number of suppliers and contacts. Our concept is to provide a complete service and minimize costs throughout all links of the chain” (Petia, 2014).

The equity share between the founders is fifty percent. Both of the founders act as general managers to ensure that the production runs smooth within contract manufacturing and assembling. They opened their facility in April, 2013 and are planning on expanding in June, 2014. They have grown with their own money and investments without taking any loans, which has slowed down their process of implementing.

Their main targets are traditional Swedish companies within mechanical industry with a turnover of 200-500 million SEK. These companies should be privately owned.

The following information is from the interviews that the authors have conducted to gain further information from the founders of Petia. Ulf Sandberg, the owner of EPC will be referred to as Founder A and Benny Aronsson, the owner of VBA Group will be referred to as Founder B. The interview with founder A lasted about fifty minutes and occurred via Skype, since he recently moved to Bulgaria. The interview with founder B took place in Ljungby, Sweden and lasted one hour and 15 minutes. Since the authors have established contacts with the company long time ago, the interview was casual and comfortable. The founders were opened for any questions that the authors posted. Thus, all information was easy to receive (See Appendix 5 and 6 for transcript). To support further information a CEO was interviewed through a mail from a company named ACC (see Appendix 4). This company was part of the
implementation process by helping Petia’s founders with legal aspects and is still actively working with Petia.

5.2. Strategy
During the implementation phase, the short-term goal of the founders was to get in contact with the right suppliers. While their long-term goal was to set up contract manufacturing, and to purchase all machines and equipment in order to be able to produce and fulfill their mission. Founder B highlighted that he has years of experience with plans and targets, and all these objectives need to be communicated and measured properly within the company.

They generally revise the business plan once per year by measuring overall targets, department targets and personal targets. Founder B stated that their financial targets are still going down because they invest all their money in new equipment, however this figure is not steep anymore. Founder A consider their strategy clear enough with no tough activities. He also stated that they are following their strategy well, but they have had to do some curves on the way, but they never went backwards. This means that they did not have a straight path to success.

Their main changes in strategy have been affected by contracting less suitable suppliers than they expected to. This led them to change suppliers, it cost extra money and slowed down their process. They later realized that they were behind their strategy about three to four months with new suppliers. They are now working on catching up with their strategy. However, both founders stated that since they are growing with their own money, they are careful with their investments, which slows down their strategy. They consider it better to do it slower, but right, rather than rush it and fail with their strategies. Since their strategies are not consisting of tough activities, rather simple tasks to follow, they consider them rather flexible to emerge and change. Founder B said that one needs to make these mistakes to learn from them, so they will not happen again.

When it comes to correlation between strategy and culture Su et al. (2012) discuss in their paper that their findings suggest that firms taking efficiency strategies should build the organizational culture characterized by individualism, high power distance, and low uncertainty avoidance; whereas firms operating flexibility strategies should build the organizational culture characterized by collectivism, low power distance, and high uncertainty
avoidance. The cultural dimension of Bulgaria and case company will be elaborated and analyzed below in the following sections.

5.3. PESTEL

**Political Factors**

When it comes to political situation of Bulgaria, the founders say that they are not influenced by such factors as long as they are keeping a low profile. They also stated that they trust the European Union, because it provides them political stability. However, the founders consider political change with a high uncertainty level. The reason for this is if a new government takes place, one cannot know what changes it brings about in relation with foreign companies. They have not had problems with the government yet, but they start to consider what changes can arise in the future, and how it will affect the company. Aggregate Indicator “Political Stability and Absence of Violence” (World Bank Institute, 2011) did not change its value in the time of the worst economic crises in Europe. This stable political environment could reduce the overall macroeconomic risk and promote investments in the country (World Bank Institute, 2011).

Synchronization of the Bulgarian legislation with the EU legislation ensures favorable conditions for doing business in Bulgaria and therefore, serves as an additional stimulus for companies to invest in the country, including in Research, Technological Development and Innovation (RTDI). Labor legislation is favorable for employers. Bulgaria ranks 48 on Rigidity of employment index from 140 countries worldwide and only 4 EU member states have better value of that indicator (World Economic Forum, 2011). It could be assumed that the lower rigidity of employment stimulates the investments in the country, especially in time of economic crisis. There is a conservative traditional approach to governance rather than modern eGovernment. EGovernment provides digital tools and systems to provide better public services to citizens and businesses (EcEuropa, 2014). With 70% online availability and interactivity of public services (supply side) Bulgaria is on the bottom of the eGovernment implementation. Only four countries in the EU have worse level of the indicators than Bulgaria (Eurostat, 2011). The ineffective eGovernment is a factor that can be assumed as a barrier to the doing business in Bulgaria.

**Legal Factors**

One of the first steps with implementation was to actually find a facility, whether they should build, rent or buy. During this step they decided to contact a consultant agency, called ACC in
Bulgaria. As stated on ACC’s website “We strive to provide a professional, fast, efficient and courteous service for all our customers - ACC and team of our business advisers & local accountants offer a wide range of business services in Bulgaria. We provide the services of a very quick company formation, ready-made companies, bookkeeping & accounting, tax planning, tax filing and full corporate services” (ACC, 2014).

CEO of ACC stated the following during the interview “Developing a successful business in Bulgaria requires a good knowledge of the relevant legislation - tax law, customs regime, licenses and permits, as well as litigation and arbitration procedures. Bulgaria has always been keen on attracting direct foreign investment and a number of positive developments have taken place in order to improve the business environment”. (See further information in Appendix 4.)

Both of the founders stated the following, to explain why they needed to contact an agency for help with the regulations, and founder B added that “We cannot do this alone and we have help with all the legal aspects, we are buying their expertise”.

The next step was to gain knowledge of what they need to set up a company in Bulgaria. There were several questions arising that they needed to find answers for. For example: “how much money they need to put in to start a company, what type of company should be started up, should it be owned privately, or by the actual founder companies, what type of banks they should have”. ACC helped with all of these questions. The founders paid this agency to go through all these legal documentations and authorities to approve and receive stamps. ACC also took care of accounting, helped with contracting with the employees that were about to be hired, because these contracts are supposed to be in English and in Bulgarian also. They also helped with contracts of renting buildings.

The general managers stated that there are special regulations, for example with fire extinguishers, which they need to have a much bigger amount of than in Sweden. He also stated that depending on the industry there are unexpected regulations. For example agencies that come to the facility to do control check on lights. The founders also stated that this might be a corrupted thing, they do not know, but they do everything they can to follow the regulations.

The company hired a local site manager to take care of such aspects and work according to the regulations. Since it is part of the EU, there are regulations that are strict. Some of the
Swedish competitors consider Bulgaria as a low level country. Thus, they are not taking Petia's production serious. The founders try to prove that even if they actually produce in Bulgaria, the same quality can be reached and delivered to their customers.

In order to avoid the chance of corruption arising, Petia’s founders made a decision to receive ISO 9000 certification from an Austrian-German company, instead of a Bulgarian company. However, it is more expensive, it is more favored by Swedish customers, since it is more reliable. This certification mainly describes the entire working process within the company, such as how the departments work with all the job descriptions.

When it comes to minimum requirement of investment when entering a market, some countries along with Bulgaria reduced or abolished this requirement in 2009 and 2010 (The World Bank, 2010). “Bulgaria eased business start-up by reducing the minimum capital requirement from 5,000 Leva ($3,250) to 2 Leva ($1.30)” (The World Bank, 2010). Bulgaria reduced employer contribution rates for social security. The ease of doing business rank was 51 in 2010 (The World Bank, 2010). The CEO of ACC also added the following to support this argument “Restrictions on business activity carried out by foreign persons are imposed in very few sectors (e.g. gambling). Doing business in Bulgaria does not require mandatory registration with the exception of certain sectors where licensing regime is introduced”.

Corruption and relevantly inefficient government are main barriers in doing business in Bulgaria (World Economic Forum, 2011). It could be assumed that those factors have a negative impact on the investment climate in Bulgaria. When the authors asked about the most important barriers to enter the Bulgarian market, the CEO of ACC highlighted corruption and bureaucratic transparency as very important barriers. He stated that “Many foreign investors also find Bulgarian administration not efficient enough. There is still wide bureaucratic apparatus. Corruption is still an issue. Some of the important transport infrastructure is still under development. One of the biggest challenges in Bulgarian is the judicial system. In particular, a need for greater transparency in judicial proceedings and concerns relating to the professionalism, accountability and efficiency of the judiciary need to be addressed in order to reach full investment capacity in the country”.

The owners consider Petia as a Bulgarian company in every way, but they keep their Swedish values against corruption and “black money”. However, corruption arises as a problem with hiring people. The founders stated that finding expertise is not a hard task on paper, but it is
not always reliable, thus they need to test their skills, and give less relevance to CVs. Founder B stated that “In Bulgaria everybody assumes that you will try to cheat them, it does not matter what you are doing”. He further discussed that “Corruption is the biggest problem in Bulgaria, because everybody is corrupted, but you do not know, meaning that what is the price for this one? You do not know that because you cannot check it, you cannot compare it”. They also added that “You cannot trust the people that you have, even if you trust them, you cannot trust them”.

The following figure shows several countries’ corruption measures due to three different scales. Bulgaria’s corruption index is 4.6 (WDR), 3.1 (KKZ) and 4 (Neumann). If one considers the averages of the first two scales measures, Bulgaria has a relatively higher score than the averages. The statement of the founders that one of the main barriers is corruption can be proved by this figure.

![Figure 11 Corruption Measures](source: Adapted from Javorcik and Wei (2009, p.614))

Another main problem is that every company needs to have a stamp and that arises as a problem. The reason for this is that only the general manager can use that stamp. Without having such a stamp, it is not a real company, thus the company basically does not exist.
Economic Situation
When it comes to economic situation of Bulgaria, the main research the company has done was on labor costs. For example, the salaries in Bulgaria do not increase as fast as people would like them to do, which gives an advantage to the owners of Petia. There are some differences between Sweden and Bulgaria when it comes to taxation policies. In Bulgaria, a company receives back from taxes within a three or a six month period, while in Sweden it is every month. This creates a cash flow problem within the company. Also with the orders Petia makes, they have to pay in advance the first three to six months payments to show trust with the orders. See further information about taxation in Appendix 4.

Since Bulgaria has low tax levels compared to other EU countries, it provides a favorable investment conditions for companies to enter. Bulgaria has the lowest labor cost in the EU of 2.88 Euro per hour (Eurostat, 2011). On one hand the relevantly cheap labor is attractive for the investors. On the other hand, this low level of salaries is one of the factors stimulating the “brain drain” from the country. Despite the recent reforms enacted to improve the business start-up conditions and progress in the area of paying taxes, Bulgaria's world rankings still lag behind the best performers in the EU and world comparisons in Doing Business. In the WB Doing Business Report the country ranking worsened (from 44 in 2010 to 51 in 2011) (The World Bank, 2011).

Bulgaria offers a combination of political and macroeconomic stability and incentives for doing business, based on the followings such as stable parliamentary democracy that Bulgaria is part of the EU, NATO and WTO member. Bulgaria’s currency is fixed to the Euro under a currency board arrangement. Lowest tax rate and one of the lowest labor costs in the EU coupled with special incentives for investors (InvestbgGovernment, 2014)

CEO of ACC also highlighted in a mail interview that the significance of the currency by stating “As to the economic stability, there is a currency board in place (the foreign exchange rate of the BGN is pegged to the EUR), leading to stable and predictable macroeconomic environment and practically no foreign exchange risk”.

After they decided to enter the Bulgarian market, they decided that investigating the market further was not necessary. This is because they are not selling in the Bulgarian market. They only planned to produce there and sell their product in Sweden.-However, they did investigate research on suppliers to find out about price levels, company standards. Founder B (2014)
stated after it was decided to enter into Bulgaria that “It’s a European nation country. Done. It’s easy just to go there”. The interview made with one of the CEOs of ACC also supports this information by stating “In the past few years, Bulgaria has significantly reformed its legal framework in order to comply with EU requirements and now our internal legislation is aligned with EU norms”.

The next step with their market research was to actually visit the country to meet potential suppliers. By this, they managed to falsify their findings. What this means is that before they went to Bulgaria, they thought that more labor is needed to manage the same level of production than Sweden. By their research and visiting the country personally completely reflected the opposite. They found out that the same amount of labor can provide the same level of efficiency in Bulgaria as it would do in Sweden. From their research they were aware of the fact that Plovdiv is a large industrial market in Bulgaria, thus making it a good location to produce there. They conducted research on the quality of the suppliers and the supplier’s quality order. They did this by purchasing samples of the suppliers’ products and then tested the products thoroughly. If the suppliers passed their inspection then they would consider using them as a supplier if the price was competitive. By doing so, they could see how business worked in Bulgaria and what improvements needed to be made. However, founder B also stated that “We should have done more research about the country before, in terms of how it works and how everything is fixed” […] “You need to be there and go there yourself to see how it works.”

5.4. Cultural dimensions
In this chapter the authors have gathered information about Hofstede’s value dimensions that have been discussed in Section 2. The authors interviewed several people in order to get a deeper understanding how these dimensions influence the implementation and how they can become a barrier in an international joint venture. This section will also reveal the average answers of the Bulgarian employees regarding Hofstede’s value dimensions. In order to see the results of the survey, see Appendix 2.

Power Distance
Founder A stated that the hierarchy is higher in Bulgaria than it is in Sweden. However, their aim is to implement a flat organization with more equality. They also wish to communicate all information, goals and objectives to all of the employees. For example, the key figures of the company are communicated to everyone in the company every month to review. Founder B
also described the hierarchy is higher in Bulgaria compared to Sweden. He also explained that they are now trying to implement a Swedish leader style in the company in Bulgaria. This means they aim to be opened minded and open to discussions. Due to the fact that he has been working with these aspects for many years, he has much experience to implement a flat organization. Founder B explained that the common leader style in Bulgaria is that the leader of the company “points out the right way” how to complete a task and the employees act accordingly. In Bulgaria it is not common for the workers to take decision or answer questions without confirming with the managers. According to the average answers of Bulgarian employees of Petia the power distance is 58.67. This means that they believe that the power distance in the country is slightly higher than average however, it is still rated lower than in Hofstede’s research. Power distance according to Hofstede’s study is 70 in Bulgaria.

**Uncertainty Avoidance**

As explained in the previous section when it comes to power distance, the leader often takes all the decisions in a company in Bulgaria. Bulgarian organizational culture is reflected by relatively high uncertainty avoidance. This leads to that the employees are not used to take their own decisions. They prefer to be controlled by a higher authority to take decisions for them in order to avoid uncertainty. He also explained that they are currently trying to apply a new philosophy within the company that the employees should not come with problems that they want to get fixed they should come up with possible solutions to these problems as well. The average answer on uncertainty avoidance was 70.44 by Petia’s employees. This means that they do not like uncertain situations and rather have full control over each situation. Compared to this, Hofstede’s value was 85 on this value.

**Individualism versus Collectivism**

In this dimension the founders of Petia disagreed with each other. Founder A thought that the employees of Petia much more preferred to work together in a group than working alone. Founder B thought that the Bulgarians much more prefer to work alone. Petia is now developing a more collective way of working. Every week the various departments have to meet up and discuss the problems and other questions within the company, these meetings are also documented so that the founders of Petia can see what is discussed in these meetings. Founder B also said that the dialogue between all the employees have become much better nowadays and that the dialogue today is more opened and honest within the company then it used to be before. The average answer on individualism was 38.9. This means that they favor
more to work in groups rather than as an individual. Hofstede’s study showed that Bulgarian organizational culture on individualism was 30.

**Masculinity versus Femininity**
Both of the founders agreed that the Bulgarian employees are very much masculine in their way of living. Founder B stated that, Bulgarians care a lot about what kind of car they are driving and that everything should look good and polish outwards. According to the interview the people in Bulgaria like to spend a lot of money to make a good impression instead of focus on the quality of life such as family. The average answer was 74.44 by the employees of Petia regarding the masculinity versus femininity. This answer illustrate that the Bulgarians desire materialistic things a lot. Hofstede’s value is contrasting since it was 40, thus considered to be more feminine.

**Long-term orientation versus Short-term orientation**
The founders of Petia agreed that Bulgarian people are short term focused. Founder B explained that they are all about getting money fast and live for today. He also explained that this is very deep rooted in the Bulgarians’ mind in their way of doing business. It is difficult sometimes to explain for suppliers and customer in Bulgaria that a deal can give them a lot of advantages in a couple of years because they rather focus on what it can give them today. The average answer of the employees in this dimension was 40.44 which means they do not spend so much time thinking of the future. However, Hofstede’s study shows that the value if this dimension was 69.
The following table shows the values from the mail surveys on Hofstede’s dimensions and also Hofstede’s findings on these values both in Sweden and in Bulgaria.

Table 12 Cultural Values

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>Bulgarian Employees’ values</th>
<th>Bulgarian Hofstede values</th>
<th>Swedish Hofstede values</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Distance</td>
<td>58.67</td>
<td>70</td>
<td>31</td>
</tr>
<tr>
<td>Uncertainty Avoidance</td>
<td>70.44</td>
<td>85</td>
<td>29</td>
</tr>
<tr>
<td>Individualism vs. Collectivism</td>
<td>38.9</td>
<td>30</td>
<td>71</td>
</tr>
<tr>
<td>Masculinity vs. Femininity</td>
<td>74.44</td>
<td>40</td>
<td>5</td>
</tr>
<tr>
<td>Long-term vs. Short-term orientation</td>
<td>40.44</td>
<td>69</td>
<td>53</td>
</tr>
</tbody>
</table>

Source adapted from Hofstede et al. (2010)

5.5. Joint Venture Implementation

Karakaya and Stahl (1989) said that firms face market entry barriers and great financial risks. Market entry barriers are considered to be crucial factors in the market entry decision. To succeed in holding onto a market by keeping the barriers high, an incumbent must first identify the relative importance of the barriers. When implementing joint ventures, it is vital to be in the right country. From the interview with founder B conducted on the 1st of April, 2014 the authors learned that the case company decided on entering Bulgaria. The main reason they decided to enter this market was due to the countries low labor cost. In addition, since Bulgaria is in the EU it allows the company to send products to customers with the possibility overnight. By being in Bulgaria it also allows the case company to be in a similar time zone.

According to founder B the case company took three major steps when implementing their joint venture. The first step was deciding on a country. As stated before they decided on Bulgaria due to their low labor cost and location within the EU. The next step they took was hiring local management. The third step they took was adapting to the culture. This was critical for them. When they moved to Bulgaria they have no intention of enforcing Swedish culture or customs. They wanted to make their business appear to Bulgarian to allow for a comfortable working environment. They did not feel the need to “reinvent the wheel”. They have taken many steps to create their business to be a Bulgarian one. They have placed
pictures throughout their office of famous Bulgarian places. They have nothing in their production area and office that shows they are a Swedish company. It was important to them to be Swedish only on paper and allow the company to be representative of Bulgaria. They have allowed their employees to help design the layout of the office and allowed them to purchase decorative items that appeal to them. The following below is the main steps taken by the company to allow for their effective implementation.

Figure 12 Main Steps in JVI by Petia

When implementing their joint venture they faced many challenges. The first challenge they encountered that they needed a stamp for everything. In Sweden a signature is enough for approval. However, in Bulgaria, a signature and a stamp are required. The stamp can only be used by the person whose name is on the documentation for the stamp. During the early stages of their joint venture the case company founders were not living in Bulgaria which made it difficult to stamp things for approval. This required them to have to physically go down to Bulgaria from Sweden whenever something needed to be approved. However, CEO of ACC stated the following when it comes to the stamping system “The present stamping system is regulated by a Decree dated 1965, which is still in force. In principle, every company has the right to obtain a stamp and to use this stamp when signing original documents and contracts. By inertia, most institutions in Bulgaria (including banks) still require the company stamp when it comes to legal documents. However, at present there is no actual legal requirement for that – neither our Commercial Code, nor our Accountancy Act impose any requirements on the use of stamps. Previously, all incoming and outgoing invoices had to bear the stamp of the issuer/receiver – this requirement is no longer in force. Therefore, in my view, the stamping system is quite outdated and many companies manage to
carry out business smoothly without even having a stamp. However, having a stamp sometimes can spare many administrative complications, especially when dealing with the internal regulations of some banks in Bulgaria”.

The next obstacles the company faced, was acquiring honest information. In Sweden all information is monitored and kept current online. However, in Bulgaria, most documentation is kept on paper and has to be heavily investigated in order to find out simple information. For example founder B stated that "many companies tend to hide their real turnover. This is due to many reasons. It can be as simple as not wanting to state it to avoid higher taxes or it may be because a large source of income comes from under the table money. Sometimes it can be hard to tell if a supplier will still be in business long term because their information is hidden from them". Due to the corruption the information on paper does not always reflect true information about the company. The next challenge they faced was acquiring the right personal for their company. For the management level they wanted to have workers that were well educated and could also speak English well. Both of the founders of the company do not know Bulgarian. The following table below list the main obstacles that were faced according to interviews conducted with both founders of the case company.

Table 13 Main obstacles faced when implementing a JV by Petia

<table>
<thead>
<tr>
<th>Main Obstacles</th>
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<tbody>
<tr>
<td>The Stamp</td>
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<tr>
<td>Moving from an online based country to a Paper based country</td>
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<tr>
<td>Finding the right personnel</td>
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<tr>
<td>Overcoming corruption</td>
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6. Analysis
In this section all the information, both primary and secondary, will be analyzed in order to be able to identify the barriers of entry and also their characteristics.

6.1. Strategy
The founders of Petia have a clear and easy strategy to follow, however they have faced with changes. Some of their strategies emerged during the implementation, such as switching suppliers to more suitable ones in order to have better business opportunities. They followed their business plan, but in a slower way than expected. Thus, they realized later that they could not keep up with their strategies due to emerging problems with their suppliers. They aimed to stay on the safe side with their own investments and reach their goals slower rather than push their strategies into failure.

Emerging strategies appear to be a barrier for them which they need to overcome by time if they plan to hold up to their business plan. Since the company is still new and freshly started, they need to focus on avoiding such situations in the future or learn how to overcome these obstacles in a more efficient way.

Since they were doing their implementation considering all legal factors and regulations, they did not have any short cuts in their strategy. In Bulgaria it is likely to utilize “black money” to rush things in business. The founders of the company aimed to avoid this, thus reaching their goals and follow up with their strategies has been slower than expected. Corruption is one of the significant barriers that affected the company strategy. This fact also contributed to the fact that they are behind their strategies, because they had to go around and overcome factors they did not expect.

As it was discussed in the findings, Petia’s funders intend to create a low power distance atmosphere with collectivism within the company by bringing their Swedish values in. What they cannot control is the high uncertainty avoidance of their Bulgarian employees. As Su et al. (2012) discussed the correlation between strategy and power distance, individualism, and uncertainty avoidance, in relation to Petia the results reflect that their strategies are flexible.

6.2. PESTEL
Political Factors
When it comes to scientific research, most of the articles are focusing on joint ventures with one host company and one foreign company. The reason for this is as it was discussed by Meschi (2009) the knowledge of political situation and government officials in the host
country are seen as an asset for the company. In order to benefit from this asset, foreign firms that wish to invest in an emerging economy often agree to share the ownership in the international joint venture with local firms. This can be useful in cases that the host country shows absolute awareness of political situation and regulations. By venturing a host country firm, a foreign company can decrease uncertainty levels.

In the case of Petia, two foreign companies entered a new country. Since Bulgaria is an EU country, most political factors are generally applied. However, the case company puts too much trust in the EU, thinking that it provides political stability. By not investing in political research, they might face unexpected barriers in the future which they are trying to consider now. Since Bulgarian legislation has been synchronized with EU regulations, favorable conditions for doing business in Bulgaria are ensured. This means once again, that some stability is given to companies doing business in Bulgaria. It is a clear advantage that Bulgaria is in the EU, but the company needs to be to some extent aware of political events and outcomes.

When it comes to low availability of eGovernment, the company might face a problem, since this can arise as barrier of doing business. Showing awareness of such factors, might help a company to overcome this by finding other ways. Non transparent, inefficient government and corruption are considered as the main barriers of doing business in Bulgaria.

**Legal Factors**

Firstly, since it was two Swedish companies entering Bulgaria, they had little knowledge of legal factors, from the point of renting a building, contracting and hiring employees. Thus, they hired a company called ACC as it was discussed before. Roy and Oliver (2009) discussed that these kinds of agencies are particularly important drivers of strategic choices. These kinds of institutions are also important elements in influencing the decisions of a company. Petia has gained extensive help by hiring such an agency in order to be able to follow all regulations. By this, a company is able to decrease uncertainties and serious barriers can be overcome by having local expertise.

Georgieva et al. (2012) discussed that since there is a high quality of legal and regulatory environment within the EU, companies are more likely to contract with each other and operate substantially in different environment. Once again, this means that even though a company is
entering an emerging market, as long as it is within the EU, some stability with regulations is provided as it was supported by the CEO of ACC.

There is one clear disadvantage with Bulgaria that the founders and CEO of ACC encountered and emphasized during the interviews. This main barrier is corruption. Corruption makes local bureaucracy less transparent and hence adds to the cost of doing business. Moreover, corruption affects the decision to take on a local joint venture partner. On the one hand, corruption increases the value of a local partner to a foreign investor (Javorcik & Wei, 2009). As discussed before, Petia did not contract with a local partner, they instead hired a local agency to point out the right way with regulations. This certainly increased the costs of the company, since they are paying them monthly to take care of accounting and several legal aspects. In order to stay on the safe side, and avoid barriers of regulations, they needed to have the budget to invest in such help if they were planning to operate successfully in this market.

Another problem with corruption arose with having an ISO certification. Since Bulgaria was too corrupted and untrustworthy to receive a certification from, the founders of Petia had to find a more trusted source which once again required greater expenses. If the company had received a certification in Bulgaria, some of the customers might have not trusted the validity of this certification. Thus, they could have lost business because of the corruption level in Bulgaria. Therefore, corruption clearly affected their way of implementation in Bulgaria, because they needed to have extra money to invest in order to avoid significant barriers and to keep their business partners.

**Economic Factors**

One clear advantage of Bulgaria for investors is Bulgaria’s economic situation. Cheap labor cost is more likely one of the main aspects companies enter emerging markets, such as in the case of Petia. On the other hand, there are some disadvantages with Bulgaria’s economic system. As presented in the findings earlier in this study, taxes are lower in Bulgaria than they are in Sweden, but tax rebate is received every third or sixth month, while in Sweden it is each month. This causes the company to have cash flows which can become significant with a company who has not taken loans to operate their business. However, taxes are quite lower in Bulgaria in comparison to Sweden, meaning that Bulgaria is a favorable place to invest in. Another significant advantage is that Bulgaria’s currency is fixed to the value of Euro as the
CEO of ACC highlighted it. Therefore, the main economic barrier is the cash flows, however it is steadily balanced by the advantage of low labor costs and low tax rates to gain advantage from.

PESTEL was mainly discussed in order to analyze how some of the factors can arise as barriers and how it can help a company to be aware of these factors. Initially, as it has been discussed, PESTEL Analysis has two main functions. The first is that it allows identification of the environment within which the company operates. The second basic function is that it provides data and information that will enable the company to predict situations and circumstances that it might encounter in future (Yuksel, 2012).

The authors found out from the interviews, that the case company’s aim is to sell in Sweden, thus they did not show much interest in doing research in the Bulgarian market. The main research that has been done by Petia’s managers was based on suppliers and economic situation to gain knowledge of labor cost and labor efficiency information. Since they have not put much effort in gaining information of political situation and how the business environment works in Bulgaria, they increased their own uncertainties and decreased their chances of being able to control circumstances that they might encounter in the future. As it appears they rather take their decisions day by day, for example if a new government will rule, they will encounter the barriers at that time.

However, since they had enough money to invest, they made a decision to visit the country, rather than trusting all information they have found. The company has enough resources and budget to do a research by actually being in the country. However, they did not put much interest in all factors to conduct a PESTEL Analysis.

6.3. Cultural Dimensions

**Power Distance**

Hofstede states that the power distance in Bulgaria is high and the case study from the authors confirm that. Thus, the hierarchy within the Bulgarian companies is higher than in Swedish companies. This means that the communication between managers and employees is less open. Furthermore, this communication distance of the organization can become a barrier for the joint venture implementation. This is because employees within Bulgarian companies are not used to communicate with the managers freely. As founder B explained employees are not used to taking decisions or answer questions without first checking with managers. The
Bulgarians are used to not having a say when it comes to making decisions. When implementing a more open company structure, this new communication design can become a major barrier for the people who are doing business in Bulgaria. This is because it will take a much longer time for decisions to be made. During the first stages of implementing this new structure employees will not be comfortable with having to create ideas. However, as the case company learned the Bulgarian employees enjoyed sharing their thoughts and input after they had adjusted to the change. Founder A explained that they are currently trying to implement a flat organization for Petia. This means that they want to remove the hierarchy within the company and have an open discussion with all the employees to increase the efficiency of the company. This is because eventually the Bulgarian employees will learn to think for themselves and take more responsibility after learning from the founders. The founders do this by listening to their suggestions and guiding them to the correct solution to the question at hand. To ensure that the employee understands the perspective where the founders are coming from when they discover suggested solution is incorrect; the founders explain to them why their idea could lead to other problems. They guide their employees and raise their critical thinking level.

Uncertainty Avoidance
The second dimension that Hofstede discussed was called uncertainty avoidance. Hofstede’s study of Bulgaria stated that the uncertainty avoidance is 85, which mean that it is very high in the country. The survey conducted by the authors indicated that the result was 70.44, which also is relatively high. The uncertainty avoidance is also reflecting the unwillingness of the Bulgarians to take their own decision and are instead trusting the managers to take all the decisions for them. Founder B explained that they are currently trying to change this. When an employee approaches with a problem he directly asks for the possible solution for the problem even though he knows the solution. He does this to train the employees of Petia to become more independent and become better to come up with solutions and decision on their own. This is something that will make the company more efficient in the future but it is also taking some time to implement and to change the behavior of the employees of Petia.

Individualism versus Collectivism
The third dimension reflects upon how willing the Bulgarians are of working together as a group versus as an individual. In this dimension the founders of Petia disagreed with each other. Founder A believed that the Bulgarians favored working together as a group while
founder B thought that they preferred to work alone. The survey result was 38.9 and Hofstede’s study showed the result of 30. This supports founder A’s ideas that the Bulgarians much more preferred to work together as a group rather than alone. Due to the high power distance it can be difficult for the managers sometimes to figure out what the employees prefer because of the lack of communication. Communication is something that Petia is currently working on and are aiming to improve upon. They have recently implemented a mandatory staff meeting once a week in order to improve the communication between the various departments. The meetings are also documented so the managers can read the report of every meeting and get a greater understanding of the situation within the company when they are not able to attend. Founder B explained that the communication within the company have become much better lately and they are nowadays more open and honest to each other in the company which is very important for running a successful business.

**Masculinity versus femininity**

The fourth dimension was masculinity versus femininity. Both of the founders described the situation as very masculine in Bulgaria. The respondents of the survey showed also a result of masculinity while Hofstede’s result showed a more feminine side of Bulgaria. The reason for this mixed result can be that the study of Hofstede was conducted in the mid 80’s and the values of the population of Bulgaria might have switched from feminine way of living to a more masculine lifestyle.

**Long-term versus short-term orientation**

The fifth dimension was the long-term versus short-term orientation. The answer from the questionnaire showed a result of 40.44 which meant that the Bulgarians are short term focused while Hofstede’s value was 69, this means that the Bulgarians are more long term focused. Founder B described the Bulgarians as very short term focused and that they have some difficulties to see advantages of a deal or a relationship in the future and instead want to see the advantages it will give them today. This can become a major barrier for a joint venture implementation in Bulgaria and for all the potential companies that want to establish in Bulgaria. If the Bulgarians have problems with see the possibilities of a long-term relationship many foreign investors will hesitate before investing in Bulgaria. This is something that is deep rooted in the mind of the Bulgarian population and they have problems trusting each other and therefore it takes a lot of time to build up a good relationship with suppliers and customers in Bulgaria.
Identifying barriers of joint venture implementation is critical when attempting to create a successful implementation. When entering Bulgaria, a company needs to be aware of the major changes from their home country prior to entering the market so they can plan ahead for the different setbacks that will occur in the business plan. The case company made sure to build their business based on legal aspects. This required them to spend more money getting approval by the correct authorities. The case company even went a step further to get the company approved by this Austrian-German company (company X). This was a very important step to removing fears of their Swedish customers. The fears that their Swedish company may have had were that the case company may have received their ISO certification from under the table payment and may have poor quality control because of it. By having their joint venture approved by Company X they can assure their customers that they are truly working due to regulations and have not taken any shortcuts or under the table payments for approvals. This builds a strong foundation for their customers to build trust with them. When customers see that they have been approved, it puts to rest any doubts in their mind. According to the interviews with founder B, he stated that "Company X is the strictest company to review other companies within the EU."

Once they ensured strong trust with their customers and put their fears to rest, they started to be it within their company. By allowing the employees to help pick the decor of the office and work areas they create a comfortable working environment. This allows for the employees to have a higher moral, thus helping improve their production. To further build strong rapport with their employees, they allow their employees to come up with the answers. When employees have questions about the business areas and specifics with the company they speak to the founder. Instead of the founder telling them what to do and how to do it, he ask what they think they should do. The employee tells the founder what they think and if they are wrong the founder says something along the lines of "that's good but how else could you do it?". The founders know the importance of building the employees self-esteem up. They do not criticize them. They explain why their first idea would not work so they understand why the founder wants them to keep thinking. By doing this the founders train their employees in a low stress way. This raises the critical thinking of the employee and creates a more experienced employee. The goal of the founder is to teach the employees all the answers so they will not have questions in the future. At first the employees were uncomfortable because in their previous work their employer would just tell them what to do. However, now that the
employees have experienced this new approach by the Swedish founders they are enjoying it. The employees want to learn more and become more educated. This way to approach their employees, they can run a smoother organization.

Another barrier that the case company had to overcome was the need of a stamp for most paperwork. In Bulgaria, a signature is not enough to give approval. Even though the legal requirements are not enforced at this time many companies still require it. As stated before it was a problem because in the beginning both founders were living in Sweden. The founders are the only ones allowed to use the stamp because they stamp is signed to their names. However, to overcome this barrier founder A relocated to Bulgaria.

The next barrier to overcome was acquiring accurate data from other companies. In Sweden there are many online sources where all the information is located. However, in Bulgaria the information is only on paper. According to the interview held with founder B many companies hide their true turnover to avoid the taxes they would face. This makes it hard to find suppliers because the information provided may not be true. This leads to the risk of them not being able to complete orders or other aspects. This is because a company can look like they are being profitable and will stay long term in the business but in reality they may go out of business unexpectedly. Many times finding a new supplier comes down to trial and error. This leads to a high cost investigation. This can be a very frustrating barrier to overcome because it may take a lot of time, effort, and money to overcome.

The next obstacle that they faced was finding the right personnel for their business. As stated earlier, in the management level they wanted to have English speaking employees. This was very important because they are an international company. To overcome this problem they used a hiring agency to help them find the right personnel for their company. This saved them a lot of time and resources because the agency already did the background checks and investigated the potential employee thoroughly.

One of the main obstacles that the case company faced was the level of corruption. They had a hard time seeing what regulations were true regulations and not just people attempts at scamming the company out of money. In order for the case company to avoid this they consulted a legal firm to help them with their implementation, accounting and taxation policies. However, that does not grant them complete safety. It is still possible to run into problems with corruption. When the case company searched for suppliers, many companies
would raise the prices because they are foreign investors. This was overcome by the case company by purchasing products from numerous suppliers prior to making deals. To ensure the quality of suppliers, the case company would purchase samples of suppliers and test the products themselves to ensure it was evaluated correctly. When purchasing parts from suppliers the suppliers require a three month advance payment to ensure they get payments from their customers. This is a problem because due to the supplier may not be around in that amount of time. It is hard to tell how profitable a company is because the true numbers are often hidden. The case company described making long term purchasing contracts from suppliers a leap of faith. But it is necessary to do so.

6.5. Relationships between concepts
The table below visually illustrates how the four different concepts correlate to one and other. Each one of these concepts was taken into great consideration by the authors before their investigation begun. All the concepts selected are affected by each other. For example, joint venture implementation is directly affected by strategy formation. It is affected by this because during every implementation changes occur, thus requiring the original plan to be reevaluated. As different obstacles arise, it causes new ideas to emerge to overcome these obstacles. When creating a strategy revolving joint venture implementation advance scheduled planning is required. By investigating areas where problems can be foreseen, the problems can be overcome much easier than if no advance plan exists.

Joint venture implementation is also affected by Hofestede cultural dimensions. In the case of Petia, the different dimensions greatly differ from Sweden to Bulgaria. This causes a huge barrier because the founders had to rethink all of their beliefs. What seems to be common sense in their home country may not be the case in Bulgaria. This can cause misunderstandings to arise and lower the success rate for the implementation.

Joint venture implementation is also affected by the legal factors and corruption. Due to the high corruption it can be difficult for the founders to understand what legal aspects are still in effect and what aspects are even true. In addition to the legal aspects, pricing of suppliers and other areas of price can be raised because they are foreigners. This is evidence of corruption because to overcome these obstacles bribes may be required. The best way to overcome the different legal factors and the corruption is to make sure the joint venture implementation is done legally. Local legal firms should be consulted and if the company is in doubt about a decision it is better to pay for the legal certification or area of doubt to avoid problems in the
future. It is an expensive task but may avoid large legal fines in the future of the implementation.

The strategy the company implements is also affected by the cultural dimensions. It is important for companies to plan ahead for the different cultural impacts. When a company conducts and international joint venture it must plan for the differences in culture. If the company ignores the countries’ distinct cultures it will cause the joint venture to fail. This is because the owners will have difficulties earning trust with its employees and suppliers. Companies must actively plan to adapt to the culture in the company’s country. Cultural dimensions also play a part in the corruption. Corruption has been around in Bulgaria for a long time. This has caused it to be an accepted practice in the country. Furthermore, it has become a social norm which will affect a company's joint venture. However, as stated previously it can be overcome by seeking guidance from local legal firms who understand the country. In addition to seeking outside guidance it must be an excepted obstacle and planned ahead for.

![Figure 13 Relationship between concepts](image_url)
7. Conclusions and Implications
This study combines the theoretical explanation of entry barriers with empirical findings on a case company called Petia. The concepts discussed within this paper were strategy formation, legal factors and cultural dimensions and finally the case company’s implementation overall. After the authors’ investigation was completed, they discovered that each of these concepts were affected by one each other to their own extent. The overall purpose of this study was to identify these concepts and discuss how they can arise as barriers and affect joint venture implementation. Four research questions were stated in order to fulfill the purpose.

7.1. Conclusions
The first research question was “What barriers can be expected when implementing a joint venture?” In this study the authors identified several concepts and also discussed how these can arise as barriers. When entering a new market the main questions in a manager’s mind is how culture will affect the entry, what legal aspects will be encountered and what type of strategy the entry requires. The first main barrier was the actual cultural differences between Sweden and Bulgaria. The reason for this is that in most of the cultural dimensions these two countries differ to a high extent. The next barrier identified was actual strategy formation. If one considers a strategy as fixed plan, it can become an obstacle for companies. However, a flexible strategy is easier to adapt to a new market, although emerging strategies will affect the outcome of the plan, causing companies to lag behind their strategies. The last barrier that was identified was legal factors. The main legal problem within this case was actually overcoming corruption. These barriers are discussed more in depth below.

The second research question was “How can strategy formation affect the outcome of international joint ventures?” When it comes to strategy formation, the authors discovered that there are several issues such as corruption that have a significant effect on strategy formation when entering an emerging market. The reason for this is that the founders of Petia needed to avoid being corrupted and sometimes take extra steps in their strategy in order to ensure that the implementation and the relationships with their partners were based on legal aspects. Due to these extra steps they were required to take, they realized they were behind their strategies and following a new pattern to reach their short- and long-term goals. They faced the risks of switching suppliers, which was costly and time-consuming, but it was needed to fulfill their short-term goals. Thus, their strategy formation affected the outcome of their implementation by the fact that they were doing business legally and based on regulations, which resulted in hindering their strategy and realizing that they have been following a new path however,
keeping their long-term goals in mind. They managed this by having a flexible strategy to implement their contract manufacturing. The authors also learned that a flexible strategy can be utilized in an organization that is characterized by low power distance, high uncertainty avoidance and a team of collectivistic employees, since these settings provide a clear communication throughout the entire company and an easier path to reach goals.

The next research question the authors aimed to answer was “What legal issues can arise that hinder joint venture implementation in Bulgaria?” The authors have based information off two Swedish companies’ joint venture in Bulgaria. In order to better implement their joint venture, the managers of the company consulted with a local legal firm called ACC. This was necessary to manage avoiding corruption, to manage stamps and paperwork/contracts. This is one way to increase awareness of legal issues, when a company is not implementing a joint venture with a local company. If a company enters a new market and fails with legal issues, devastating consequences can arise. Implementing a joint venture within the European Union can provide safety to some extent, since legalization is somewhat unified. However, a company is still required to conduct market research prior to entry. Based on the findings, emerging markets are still characterized by corruption and less transparent bureaucracy which alerts managers to look out for legal aspects. When it comes to Bulgarian policies on tax rebate, Petia had cash flow problems, which should have been considered prior to the entry to increase awareness. Political stability may be ensured in the present, but the future can bring changes to foreign investors, which companies cannot control. However, market research can provide information of political stability in emerging markets, especially in EU countries.

Thus, without having a local partner or a local agency to assist, a company needs a very detailed investigation and knowledge to overcome obstacles with legal aspects and their success would still not be ensured. This leads to the fact that it is worth to invest money and effort in legal help rather than face legal obstacles by their own.

The last research question the authors chose to investigate was “How does awareness of cultural dimensions help a company when implementing joint ventures?” It is important for companies that want to start an international joint venture to be aware of the cultural values within the country in order to manage establishing long-term relationships without misunderstandings. If the company does not pay enough attention to these cultural dimensions, these dimensions can arise as potential barriers for the companies during the
implementation. The companies need to analyze the different aspects of cultural dimensions and evaluate how they can turn these into their advantage. For example, in the case of Petia, the founders realized that they can integrate some of their Swedish values in their Bulgarian organization, for example power distance. Some of the values are also easier to change for example the hierarchy could be changed within a company if the managers choose to implement a flat organization, as it was seen in Petia’s case. The managers of Petia were implementing low power distance, even though their employees were used to high power distance. However, some values are deeper rooted in the beliefs of people and harder to change than others. For example long term orientation and masculinity could be harder to change due to the fact that they are so deeply rooted within the beliefs of the local employees. If the companies are aware of these different cultural dimensions and what kind of beliefs the people have within that country they have a better chance to understand the people and build strong long lasting relationships and a good organizational environment together with their employees.

7.2. Managerial Implications
The purpose of this study was to identify barriers when implementing an international joint venture in an emerging market. This paper also investigated a case company to help evaluate the several barriers of entry. This company was implementing a joint venture in Bulgaria. The two founders of this company were Swedish. There are several barriers for firms to enter new markets. This study however focuses on cultural differences, strategy formation and legal factors when it comes to emerging markets in the EU.

Before attempting to implement an international joint venture, extensive research should be done prior. Specific areas of research should include location of information, cultural aspects and employee accrueement locations. It is also important to visit the country before attempting the joint venture. The management should experience the business environment and the culture, to understand what is in store for them. They need to know what will happen if the joint venture is implemented and also predict potential outcomes.

One needs to make sure that their business strategy is able to adapt to the emerging market. It is important to establish overall company goals, these goals should be shared between all employees including the factory workers, so that they fully understand what must be completed and by when. This will be a new experience for the employees because often in Bulgarian culture, the higher management does not share information, they instead just give
orders. However, the case company experienced, by sharing the company’s objectives and business plan, it greatly motivated the employees to work harder. However, the goals may change during the course of implementation due to several unexpected factors. These reasons may include change of supplier, lack of income to proceed with the business plan and/or employee change.

When entering emerging markets managerial employees need to be aware of potential corruption. Corruption includes bribes, false legal information or certifications, black money and fraud. In emerging markets that are characterized by corruption, a company needs to be aware of the fact that bureaucracy is less transparent. In order to maintain a strong cash flow, managers need to be aware of the different taxation laws and regulations prior to entry. In addition to being aware corruption, a company should consult with a local legal firm to ensure a smoother implementation. There is a high long term uncertainty due to the fact that there is no online database to identify a company’s turnover. The case company experienced suppliers misleading their turnover figures. They tend to give a low figure, because the rest of their income is from illegal sources. This makes it hard to decide to which supplier a company should invest in, because there is no way to check how long a company will remain in business.

It should be common sense in nowadays globalization that one needs to investigate cultural differences in depth prior to entry however, some companies still fail to gain knowledge about such aspects. Some values in a country can be changed, such as the hierarchy in an organization, however it is a sensitive subject and should be taken with great care. There are some values however, that cannot be changed because they are integrated deeply in the society. When attempting to change any dimension, it should be done with great respect. It should not be a demand from the managers. For example, the management in the case company was able to alter the way the employees worked. The Bulgarians prefer being told what to do however, the case company have trained them to come up with solutions of their own by constantly asking what they think the company should do. When an employee would give a poor solution management would explain why it would not work and then lead the employee to the right solution. By doing this over time, it increases the employees’ critical thinking which slowly alters the setup of the organization from the social norms.
The following below is key managerial findings the authors have discovered when concluding this study.

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<tr>
<th>Barriers</th>
<th>Major Findings in Bulgaria</th>
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<tr>
<td><strong>Strategy Formation</strong></td>
<td>• Flexible strategy is required</td>
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<tr>
<td></td>
<td>• Adapt to emerging market</td>
</tr>
<tr>
<td></td>
<td>• Share overall objectives within company from the start</td>
</tr>
<tr>
<td></td>
<td>• Nothing is definite</td>
</tr>
<tr>
<td><strong>Legal Factors</strong></td>
<td>• Be aware of highly corrupted system and officials</td>
</tr>
<tr>
<td></td>
<td>• Often better to pay more than face unknown future consequences</td>
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<tr>
<td></td>
<td>• Always receive local legal help</td>
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<tr>
<td></td>
<td>• Be aware of hidden/misleading figures</td>
</tr>
<tr>
<td><strong>Cultural Dimensions</strong></td>
<td>• Take time when trying to integrate home country values</td>
</tr>
<tr>
<td></td>
<td>• Bulgarians believe short term gains are more beneficial than long term partnerships</td>
</tr>
<tr>
<td></td>
<td>• Materialistic promotions receive high positive responses</td>
</tr>
<tr>
<td><strong>Joint venture implementation</strong></td>
<td>• Acquire a stamp from the start of implementation</td>
</tr>
<tr>
<td></td>
<td>• On-line information is lacking</td>
</tr>
<tr>
<td></td>
<td>• Be prepared to have to pay deposits (3 months in advance of all purchases)</td>
</tr>
<tr>
<td></td>
<td>• Acquire local employment in management to avoid higher rates charged to foreigners</td>
</tr>
</tbody>
</table>

7.3. Theoretical Implications

The purpose of this thesis was to identify how legal factors, cultural dimension and strategy formation can arise as barriers and managerial problems with international joint venture implementation. The aim of this was to gain a strong understanding of the factors managers should be aware of prior to implementing their joint venture in Bulgaria. This was accomplished by the theories the authors selected from studying similar papers in related fields. Once the authors answered the research questions of the report a strong understanding of the barriers of international joint ventures was established.

The theories presented in the theoretical framework related very accurately to the empirical investigation. However, the theories from Hofstede et al. (2010) altered slightly. The theory suggests that many of the Bulgarian ways were difficult to change but in the case company, the founders were able to alter the Bulgarian employees’ behavior. The theory states in the
Bulgarian culture that power distance is very high thus, changing that may hinder the effectiveness of the workers. However, the case company has a much lower power distance. They were able to achieve this by slowly introducing a flat organization. They would ask the employees about their thoughts and what they would suggest to do. If poor suggestions were given by the employees, the founders would explain how their suggestion could be improved or why it would not work. By explaining the issues to the employees, the employees learned and raised their critical thinking skills. Overall the rest of the theories from Hofstede et al. (2010) matched strongly with empirical data.

For other researchers investigating similar topics this paper’s results could be applied as additional information to accomplish investigations in the field of international joint venture implementation.

7.4. Limitations
The main limitation of this study was the time restriction to complete it. This thesis was conducted from the beginning of February 2014 to the end of May 2014. Due to this, the authors chose to investigate only one case company. This may cause the generalization draw by the authors to have some anonymities from other studies. However, by the authors primarily focusing on one company, it allowed them to have a deeper understanding on what barriers the case company faced. Furthermore, it allowed the authors to describe and discuss how the case company overcame many of the barriers faced. In addition to the time restraint the authors were unable to have face to face interviews with all parties that were interviewed. The authors were able to use Skype in order to conduct interviews with employees that were located in Bulgaria. In addition to Skype, the authors also utilized a survey created on Qualtrix that was sent to the Bulgarian employees.

When it comes to PESTEL analysis, the authors only covered legal factors and additional political and economic factors. This means that the PESTEL analysis on Bulgaria is not complete; it was only utilized to cover some factors. Furthermore, a disadvantage with PESTEL analysis is that it has a short-term implication due to a changing environment.

7.5. Further Research
This study would benefit by including more companies in different or within the same industries to draw further generalizations of barriers that international joint ventures face. This could give a deeper understanding in a wider perspective. This would show the variations
between different types of industries and gain a deeper understanding. This could also be done quantitatively by using surveys discussing the relevance and importance of different barriers.

Another way to expand upon this research would be repeating the same study presented here however, in another emerging market within the EU. This approach would further validate this study if the same conclusions were made.

In the case of a longitudinal study, future research could measure the importance of barriers in the beginning of implementation and also after a period of time, when the company is well functioning. By this, one could present the evolution of the barriers that companies face when entering new markets. In addition, it could also be able to rate the difficulties to show where the emphasis needs to be, to overcome these difficulties.

A newly updated and completed PESTEL analysis could give deeper insights into Bulgaria’s macro environment, since in this study only some of the factors were investigated with the main focus on legal aspects. In addition, the case company is a relatively small and newly founded company, which results in the fact that they have different ways of implementation. They also have a different perspective on whether they should have a Swedish identity due to corruption. Based on the fact that they enforce the Bulgarian ways of working in their company, it does not necessarily mean that bigger, international companies should apply the same method.
References


Appendix 1.

For Swedish Managers in Petia

**Background of company**

What is your position in the company?  
What is your role?  
What industry does your company belong?  
When did you start the company?  
What products and services are offered to the customers?  
Who are your target customers?

**Joint Venture Implementation**

*Most of the times, entering international markets is not a matter of choice but of necessity to remain competitive in new or established markets.*” (Belu & Caragin, 2008)

Follow up:  
What are your thoughts about this statement?  
What are the most important reasons you decided to enter Bulgarian market?  
What were the main steps you took with implementing a joint a venture?  
Why did you choose joint venture entry mode out of all entry modes?  
Please describe several pros and cons with joint venture implementation.  
What were the main obstacles that you faced and how did you overcome these? Can you please rank them?  
What would you do differently if you could start over?

**Strategy**

What were your main short-term and main long-term goals with entering this market and why?  
How were your goals reached?
How aware were you of your strategies along the implementation process?
What would you do differently if you could start over?
Describe the main steps in your business plan.
What main obstacles did you meet that modified your strategies?
Describe the growth potential in your industry in Bulgaria.

**PESTEL Analysis**

What are the laws on equity share in Bulgaria? Were you aware of that before entering?
Provide an example of a market research you have conducted before entering this market?
What areas did you investigate?
What were your main criteria when finding employees in Bulgaria? What is the level of your satisfaction with their performance?
Does being aware of political factors benefit you as a manager? How?
How do you feel about the public growth in Bulgaria? Does being aware of economic situation in a country give an advantage to managers with internationalization?
How can being aware of different demographics be beneficial with targeting your audience?
To what extent is it important to be aware of technical capabilities of a country? Why?
What are the main rules and regulations with environment in Bulgaria? Give some examples how it differs from Swedish rules.
What legal aspects did you come across? What kind of help did you receive with this aspect?
What are the consequences of not knowing? How can someone benefit from awareness of legal factors?

**Cultural dimension**

*Despite different definitions of culture, there is a general consensus among organizational researchers that culture refers to patterns of beliefs and values that are manifested in practices, behaviors, and various artifacts shared by members of an organization or a nation.*

(Pothukuchi et al. 2002)

Follow up:
Give some examples how culture influenced your implementation and working progress?
How aware are you of cultural differences between Sweden and Bulgaria?
What are the barriers between management and employees in Bulgarian organizational culture?
How much do Bulgarians like to have control over situations at a workplace?
How much do Bulgarians prefer to work in groups together with co-workers rather than alone?
Is the Bulgarian organizational culture feminine or masculine based? Please provide examples.
From your experience describe both countries long-term orientation.
Appendix 2.
Scale Survey for Bulgarian employees of Petia based on Hofstede value dimensions

1. How high do you feel the power distance is in your country? Definition: Power Distance is the extent to which the less powerful members of institutions and organizations accept that power is distributed unequally. Example: When in a high power distance culture the relationship between bosses and subordinates is one of dependence. When in a low power distance society the relationship between bosses and subordinates is one of interdependence.

<table>
<thead>
<tr>
<th>#</th>
<th>Answer</th>
<th>Min Value</th>
<th>Max Value</th>
<th>Average Value</th>
<th>Standard Deviation</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Power Distance &quot;1 is low, 100 is high&quot;</td>
<td>12.00</td>
<td>100.00</td>
<td>68.67</td>
<td>26.40</td>
<td>9</td>
</tr>
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</table>

2. Do you feel your country is more individual based or collective based? Definition: Individualism, is defined as “a situation in which people are supposed to look after themselves and their immediate family only,” whereas its opposite pole, Collectivism, is defined as “a situation in which people belong to in-groups or collectivities which are supposed to look after them in exchange for loyalty.”

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<tr>
<th>#</th>
<th>Answer</th>
<th>Min Value</th>
<th>Max Value</th>
<th>Average Value</th>
<th>Standard Deviation</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1 is High Individual Based, 100 is High Collective Based</td>
<td>1.00</td>
<td>97.00</td>
<td>38.89</td>
<td>40.48</td>
<td>9</td>
</tr>
</tbody>
</table>

3. Do you feel your country has a higher masculinity or femininity based view? Definition: The masculinity side of this dimension
represents a preference in society for achievement, heroism, assertiveness and material rewards for success. Society at large is more competitive. Its opposite, femininity, stands for a preference for cooperation, modesty, caring for the weak and quality of life. Society at large is more consensus-oriented.

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<th>#</th>
<th>Answer</th>
<th>Min Value</th>
<th>Max Value</th>
<th>Average Value</th>
<th>Standard Deviation</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1 is Feminine, 100 is Highly Masculine</td>
<td>50.00</td>
<td>100.00</td>
<td>74.44</td>
<td>16.79</td>
<td>9</td>
</tr>
</tbody>
</table>

4. How high is the uncertainty avoidance in your country? Definition: The uncertainty avoidance dimension expresses the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity.

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<th>#</th>
<th>Answer</th>
<th>Min Value</th>
<th>Max Value</th>
<th>Average Value</th>
<th>Standard Deviation</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Uncertainty Avoidance &quot;1 is low, 100 is high&quot;</td>
<td>19.00</td>
<td>98.00</td>
<td>70.44</td>
<td>25.32</td>
<td>9</td>
</tr>
</tbody>
</table>

5. How high is your country's long-term orientation? Definition: Values associated with long term orientation are thrift and perseverance: value associated with short-term orientation are respect for tradition, fulfilling social obligations, and protecting ones face.

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<tr>
<th>#</th>
<th>Answer</th>
<th>Min Value</th>
<th>Max Value</th>
<th>Average Value</th>
<th>Standard Deviation</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Long-term orientation,&quot;1 is low, 100 is high&quot;</td>
<td>1.00</td>
<td>78.00</td>
<td>40.44</td>
<td>25.71</td>
<td>9</td>
</tr>
</tbody>
</table>
Despite different definitions of culture, there is a general consensus among organizational researchers that culture refers to patterns of beliefs and values that are manifested in practices, behaviors, and various artifacts shared by members of an organization or a nation. (Choi, 2002)

SEND RESPONSE TO lotti.biro@vbagroup.se

How aware are you of cultural differences between Sweden and Bulgaria?
What are the barriers between management and employees in Bulgarian organizational culture?
How much do you like to have control over situations at a workplace?
How much do you prefer to work in groups together with co-workers rather than alone?
To what extent do you prefer high quality of life or rather a materialistic life style?
To what extent are you long-term oriented?

Would you be so kind to fill out this survey? Click on the link below. It takes about 2 minutes to fill out.
Your task is to rate your culture based on 5 aspects from 1 to 100. 1 is low and 100 is high.
https://qtrial.qualtrics.com/SE/?SID=SV_0eJtu2C4Mlrmcnj

Thank you for your time!
Lotti Biro, Erik Mosher, Carl Axén
Appendix 4.
Interview with CEO of ACC

Interview made by Lotti Biro, Carl Axén and Erik Mosher
Please elaborate on the following questions and motivate your answers in depth in order for us to receive a high level of contribution. We are glad to have you as a part of our research.
You can fill out this document and send it back to lotti.biro@vbagroup.se

Questions:
Please describe your role and title in ACC.
Partner and CEO

How long have you been working with Petia?
Since 01.02.2013

What services did you provide to Petia during the joint venture implementation?
Company set-up and registration services; VAT registration of the company; consultations on accounting, taxation and general legal issues

What services do you provide to Petia now?
Accounting, financial reporting, payroll processing and payroll administration services, consultations on accounting, taxation and general legal issues.

Please describe your role and relationship with Petia.
I have been and still am the main contact person for the issues listed above.

Please describe the importance of legal factors when entering Bulgaria.

In my view, legal factors in Bulgaria are just as important to consider as when entering any other country.
In the past few years, Bulgaria has significantly reformed its legal framework in order to comply with EU requirements and now our internal legislation is aligned with EU norms.

What are the most important legal factors and regulations in Bulgaria when implementing a joint venture? Do some of these factors appear as barriers?

Developing a successful business in Bulgaria requires a good knowledge of the relevant legislation - tax law, customs regime, licenses and permits, as well as litigation and arbitration procedures.
Bulgaria has always been keen on attracting direct foreign investment and a number of positive developments have taken place in order to improve the business environment.

There are two constitutional principles that are relevant in relation to the legal environment for business in Bulgaria: the principle of equal treatment of foreign and local investors and the principle of priority of international treaties over domestic legislation. The Bulgarian Constitution stipulates that foreign persons must enjoy equal rights with local persons when conducting economic activities in the Republic of Bulgaria. This principle covers the entire range of economic and legal forms used for business activity. The Encouragement of Investment Act provides for equal treatment of local and foreign investors in the Republic of Bulgaria. Foreign investors in Bulgaria can obtain the same assistance and use the same privileges and opportunities as granted by the law to local investors.

Restrictions on business activity carried out by foreign persons are imposed in very few sectors (e.g. gambling). Doing business in Bulgaria does not require mandatory registration with the exception of certain sectors where licensing regime is introduced.

What would be the most important barriers for a new company to enter Bulgaria?

There is one foreigner-targeted restriction which prohibits the direct foreign ownership of land. This, however, is about to be repealed very soon.

Many foreign investors also find Bulgarian administration not efficient enough. There is still wide bureaucratic apparatus. Corruption is still an issue. Some of the important transport infrastructure is still under development.

One of the biggest challenges in Bulgarian is the judicial system. In particular, a need for greater transparency in judicial proceedings and concerns relating to the professionalism, accountability and efficiency of the judiciary need to be addressed in order to reach full investment capacity in the country.

Since Bulgaria is part of the EU, to what extent does that make entering Bulgaria easier?
To what extent does the EU provide political and economic stability for new entrants?

With the ratification of the Treaty of Accession to the EU, Bulgaria undertook the responsibility to ensure equal investment opportunities for citizens and businesses of both Bulgaria and other EU member-states. In addition, EU legislation has been implemented within the national law. Legislation in Bulgaria has been aligned with the EU to ensure the free movement of people, goods, services and capital. Since its EU accession, Bulgaria applies the union's trade policy on antidumping, anti-subsidy measures, etc.

Although Bulgaria is the EU’s newest member state, European business practices and standards generally apply.
Bulgaria’s accession to the EU in 2007 has brought about significant funding opportunities and access of the country to the financial mechanisms of the EU (the country is expected to be one of the largest net recipient of EU funds).

As to the economic stability, there is a currency board in place (the foreign exchange rate of the BGN is pegged to the EUR), leading to stable and predictable macroeconomic environment and practically no foreign exchange risk.

To what extent would you consider Petia’s joint venture implementation successful?

Despite the fact that Petia OOD has not yet been able to reach high profitability, I personally find the implementation of the joint venture successful.

Can you tell us some information about tax regulations in Bulgaria? How do these regulations affect a company?

As of January 2007 the corporate income tax in Bulgaria was reduced to 10 % with the aim of boosting the economic activity and the FDI inflows. Generally, a taxpayer’s tax base is the entity’s financial result according to its income statement, further adjusted for corporate income tax purposes. When calculating their tax financial result, tax liable persons are entitled to subtract tax losses incurred in previous periods. Tax losses may be subtracted from the positive financial result over the following five year. A lump sum tax at a rate of 10 percent is levied on certain types of expenses, such as representative expenses.

A withholding tax at a rate of 10 percent (5 percent in certain cases) is to be deducted by the payer when Bulgarian source income is accrued by a local tax resident entity to non-resident taxpayers without a permanent establishment in Bulgaria, unless a Double Tax Treaty (DTT) provides for lower withholding tax rates. Bulgaria has entered into a number of DTTs with many other countries. No with holding tax is due in Bulgaria on liquidation quotas and outbound dividends distributed by Bulgarian entities to those tax resident companies in the EU. The Bulgarian transfer pricing methods are largely harmonized with the OECD methods. There are also plenty of corporate tax incentives.

In 2008 the personal income tax for all citizens was set to a flat rate of 10 % - one of the lowest income rates in the world and the lowest income rate in the European Union. A tax credit may be used for foreign taxes paid provided the relevant conditions are met. Relief from tax may also be sought under the provisions of an existing DTT.

The burden of payroll-related contributions (social security, health insurance) is split between the employer and the employee. It is an obligation of the employer to withhold from employees’ remuneration and to remit to the state budget the amount of the mandatory social security and health insurance contributions.
Bulgaria’s VAT legislation has been harmonized with the provisions of the EU VAT legislation. All goods are subject to a flat VAT rate of 20%. If a Bulgarian VAT registered person sells goods to a customer who is registered for VAT in another EU Member State and the goods are physically transferred from Bulgaria to another EU Member State, the supply is regarded as a zero-rated intra-Community supply. As to the taxation of services, the place of supply rules with regard to services follow the principles laid down in Directive 2006/112/EC as B2B and B2C regime of services.

To what extent do you consider Bulgarian governance modern?

It is still quite bureaucratic, but a lot of progress has been made in the past few years.

How does corruption influence doing business in Bulgaria? How big of an effect does it have on joint venture implementation in case of Petia?

Generally speaking, corruption is still an issue, but I don’t think it had any effect in the implementation of Petia.

Can you describe the stamping system and its main features and usage, since it is not a legal aspect in Sweden.

The present stamping system is regulated by a Decree dated 1965, which is still in force. In principle, every company has the right to obtain a stamp and to use this stamp when signing original documents and contracts. By inertia, most institutions in Bulgaria (including banks) still require the company stamp when it comes to legal documents. However, at present there is no actual legal requirement for that – neither our Commercial Code, nor our Accountancy Act impose any requirements on the use of stamps. Previously, all incoming and outgoing invoices had to bear the stamp of the issuer/receiver – this requirement is no longer in force. Therefore, in my view, the stamping system is quite outdated and many companies manage to carry out business smoothly without even having a stamp. However, having a stamp sometimes can spare many administrative complications, especially when dealing with the internal regulations of some banks in Bulgaria.

Thanks for your time and contribution to our research!
Lotti Biro, Carl Axén and Erik Mosher
Appendix 5.

Interview guide by Lotti Biro, Carl Axén and Erik Mosher

Interview with Ulf Sandberg, 2014.04.08, Ljungby

The following below are notes taken by the authors, anything that was missed during the interview was caught on audio recording to access the recording, contact the authors.

**Background of company**

What is your position in the company?

*Founder, and owner*

What is your role?

*Works as managing director, he works with sales and finding new suppliers when needed*

What industry does your company belong?

*Trading company that supplies*

When did you start the company?

*2012 they wanted to start assembly in cheap country first thoughts were hungry but ended in Bulgaria*

What products and services are offered to the customers?

*Automobile main products gear boxes and suspension*

Who are your target customers?

*New Swedish companies with pasts customers*

**Joint Venture Implementation**

*Most of the times, entering international markets is not a matter of choice but of necessity to remain competitive in new or established markets.” (Belu & Caragin, 2008)*

Follow up:

What are your thoughts about this statement?

*Depends on what side your on supplier or builder and it's ok to have a niche but your growth is limited the risk is someone else will take your niche with cheaper prices. you have to go aboard and be international.*

What are the most important reasons you decided to enter Bulgarian market?
Labor cost, close to customers with overnight transportation that will not cost a lot. They want to be similar time zone.

What were the main steps you took with implementing a joint venture?

Decided on country, must have money coming in, need local personal. First thing hire a manager director that was native to the country, acted like they were from the country and not like a foreigner they keep the fact their Swedish mainly a secret, it's good to have local help that have done similar things. No need to reinvent the wheel, but bring new fresh ideas from Sweden, and all new employees none from Swedish besides the owners.

Why did you choose joint venture entry mode out of all entry modes?

Because they have done them before and they know how to make them successful.

Please describe several pros and cons with joint venture implementation.

What were the main obstacles that you faced and how did you overcome these? Can you please rank them?

To get a stamp. Stamp is required for everything, it's hard to go from an online based country to a paper one. Everything must be done in person and be approved by a stamp. Find the right personal, building trust, they don't pay brides, and be according to the books.

What would you do differently if you could start over?

Not really just small things but since they have done it by the book they think they are better off they haven't made any big mistakes so it's been going well.

Strategy

What were your main short-term and main long-term goals with entering this market and why?

Long term is to earn money and survive short term goals meet the yearly plan from the business plan.

How were your goals reached?

Goals are slowly being reached but they are heading there.

How aware were you of your strategies along the implementation process?

Create business plan and follow it.

What would you do differently if you could start over?

Describe the main steps in your business plan.
Build small organization, find suppliers, then to build own production, assembly takes much labor and costly so find a good supplier, get the basics first and then later expand. Do what the customers demand

What main obstacles did you meet that modified your strategies?

Getting orders and keep production busy... had a lot of standstill time had poor suppliers in the beginning which has cost them more money in the beginning. A few changes were made but over all have been following the originally plan

Describe the growth potential in your industry in Bulgaria.

wouldn't change the originally plan because it has been working

PESTEL Analysis

What are the laws on equity share in Bulgaria? Were you aware of that before entering?

Provide an example of a market research you have conducted before entering this market?

basic research to find out price level and standards of companies, they traveled there before investing to get a feel for it

What areas did you investigate?

What were your main criteria when finding employees in Bulgaria? What is the level of your satisfaction with their performance?

Speak English, and be enjoyable, easy to find skill people on paper most people have a university degree, find people with a good background, everyone with a leading position should have past experience with a foreign company

Does being aware of political factors benefit you as a manager? How?

Weak point, there have done the least research here and they don't think it matters too much they keep a low profile and they trust the EU, the EU gives stability

How do you feel about the public growth in Bulgaria? Does being aware of economic situation in a country give an advantage to managers with internationalization?

How can being aware of different demographics be beneficial with targeting your audience?

To what extent is it important to be aware of technical capabilities of a country? Why?

What are the main rules and regulations with environment in Bulgaria? Give some examples how it differs from Swedish rules.

Don't know too much they have to have a fire extinguisher ever 15 meters

What legal aspects did you come across? What kind of help did you receive with this aspect?
Small changes from Sweden but mainly EU regulations, they hired a company that helped them with legal aspects and to hire people. ACC company

What are the consequences of not knowing? How can someone benefit from awareness of legal factors?

Jail

Cultural dimension

Despite different definitions of culture, there is a general consensus among organizational researchers that culture refers to patterns of beliefs and values that are manifested in practices, behaviors, and various artifacts shared by members of an organization or a nation.

(Pothukuchi et al. 2002)

Follow up:

Give some examples how culture influenced your implementation and working progress?

Haven't had any problems with it, the workers know they are foreigners so it hasn't been a problem they have adopted to the culture they don't want to act superior so they stay open minded

How aware are you of cultural differences between Sweden and Bulgaria?

Not so different than Sweden, religious wise

What are the barriers between management and employees in Bulgarian organizational culture?

They are traditional workplace

How much do Bulgarians like to have control over situations at a workplace?

Yes they do, but they must follow guidelines the founders set but it’s different from what they are used too

How much do Bulgarians prefer to work in groups together with co-workers rather than alone?

They like to work together and make group decisions

Is the Bulgarian organizational culture feminine or masculine based? Please provide examples.

From your experience describe both countries long-term orientation.

Short term because they are forced to they cannot save because the country doesn't have the resources to allow them to be long term orientated

Anything else you would like to share?
Everyone should go global, many people in Sweden are too protected and don't take the chances and don't realize that they are being taken over.
Background of company

What is your position in the company?
50% owner, general manager

What is your role?
Overall he runs company

What industry does your company belong?
Contract manufacturing big and small

When did you start the company?
Founded in Jan 2013 facility 23 April last year

What products and services are offered to the customers?

Who are your target customers?
Target market Swedish with turnover 200 million Sweden private owned, Target is open-minded to out sourcing but scared of unknown company, Younger customers are more open minded toward outsourcing, however, Automotive has no interest in this company

Joint Venture Implementation

Most of the times, entering international markets is not a matter of choice but of necessity to remain competitive in new or established markets.” (Belu & Caragin., 2008)

Follow up:
What are your thoughts about this statement?
Agrees with statement strongly

What are the most important reasons you decided to enter Bulgarian market?
First they were going to buy complete product but the decided to produced themselves
Low labor cost was the main reason

What were the main steps you took with implementing a joint a venture?
1st country 2nd shipment 3rd cost of rent/buy for building by contacting ACC 4th ended up in the second biggest city in B 5th checked out requirements to set up a company and decided whether or not to own privately or through a company 6th found legal requirements though local help how had good references to and they trust them 7th biggest problem is finding a restate agent that is well connected... corruption is a huge problem in B. Iphones cost over 1000 krowns more, because companies can't be checked there are big risks

Why did you choose joint venture entry mode out of all entry modes?

Please describe several pros and cons with joint venture implementation.

Jobs.bg to find employees, easy to higher people because of large unemployment rate, people believe that they should be paid a lot because they are a Swedish company 600-700 Euros a month more management, labor is like 250 Euros a month

Advantage and disadvantage is that they are 2 people, it's good to spin ideas, but if disagreements happen it's hard, bills go to petea, company was so successful the Swedish branched will move to B

What were the main obstacles that you faced and how did you overcome these? Can you please rank them?

Main problems, corruption, transport, set rules to lower it, cannot switch supplier unless they are cheaper than the ones they have, a lot of unknown so they accept i.e., government issues

What would you do differently if you could start over?

Changes in implementation would be more research about the country, learn the language, founder B should not be a purchaser because they raise the price because he's a white Swedish, find the right person is key, plan more for unknown

Strategy

What were your main short-term and main long-term goals with entering this market and why? Short term goals suppliers that can go to Sweden

How were your goals reached?

Long term find long term suppliers

How aware were you of your strategies along the implementation process?

Short term goals were pretty successful because of the knowledge of GM open company plan telling everyone the goals, very important to tell employees the plan because they would leave otherwise

What would you do differently if you could start over?

Describe the main steps in your business plan.
They have an open business plan and it is reviewed every year, have month company figures, so far they have had 0 claims against their problems, 3 months behind schedule

What main obstacles did you meet that modified your strategies?

At first he was 100% sure that it would work to find any supplier and then build products and it was a big problem. Have only little research, rather to go there and do it themselves he goes to every supplier to see for themselves how they are

Describe the growth potential in your industry in Bulgaria.

PESTEL Analysis

What are the laws on equity share in Bulgaria? Were you aware of that before entering?

Main rules for environment is about the same as Sweden. ISO 9000 tells you how everything should work and paid an Austrian guy to do it to prove they didn’t just buy it

Provide an example of a market research you have conducted before entering this market?

What areas did you investigate?

What were your main criteria when finding employees in Bulgaria? What is the level of your satisfaction with their performance?

Does being aware of political factors benefit you as a manager? How?

Political factors didn’t matter to him because they haven’t affected him

How do you feel about the public growth in Bulgaria? Does being aware of economic situation in a country give an advantage to managers with internationalization?

How can being aware of different demographics be beneficial with targeting your audience?

To what extent is it important to be aware of technical capabilities of a country? Why?

What are the main rules and regulations with environment in Bulgaria? Give some examples how it differs from Swedish rules.

What legal aspects did you come across? What kind of help did you receive with this aspect?

What are the consequences of not knowing? How can someone benefit from awareness of legal factors?

Cultural dimension

Despite different definitions of culture, there is a general consensus among organizational researchers that culture refers to patterns of beliefs and values that are manifested in practices, behaviors, and various artifacts shared by members of an organization or a nation. (Pothukuchi et al. 2002)

Follow up:
Give some examples how culture influenced your implementation and working progress?

*Trust is a major culture difference, Sweden you assume you can trust in B you cannot trust anyone In Bulgaria they assume they will always fool you, And he believes its true*

How aware are you of cultural differences between Sweden and Bulgaria?

*Not big difference other than the trust factors, Key to their success is doing things on small scale to not get burned big, only do things with cash no loans ever*

What are the barriers between management and employees in Bulgarian organizational culture? *Main barriers between management, in B they tell you what to do and makes you do it cheap, in Sweden they don’t want to ask someone a question and have them ask someone else they want to hear the answer from who they ask*

How much do Bulgarians like to have control over situations at a workplace?

*In Bulgaria some like to have control and some don’t its different, but normally someone always tells them what to do... opposite in Sweden*

How much do Bulgarians prefer to work in groups together with co-workers rather than alone?

*In Bulgaria they like to work independently but they don’t mind working in groups*

Is the Bulgarian organizational culture feminine or masculine based? Please provide examples. *Not feministic at all 100 masculine*

From your experience describe both countries long-term orientation.

*Short term focused in*

Anything else you would like to share?

*Train employees to handle daily work without need for help*

*Today is good tomorrow is unknown*

*They work by the book so they avoided most legal problems*

*VAT you get it back 3-6 months later*

*Must pay in advance which causes cash flow problems*

*CASH IS KING*

*He tries to make them come up with the correct solution. He constantly trains them*

*Long as you are not scared to lose money it’s a god thing*