To discover Kurdistan

- How Swedish companies have handled the Kurdish market

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Abstract
The objective of this thesis is to find factors that can be helpful for Swedish companies that are thinking about entering the Kurdish market. The Kurdish market is a new and growing market in a region that is in its development phase. The Kurdish region has an area of 88 000 km$^2$ and is located in northern Iraq and the languages spoken in the region are mainly Kurdish and Arabic. Since the fall of the Saddam Hussein regime in 2003 the region has made an effort to attract foreign investors to the region. The efforts include laws designed to make it easier for investors to establish themselves on the Kurdish market. We thought it would be interesting to examine the Kurdish market to find out important factors that might be of interest for Swedish firms. In a globalized economy it is important to internationalize in order to meet the competition that comes from a globalized economy. So what factors could constitute an obstacle for a successful internationalization to the Kurdish market?

Through contact with representatives from Kurdistan regional government (KRG) we have managed to interview four Swedish firms that already have established themselves on the market. We have used a semi-structured interview technique to conduct the interviews. To get a perspective on how the internationalization process progress, we have gathered information about the process. This information resulted in an interview guide that covered the aspects of internationalization and was a useful tool for us during the interviews.

As a result from our investigation we conclude that the Kurdish market is a promising market if your company is active in the right field of business, though there are some issues that one has to be aware of and it is important to handle these correctly for a successful business on the market. Through our analysis we have contributed with some new aspects that are specific for the Kurdish market and may also be of importance on other markets as well.

Keywords: Kurdistan, internationalization, IP-model, Kurdish market, market entry, foreign markets
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1 What are we writing about?

The Kurdish market, located in northern Iraq, is unfamiliar to most Swedish companies. The Kurdish region has its own government (the Kurdistan Regional Government or KRG) and it has proven itself to be a market with many opportunities for foreign companies. There is a large interest to attract foreign investors to Kurdistan. We want to examine the Kurdish market more closely and especially the Swedish companies that already have established business in that market. The objective of this thesis is to point out important factors on the Kurdish market that can be helpful for Swedish firms’ expansion to the region. But first some words about how companies can expand their business and why it is important to enter foreign markets.

1.1 Why internationalization?

Global competition and technological development has changed the way companies carry out business (Luo, 1999, p. 3 and Madhok, 1997, p. 39). Globalization has become a permanent and unstoppable part of the economic world. It gives companies great opportunities and difficult challenges. For many companies internationalization has become a prominent strategic response to the global economy. (Luo, 1999, p. 3) In a more globalized economy many companies are forced to expand their business to international markets in the search for market shares, resources, cost efficiency or strategic assets (Glückler, 2006, p. 369). By expanding internationally the company will find greater opportunities to achieve optimal economic scale and pay back on investments in critical functions and also achieving competitive advantages (Luo, 1999, pp. 5-6).

The recent globalization has led to strategy development for foreign market entry and expansion for many companies that is strategies for internationalization (Osland et al, 2001, p. 153). During internationalization firms have to decide whether their capabilities and knowledge are sufficient to cope with situations that may surface, without any external help (Guillen, 2002, p. 185). Furthermore it is necessary to improve their knowledge about the market and find a gap between the knowledge they possess and the knowledge required to establish a business at the market (Petersen et al, 2008, p. 1097). By these words we find it interesting to scrutinize how companies cope with their internationalization in a global economy. We find the Kurdish market interesting since it is often mentioned in media. The Kurdish market is undertaking a big change and is now in its development phase (Invest in Kurdistan – The other Iraq, 2009-04-12).

1.2 The investigated area

It is unknown for outsiders, but there is a region in Iraq that has peace and stability, even though the rest of the country is violent. The Iraqi-Kurdistan has been controlled by Kurds since the Gulf war ended in 1991. Since the Saddam Hussein regime fell in 2003 the region has blossomed and attracted a large amount of foreign investors. (Fancy a Holiday in Iraq? 2006-12-11) Johan Oderberg and Johann Rollén are the founders behind an organization named “Kurdistan development agency” and they believe that there is a great need for investors in all sorts of businesses in Kurdistan. They are themselves currently active in the
Kurdistan region and believe that there are great opportunities for serious firms in the region. (Kurdistan Development Agency AB, 2009-04-12)

We have been in contact with Swedish politicians that represent Sweden and asked for their opinion about the Kurdish market. One of these is Vänsterpartiets former chairman Ulla Hoffmann. We got the knowledge that Hoffmann had been in Kurdistan and there for we were interested in what she had to say about the Kurdish region. When we asked her if it would be worth for Swedish companies to exploit the Kurdish market she said:

“I don’t think that Swedish firms can afford not to establish itself on the Kurdish market.” (Own translation from a mail interview with Ulla Hoffmann on the 9th of April 2009).

Hoffmann also said that she does not understand why there are so few Swedish companies on the Kurdish market, according to her there are no limitations for Swedish companies to establish themselves in Kurdistan (Mail interview with Ulla Hoffmann on the 9th of April 2009). One Swedish company that has understood that Kurdistan is a promising market is Ericsson who recently opened an office in Erbil the capital of the Kurdish region (Invigning av Ericssons kontor i Erbil, 2009-03-16).

One proof that the Kurdish government wants to attract foreign investors is that they have undertaken laws that are supposed to make it easier for investors. Some examples of these laws are:

1. “Foreign and local investors and capital are treated equally under the law.”
2. “Foreign and local investors are entitled to own all the capital of any project.”
3. “Foreign investors are free to repatriate profits in full.”
4. “Foreign and local investors are equally entitled to buy and own land for investment purposes.”
5. “Investors get a 10-year non-custom tax break once they start production or service provision. Raw materials and equipment used in production also get customs relief.” (Kurdistan’s investment law: The friendliest in the region, 2007-06-25)

With this said the objective of this thesis is to point out important factors on the Kurdish market that can be helpful for Swedish firms’ expansion to the region. We have primarily focused on Swedish companies in the Kurdish region to use them as interviewees.
1.3 The thesis structure
The following model outlines the structure of this thesis and briefly describes what will come in following chapters.

- **Chapter 2: Kurdistan**
  
  - This chapter gives some information about the Kurdish region and the people who live there. Also there is some information about the Kurdish market.

- **Chapter 3: The way this thesis was carried out**
  
  - In this section of the thesis we guide you through the way we carried out this investigation. We will explain why we chose to write about the Kurdish market and how we managed to carry out the whole process.

- **Chapter 4: What has been written about internationalization?**
  
  - The theoretical framework which has provided us with a good foundation for finding information that could be useful for Swedish companies that are thinking about expanding to the Kurdish market.

- **Chapter 5: Swedish companies stories about Kurdistan**
  
  - A summarization of our empirical work from the four interviews. They are all Swedish companies and have good insight in the Kurdish market.

- **Chapter 6: A comparison between the theoretical framework and the reality**
  
  - Our analysis where we have compared our theoretical framework with the stories from the Swedish companies. Our purpose with this comparison is to examine if the theoretical framework is consistent with the empirical findings.

- **Chapter 7: Concluding remarks**
  
  - Conclusions from the study. These conclusions are based on the comparison between the theory and stories from our respondents. We also give recommendations about what Swedish companies should be aware of when entering the Kurdish market.

Figure 1: The thesis structure
2 Kurdistan

The Kurdish people have been divided between four countries: Iran, Iraq, Turkey and Syria (Ghassemlou et al, 1980, p. 11). With the help from United States the Kurds from Iraq have built up their own government since 1991. This region is functioning as a nation even if it is not accepted as a nation. The Kurds in Iraq has their own army, own administration and their own parliament. Further the Kurds in Iraq have an economy which is working and the last decades it has been used wisely. They have built up a political consciousness. (Norell, 2004, p. 79)

2.1 More about Kurdistan

Kurdistan regional government (KRG) is the name of the Iraqi-Kurdistan which is controlled by Kurds, located in northern Iraq (Kort fakta om Kurdistan, 2009-04-16). Kurdistan is inhabited by Kurds, Arabs, Armenians, Turkmens and Chaldean and today the region has about 3, 7 million citizens. Big cities in Kurdistan are Erbil, Sulaimaniah and Dohuk. The Kurdish region in Iraq has its borders towards countries such as Turkey, Syria and Iran. (Fakta om Kurdistan, 2009-04-16) The area of Kurdistan is estimated to be around 88 000 km² (Kort fakta om Kurdistan, 2009-04-16 and Wali, 2008-11-12). According to US officials there are plenty of opportunities in Iraq, especially in the Kurdish region where the economy are growing (Rodgers, 2007-04-12). According to the Kurdish Prime Minister, Nechirvan Barzani, the Kurdish region welcomes companies. Barzani is saying that Kurdistan has many needs and therefore many opportunities. Almost everything which is used and consumed in Kurdistan is imported, including a large amount of food that is imported from other countries. Kurdistan needs foreign investors in every sector of the economy and the Prime Minister advice foreign investors to visit Kurdistan and take a look at the market, the people and the infrastructure to help them to build up the economy. (The Kurdish Prime Minister Nechirvan Barzani, 2007-05-22) We have found some information at the Kurdish regions webpage, and regarding the security situation, no coalition soldiers or foreign citizen have been killed or kidnapped since the fall of the Saddam regime in the territory that is controlled by Kurds (Why invest in Kurdistan? 2007-06-25 and Simon, 2007-08-05).
3 The way this thesis was carried out

In this chapter we guide you through the way we carried out this thesis. In this chapter we show why we chose to write about the Kurdish market and how we managed to carry out the whole process.

Our process of carrying out this thesis is illustrated in the figure below. This is because we want the readers to be able to follow our process during this thesis in an easy and structured way. Each and every step of the process will be explained more closely later in this chapter.

![Figure 2: Model over the procedure](image)

3.1 Contacting KRG representatives in Stockholm, Sweden

We had for a long time thought about writing a thesis about Kurdistan. Because of the contacts and knowledge that we possessed about the region we thought it would be interesting to examine the Kurdish market from a Swedish perspective. Both of us have studied business for some time and thought it would be interesting to combine firms’ expansion on to foreign markets with the market of Kurdistan. Through contact with the representatives for KRG we found out that there are some Swedish companies already established on the Kurdish market.

It was interesting for us to examine how these firms had established themselves on the market and how it might be possible to use this to make it easier for future Swedish investments in the region.

3.2 Gathering data

To gather data, both about the Kurdish market and the internationalization process, we used both secondary and primary data. Secondary data is information that is already available and has been collected and compiled for another purpose. Primary data is information collected exclusively for our thesis, for example our interviews. (Christensen et al, 2001, p.69 and Björklund and Paulsson, 2003, ps. 67-68) We conducted interviews to get first hand information about the Kurdish market and the market entry. The main focus of our data is scientific papers this because these papers have been evaluated and it takes a couple of years for newly published articles to get published in a book.

3.2.1 Previously published data

Our secondary data has been collected from various databases such as ABI/Inform, Google Scholar and JSTOR amongst others (see appendix 4). The search words we used for gathering the information is listed in appendix 4. We used the selected databases because we thought that these were of relevance for finding information about both our theoretical framework and background information about Kurdistan. To make sure that we have information that still is relevant (Eriksson and Wiedersheim-Paul, 2006, ps.167-168 and Ejvegård, 2003, p. 64) we contacted Jan- Erik Vahlne and Jan Johanson (the authors behind the main part of our
theoretical framework) and asked if there were any changes made to the Internationalization process model (more about this model in chapter 4). This contact resulted in that we received an article that has not yet been published but has been accepted for publishing later during 2009. To make sure that we are using the right information we have examined the sources used in articles we have read by reading the original article that they have referred to. One cannot be sure that the information is truthful but by examining the sources we have minimized the risk (Eriksson and Wiedersheim-Paul, 2006, ps.167-168 and Ejvegård, 2003, ps. 62-64).

We are aware of the possibility that we might have been affected by the authors (Johanson & Vahlne) of the internationalization process model. To minimize the affect we have examined not only their articles about the internationalization process model but also the criticism against the same model. Because of this we are also aware of the models shortcomings.

3.2.2 Data through interviews
Because the objective of this thesis is to find important factors for Swedish companies to be aware of when entering the Kurdish market, we found it best to conduct interviews to gather first hand information. The focus with these interviews was to grasp the whole picture and to understand the situation on the market at a deeper level (Christensen et al, 2001, p.67). Because of this we thought that a semi structured interview, where we had several areas that we wanted to discuss during the interview, was the best option. This because it gives the interviewee the possibility to speak freely about the areas discussed during the interview. (Christensen et al, 2001, ps. 165-166) One advantage with this sort of interview is that information not covered by the theory can emerge, something which can be useful for the thesis. This sort of interview holds some weaknesses, and one of them is the possibility of irrelevant issues being discussed. To avoid this we used the interview guide to push the discussion into the right direction.

When we had decided to conduct interviews we started to seek companies that have already established themselves on the Kurdish market because it is relevant for our thesis (Eriksson and Wiedersheim-Paul, 2006, p. 97). Through the Nordic representatives of the Kurdistan regional government we received a list of Swedish companies in the Kurdish region. The list was not long, so we could contact all the firms on that list. These contacts led to four companies accepting to take part in the study (more about these companies in chapter 5). To make sure that the companies felt secure and minimize the risk of being affected by the environment we decided to conduct the interviews in their home environment. We also informed them that they have the option of being anonymous in the study. Only one company used the option to be anonymous and this wish has been respected by us.

3.3 Formulating an interview guide
The questions in the interview guide are formulated with accordance to the theoretical framework. The theory has been carefully chosen to give the most realistic data possible. (Eriksson and Wiedersheim-Paul, 2006, ps. 71-72) The characteristics of the questions are supposed to create a discussion rather than just evoking answers to specific questions. The questions aid us during the interview so that we cover all the important aspects in our
the theoretical framework. The interview guide was sent to people who have knowledge about our theoretical framework to be examined to make sure nothing was missing. This resulted in us adding some questions that have been important for the outcome of this thesis. With this done we were of the opinion that we covered all the aspects and prepared ourselves for the implementation of the interview.

3.4 Implementation
When we had the respondents’ acceptance and the interview guide was ready for implementation we made sure to be ready for the interview. If a question was already answered by the respondent during the discussion we agreed not to repeat that question later during the interview. (Ejvegård, 2003, p. 51) This was decided to avoid negative reactions from the interviewee. At the beginning of the interviews we asked the respondents if it was okay to record the interview and whether they wanted to be anonymous. We also informed them that they did not have to answer all the questions if they thought it was offensive or a sensitive topic for them. During the interviews we decided to have two voice recorders at the same time as we took notes (Ejvegård, 2003, ps. 49-50). The reason for having two recorders was that we had a backup if one of them were to malfunction. One of the respondents wanted to be anonymous and therefore did not want to be recorded which resulted in only notes from that interview. At the end of the interview the respondent was asked if they wanted a copy of the interview transcription and a copy of the finished thesis. All the respondents wanted to have a copy of our thesis and also a copy of the transcription from their interview. We have sent a copy to all the respondents and it has been accepted by them after some modifications. (Ejvegård, 2003, ps. 50-51)
4 What has been written about the area we are investigating?

In this chapter we are presenting our theoretical framework. We have used the Internationalization process model to explain how the process works when companies expand to foreign markets. The SWOT analysis has been chosen to evaluate the market. Because the Kurdish market is very different from the Swedish market it is important for Swedish firms to be aware of differences and obstacles on the Kurdish market. Our theoretical framework has provided us with a good foundation for finding information that could be useful for Swedish companies that are thinking about expanding to the Kurdish market.

4.1 The Internationalization process model

In the Internationalization process (IP) model the firm is seen as a loosely coupled system of actors in the firm who want to develop the company in different direction because of varying interests and ideas. Especially those that are engaged in foreign markets will discover opportunities and problems on that market and they will try to find solutions for the problems. The IP-model predicts that when the process has started it will continue whether a strategic decision has been made or not. (Johansson and Vahlne, 1990, p. 12) In the IP-model resources are vital and need to be defined. According to Penrose resources are divided in to two categories, physical and human resources. The physical resources are tangible such as machines, factories, land and natural resources. The human resources are administrative, financial and judicial functions available to the firm. (Penrose, 1995, ps. 24-25)

The strength of the IP-model is its simplicity. By using only few variables the model manages to provide realistic explanations to a big part of the company’s internationalization process. Therefore one should avoid complicating the model by adding other variables. (Forsgren, 2002, p. 270) The IP-model differentiates between state and change aspects which affect each other. The process is seen as a continuous cycle that never stops. (Johanson and Vahlne, 1977, ps. 26-27; Johanson and Vahlne, 1990, p. 11 and Hadjikhani, 1997, p. 46)

The original IP-model is more than 30 years old so we decided to contact Johanson and Vahlne to discuss if anything has changed since the birth of the model. This contact led to us receiving an unpublished article from Jan-Erik Vahlne that has been accepted to be published later in 2009. Since the article is not published it lacks page numbers. To solve this problem we have decided to refer to the headlines instead of page numbers and to make it easier for the reader of this paper we used abbreviations of the headlines as seen in Appendix 2.
The state and change variables affect each other in the internationalization process model. The IP-model shows a dynamic learning process that is cumulative as well as building trust and commitment. An increased knowledge base can have a positive or negative effect on trust and commitment building. The internationalization process takes place in networks rather than markets. (Johanson and Vahlne, 2009, under the headline: BNMIP)

### 4.1.1 State aspects

The internationalization process model is divided into two different aspects one of which is the state aspect. Johanson and Vahlne argue that the learning process and commitment building takes time. This can be seen as an explanation to why entry on a more risky and psychic distant\(^1\) market happens gradually. (Johanson and Vahlne, 2009, under the headline: the 1977 model) Relations are a social construction between humans in different firms that coordinate their activities with each other and create routines for the activities together. To build a relationship it is necessary that the involved learn from each other through experience and it is crucial that all parties involved commit to the relationship. (Vahlne and Johanson, 2002, p. 212 and Johanson and Vahlne, 2009, under the headline: FMEBNV) In a business network, knowledge can pass through several steps and still be beneficial for the company. An example of this is that the company can use their supplier’s network for additional knowledge. (Johanson and Vahlne, 2009 under the headline: KL)

If a firm does not possess an important position in a network it is seen as an outsider. If a company wants to get established on a foreign market where they are seen as an outsider they will encounter problems and obstacles. Even if the company has problems (being an outsider)

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\(^1\) To get more information about psychic distance see appendix 1
starting their establishment, the internationalization process has started anyway. Because the firm has shown interest for a network, opportunities to become an insider will occur from the actors in the network. (Johanson and Vahlne, 2009, under the headline: FMEBNV) To get experiential knowledge about foreign markets it requires repetitive interactions with parties abroad, which means that it is a time consuming and demanding process (Eriksson et al, 1997, p. 354 and Johanson and Vahlne, 2009 under the headline: KL). Lack of objective knowledge about the market, that is, knowledge about language, laws and rules etc. can be an obstacle for companies that want to enter a foreign market. Lack of experiential knowledge is related to the firm’s business environment and according to the network view this are the companies they do business with or try to do business with and the relations between companies in their environment. Lack of this knowledge constitutes an obstacle for organizations outside the network. (Johanson and Vahlne, 2009 under the headline: KL)

According to the network view, companies on the market have the privilege of accessible information about their relationship partners and their network. The discovery of opportunities is probably a result from the current business activities that provide experience which leads to an increase in experiential knowledge. A vital part of the experience is the knowledge about the own company and its resources including external resources partly accessible through relationships networks. Opportunities probably occur as a consequence of the privileged knowledge that two parties have developed through interactions with each other. By acquiring this knowledge, firms can find opportunities that others cannot (Agndal and Chetty, 2007, p. 1452). (Johanson and Vahlne, 2009, under the headline: OD)

4.1.2 Change aspects

There is a delay between activities related to the change aspects and the consequences of these. These consequences cannot be realized unless the activities are repeated. An example of this is marketing activities that do not lead to an increase in sale unless they are repeated. It can be assumed that the more complicated and differentiated a product is, the larger the total commitment is as a consequence of the activities. (Johanson and Vahlne, 1977, p. 28)

Johanson and Vahlne state that trust is very important for successful learning and development of new knowledge (Johanson and Vahlne, 2009, under the headline: TCB). Trust could also replace knowledge, for instance when a company lacks crucial knowledge about the market they can consult a trusted intermediary to take care of the business on that market (Arenius, 2005, p. 125 and Johanson and Vahlne, 2009, under the headline: TCB). Johanson and Vahlne agree with Morgan and Hunt (1994, p. 22) and state that when both commitment and trust are present it promotes efficiency, productivity and effectiveness (Johanson and Vahlne, 2009, under the headline: TCB).

There is a difference between calculated and emotional commitment. Calculated commitment implies that a firm concentrates on the existing bonds with another company rather than future opportunities that could arise from the cooperation. The emotional commitment implies that a firm has a positive view and commitment towards the other party. (Gounaris, 2005, ps. 127-128 and Johanson and Vahlne, 2009, under the headline: TCB) Calculated commitments have
a negative effect on the parties’ intentions on preserving and strengthening the relationships (Gounaris, 2005, p. 135 and Johanson and Vahlne, 2009, under the headline: TCB)

4.1.3 Criticism against the IP-model
Forsgren argues that the IP-model gives vital knowledge about the early stages of the internationalization process, but Forsgren also argues that market knowledge and market resources no longer present problems in the later stages of the internationalization process. This statement is also supported by other studies (Cavusgil, 1982) that show that the early stages in the IP-model concurs with how the companies act in reality. (Hadjikhani, 1997, p. 48 and Johanson and Vahlne, 1990, p. 14) Johanson and Vahlne argues that the critique from Forsgren is valid, but resources that are reserved for the area that Forsgren talks about can in a later stage be reallocated to other areas and activities and therefore still be valuable. (Johanson and Vahlne, 1990. p. 14)

A study made by Hedlund and Kverneland (1985) found evidence that the development pattern for companies did not concur with what was expected due to the IP-model. Lack of market knowledge is according to Hedlund and Kverneland no longer a limiting factor to the pace or pattern the internationalization process proceeds. (Johanson and Vahlne, 1990, pp. 14-15 and Hadjikhani, 1997, p. 48) By integrating with other companies, commitment and knowledge can increase rapidly and the company’s network expands. The downside of such rapid expansion is that it also could lead to increased risks on the market. To prepare for the risks that are present on the market companies can learn to handle these risks better trough knowledge. (Hadjikhani, 1997, p.48)

Hadjikhani has found four areas in which the studies that criticized the IP-model can be questioned regarding their credibility. These areas are as follows:

1. The critics have mistaken the stage model\(^2\) for the IP-model.
2. The critics measure commitment by financial and institutional data although these do not cover all the aspects that commitment holds in the IP-model.
3. The operationalization has to be consistent with what the model states. The IP-model is concerned with behavior of specific companies on the market and not a specific country. Furthermore the model is about successive establishment, hence there is a need for observations under a longer time span to be able to test the IP-model in a reliable way and thereafter criticize it.
4. The studies that criticized the IP-model want to have visible and quantifiable measuring methods. Because parts of commitment are intangible, the operationalization becomes complex, diffuse and hard to quantify. Hadjikhani argues that the studies that criticize the IP-model cannot properly depict it because they have used a quantitative approach. (Hadjikhani, 1997, p. 62)

\(^2\) For more information about the Stage Model see Johanson and Wiedersheim-Paul 1975.
4.2 The SWOT Analysis

The SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis can be used to identify strengths and weaknesses of the company but also opportunities and threats. When it comes to the strengths and weaknesses it can be applied on personnel, location and product or services. When it comes to the opportunities and threats it can be applied on factors in the firms environment such as political, economical, social, technological and competitive environment. (Rauch, 2007, p. 414, Dyson, 2004, p. 632, Kotler et.al, 2008, p. 135 and Jobber, 2004, p. 44) When the factors are identified one can develop strategies that build on utilizing the strengths, decrease weaknesses, or exploit the opportunities and counteract threats (Dyson, 2004, p. 632 and Rauch, 2007, p. 414).

Strengths and weaknesses are internal factors in the firm and opportunities and threats are external factors that are present outside the company’s limits (Dyson, 2004, p. 632, Hill and Westbrook, 1997, 47 and Frankelius, 2001, p. 54). A central part of the SWOT analysis is to find opportunities and avoid threats while one should have the firm’s strengths and weaknesses in mind (Morris, 2005, p. 53). The strengths and weaknesses in the SWOT analysis do not show all the company’s abilities, only those that are related to success factors. Too many identified abilities are a sign on lack of focus and an inability to see what is important. Strengths and weaknesses are relative and not absolute. It is nice to be good at something but it can be a weakness if the competitors are better at the same thing. The strengths in the company should be based on facts and not emotions. (Kotler, 2008, p.138)

A manager should evaluate the probability that the threats present can happen. After this evaluation the manager should focus on the threats that can inflict the most damage to the firm and also have the biggest probability of happening. The manager should also plan for the future to hopefully avoid these threats. (Kotler, 2008, p.137)
5 Swedish Companies stories about the Kurdish market

In this chapter we present a summarization of our empirical work from our four interviews, for complete documentation from the interviews contact us. These are all Swedish companies and have good insight in the Kurdish market. Three of four companies did not want to be anonymous and one did. Because of this the names “Company X” and “Peter Persson” are fictional to protect the person and the company.

5.1 Interview with Sture Ericsson at Swedavia

Sture Ericsson is Chief executive officer (CEO) at Swedavia AB. Ericsson has worked about 10 years at Swedavia of which seven years as CEO. Swedavia is sells consulting services abroad. The company is a subsidiary to Luftfartsverket (equivalent to Federal Aviation Administration in the USA) and uses Luftfartsverket’s resources. The firm has amongst other things built Erbil international airport in Kurdistan. The three-year contract between Swedavia and KRG recently expired and now Swedavia is negotiating for other contracts in the region. During this contract Ericsson has visited the Kurdish region several times, mainly in the early stages.

The first contact was made by a Kurd living in Sweden who called up Sture Ericsson though they had no prior relationship. The Kurd called Ericsson because Kurdistan did not have an up to date airport. Hence you could say that the opportunity came to Swedavia rather than Swedavia searching for it. Ericsson says that without the contacts they never would have gotten the contract to build Erbil international airport. Therefore it is important to maintain the relationships with the contacts from the earlier contract. The relations with the contacts have been more formalized through treaties between the parties. Now that the contract has expired it is up to Swedavia to find new opportunities in Kurdistan but the contacts from the earlier contract is still very useful for Swedavia.

During the negotiations for the first contract voices concerning the security in the region was raised from Luftfartsverket. According to Ericsson the security situation in Erbil is different but he has never encountered any problems. The airport in Erbil is also the most secure place in Kurdistan and it is transports to and from the airport that provide risks for something to happen. Ericsson believes that the Kurdish region is safer than the rest of Iraq and security reasons should not discourage any firm from investing in Kurdistan.

Sweden has the advantages of a large Kurdish population living in Sweden which leads to a good reputation for Sweden in Kurdistan. Because of this many Kurds are well aware about how Sweden functions which make it easier for Swedish companies. This is a competitive advantage that should be exploited more than we do now. Another advantage is that there are a lot of investments in Kurdistan because they are building up the region. The Kurdish market is very expansive and has a strong development that Swedish firms may not have acknowledged. Swedavia on the other hand has seen a remarkable development regarding construction and the infrastructure.
One disadvantage with the Kurdish market is that the infrastructure is not very good although it is better than before. Kurdistan is still working on building a good infrastructure but these things are time consuming and have just begun. Another disadvantage is the political situation in the region which is very complex and we in Sweden have a hard time understanding the situation. There are two big parties in Kurdistan and there are still conflicts between them. Swedavia uses Kurdish contacts to cope with the political relations in Kurdistan and without these contacts Swedavia would never get a contract in the region. Ericsson believes that it is vital to build a relation and trust to the people you work with. Ericsson can only see the network he is part of and not the networks that are connected to it. These networks are hard for Ericsson to see although he tries.

Swedavia had no knowledge about the market prior to establishment but today Swedavia feel that they have quite good knowledge about their segment in the market. Through Kurds living in Sweden Swedavia did get knowledge about Kurdistan and their culture, history and religion and Swedavia has learned a lot during their time in Kurdistan.

Swedavia had very little to lose entering the Kurdish market and because they sold consultant services they risked very little. The decision to enter the Kurdish market was a process rather than a decision at a given point in time and Swedavia would have made the same decisions today if they were to get the same opportunity. During the four years Swedavia has been established in Kurdistan they have promoted the region as an opportunity for Swedish companies to invest in.

Ericsson believes that political supports from Sweden are important to make it easier for Swedish investments in Kurdistan. From a Kurdish point of view it is important to be recognized and acknowledged as a region and people; given this it is vital to show by political action that you support Kurdistan. Ericsson believes that Sweden has done this poorly and needs to improve. Another thing that is different with Kurdistan is that a contract is not always signed before the work has started. If the Kurds promise that they will sign the contract they often do it eventually.

Swedavia is building trust by delivering a qualitative service and show that they have the competence to fulfill the obligations. They also build trust by personal relations, for example by inviting Kurds to Sweden for educational purposes and other activities. Ericsson believes that they have successfully built a trust for their own company. But according to Ericsson it does not matter how much trust your company has because the decisions are connected to political powers.

5.2 Interview with Anders A. Aronsson and Adam Khoder at Aronders AB
Aronders is a company that deals with development projects in the field of agriculture in Kurdistan. Anders A. Aronsson is CEO of Aronders and Adam Khoder is senior advisor of the company. Khoder believes there are plenty of opportunities in Kurdistan and Aronsson is of the same opinion. Aronsson also says that it is an opportunity for Swedish firms that we have good connections between Sweden and Kurdistan and Khoder adds that it could be
because there are a lot of Kurds living in Sweden. Aronsson thinks that there is good land for agriculture purposes in Kurdistan and that it should be taken advantage of.

Aronsson states that their organization has not started the operations yet and this is because it takes a lot of time to get all the permits they need. Just to register a branch office takes a lot of time and in Aronders case it took four to five month even though they had good help from their Kurdish contacts. Aronders has met with several Kurdish ministers because it is vital to have good political relations to establish a company in the region. Even with this in mind it is difficult because it is a very hierarchical environment in KRG. Very few of the ministers have the courage to make a decisions and this is one of the biggest problems they have. Aronders is not only trying to build relations with ministers, they also try to make contact with private investors in the region. These contacts are also important in Aronders operations. It is important to have a tremendous patience because it is time consuming to establish a firm in Kurdistan. Aronders works with some businessmen in the region that remind the ministry of the firm.

Aronders acquired knowledge about the Kurdish market through Khoder who made the first contact with Aronsson. Khoder has land in the area and thought that they together may start an operation over there. This contact led to Aronsson and Khoder visiting Kurdistan in 2006. According to Aronsson the security situation in the region is good and he can walk around in the cities of Erbil and Sulaimaniah without being concerned about his safety. It is more secure in Kurdistan than the rest of Iraq and so it has been for a long time.

The politics in the region has a very large impact on investments and Aronders tries to follow the political situation as good as they can. To follow the political situation Aronders uses media and people they know to get information. One thing Aronders discovered was that many of the ministries are corrupted and that it is necessary to have the right contact to get anything done. Another thing that both Aronsson and Khoder think it is vital not to upset any of two (the biggest parties in Kurdistan) political parties in Kurdistan, one should have a balance and preferably have contacts in both parties. This gathering of information is a lot easier because there are a lot of Kurds living in Sweden and many of them have moved back to Kurdistan. One good opportunity is that some of the ministers had lived in Sweden and master the Swedish language which make it easier to communicate with them. As a consequence of many Kurds living and have lived in Sweden they understand the Swedish way of living and Sweden has a good reputation in Kurdistan.

Aronders build its trust by making deadlines and deliver good project plans in good fashion, but also by keeping their promises. Aronsson believes that the more Swedish companies there are in Kurdistan, the greater advantage there will be for future Swedish companies who want to invest in the region. According to Aronsson the system in the region would be better and the corruption would be smaller if it would be more foreign companies in Kurdistan. This is because companies from Europe and America have an ethical code that does not promote corruption.

Aronsson believe that they had pretty good knowledge about the Kurdish market before making a decision to enter the market. The experiences on the market have led to more
opportunities by for example businessmen that have contacted Aronders about delivering a specific product. Aronsson believes that contacts lead to new opportunities. Khoder believes that firms must have personnel that can master both the Kurdish and Arabic languages because the main population does not master the English language.

Aronsson believes that it is very important to be a member in a network and have a good reputation in that network. Aronders think that they have a large influence in their network because they have good partners and contacts in the ministry which strengthen the firm’s position in the network.

One downside with the Kurdish market is the financial system which needs to be improved a lot. Aronders cannot get the payment for the work transferred to a banking account, so instead they get a bag full of money. Another downside is the political situation.

An advantage with the poor financial system in Kurdistan is that the financial crisis worldwide does not exist in Kurdistan as the money is still in the region. This is also a big opportunity for Swedish banks. Aronders has prior experience from other markets that has been useful for the Kurdish market, though these experiences are of a more general characteristic.

5.3 Interview with Peter Persson at Company X

Persson is a salesman working towards the Iraqi market and has been so for eight years. Persson has lived in Baghdad for three years however nowadays he is living in Sweden but still travels to Iraq sometimes. Persson has worked for Company X for about 26 years. Company X has had operations in the region since the 1960s. Company X has a good reputation in Iraq and believes that they do not need to work very hard to get new projects because they have been present at the market for a long time. Persson believes that Company X can handle the market environment very well and feels this is very important. Firms who want to invest in Kurdistan have to be aware that there are two major parties in Kurdistan who have the power in the region, and between these parties there are conflicts. It is very vital to have contact in both parties. For Company X it is important to have contacts that are both Arabs and Kurds as this is good for the business. Persson also states that the Company X sometimes uses the Swedish embassy to make contact with important people that can be beneficial for the firm. Furthermore the firms need to have political support in Kurdistan to do business. There are a lot of natural resources in Kurdistan that were not used during the Saddam regime and there is also a huge will amongst the Kurdish people to rebuild the region.

Company X feels it is important that their partners have trust on the market prior to the cooperation with Company X, but also possessing knowledge and contacts that Company X does not. The reason that it is important for the partners to already have trust is that Company X does not want the partners to use the brand of Company X to build their trust on the market. These partners are heavily evaluated by Company X before the cooperation. Without a written agreement there will be no cooperation with the partner. This cooperation has occurred partly because Company X has contacted the partners and partly because the partners have contacted Company X.
Company X has been very conservative on the market mainly because of the security risks. Some areas in Iraq are more secure than others for example the Kurdish region is more secure than the rest of Iraq. Because of the security risks Company X wants to employ Iraqi citizens both, Arabs and Kurds, because they know the market very well and therefore make relations which can be beneficial for Company X.

Company X does not work with relations on a political level because they do not have the knowledge or possibility to do so; they use their partners for this purpose instead. With this in mind it is very important to acquire the right contact for the projects Company X wants to do. There are a lot of educated people in Kurdistan but their education is obsolete because the region has had a history of war and violence. Today Company X is inviting Iraqi citizens to Sweden for an update of their education.

It is vital to be aware that there are some cultural differences in the way they do business and it is not always obvious that the Kurds feel the need to have a written agreement. In Kurdistan it is important to keep the promises you make.

The disadvantages with the Kurdish market are that Kurdistan does not have so much money for big projects and there are few private firms in the region, which makes it harder for investments. Another problem is that they need to develop their infrastructure.

The advantages with Kurdistan are that they have a lot of natural resources and the Kurds are not afraid of working. The Kurds also have a strong will to rebuild the region. Many Kurds in other countries want to return to Kurdistan and they bring back knowledge which is needed in the region. Persson thinks that Company X should improve in using the resources they got in Sweden in form of a large Kurdish population here in Sweden. Perssons advices to other Swedish companies who want to invest in the region are as follows:

- Contact Swedish firms that already have established themselves at the Kurdish market.
- Visit Kurdistan and contact the final customers.
- Choose local partners carefully and make sure that they have political contacts.
- Get feedback from customers about the potential partner and have several partners.
- Make a thorough background check on the potential partners and contact former firms that have had contact with them.
- Think in long terms and expand slowly to minimize the risks. It is important to strive for small contracts to start with to learn more about the market and to use for future references.

Persson argues that Company X has not regretted the investment in the Kurdish market. It takes time to build trust and one should not think it happens over night. Persson also states that the market is full of opportunities, mainly because everything is needed in the region.

5.4 Interview with Martin Frank at IQ-networks

Martin Frank is working for IQ-networks in Iraq, a company that is 50 percent Swedish and the rest of the company is Iraqi owned. The position that Frank has in the company is chairman of the board and international affairs manager. IQ-networks are at the moment
building an IT-infrastructure in Iraq and the vision is to be a telecom service provider in the future. Before the assignment at IQ-networks Frank worked for M3 Mobile AB that worked a lot with security systems. Frank has been very involved in the internationalization process, especially in M3 Mobile’s case. He was the only one who carried out the process in Iraq.

The knowledge about the Kurdish market came to Frank through Kurds living in Sweden. These Kurds knew Frank personally and thought that Frank should visit Kurdistan and see the market with his own eyes. The first visit to Kurdistan was late 2004 and the purpose with the visit was to explore the market and Frank saw many opportunities mostly in the construction and infrastructure areas. Already at the first visit Frank began to meet people and establish relationships. He also discovered that there were some areas on the market that were impossible to enter due to the political powers in Kurdistan. There are two big parties in Kurdistan that have the power and there are conflicts between them. These parties have a large impact on the business in the region. Frank found some areas that were not totally controlled by any of the parties in the government and in these areas there are a lot of opportunities.

Frank states that the Kurdish market is a great market for selling physical products and it is okay to sell services to private companies in the region. The problem is that it is almost impossible to sell services to the government because they are very bureaucratic which leads to a very complicated situation (Frank has contributed a copy of the registration for his company that can be found in appendix 5). The employees at the government have a personal agenda which is largely to fulfill personal goals. In Kurdistan most of the employees working for the government only work to one P.M and after that it is almost impossible to do any business.

Personally Frank does not have any contact with the political sphere, but the network in which Frank is present has extensions to the politicians in the region. Frank states that it was important to have political contacts in the beginning of their entry into the Kurdish market but that it is becoming less important over time. To get the big contracts it is still necessary to have those contacts because these contracts are still controlled by the political parties. Frank believes that it could be an advantage not to have the political connections because you can lose some opportunities by being seen as an ally with any political party, unless the business is related to the government, in which case having political connections is vital. Frank believes that if he would do it all over again he would not try to make any political relationships, because if you do not have any political connections then you will not lose opportunities that you might make money on. Frank says that it is important to have contacts to the central government in Baghdad if you are going to do business with the nearby countries in the future. But if you are only going to do business in the KRG region it is enough to only have contact with the KRG.

IQ-networks have four persons that work with government relationships in Baghdad. Two of these have the assignment to remind the politicians about IQ-networks papers that need to be signed. Furthermore they have one person who negotiates with ministers and their advisors and one lawyer who handles the juridical issues.
Frank states that their knowledge about the Kurdish market was not enough before entering the market. The cultural differences and the political problems are deeper than they thought; one has to learn how the system works during the process. The entry has been much more difficult than Frank could imagine. Today Frank regrets the venture but if IQ-networks manage to get all the licenses they want then it is worth the effort. The biggest problem so far has been the political conflicts between political powers in the country of Iraq.

Frank believes that you find better opportunities through your networks because you see which areas are, and which ones are not, accessible. You have the ability to see what opportunities could be profitable and sort out the contracts that are obviously not profitable. Frank believes that the trust for IQ-networks on the Kurdish market and especially in Sulaimania is very good. The reason according to Frank is the previous work they have done and the patience they have shown. Frank thinks that IQ-networks is the company on the market with the biggest influence but because of the political influence it is pretty small anyway.

With the experience IQ-networks have got from the Kurdish market they would have done a lot of things different if they were to enter the market today. For starters they would make sure that all the permits would be in order and make sure that they are valid in the whole country of Iraq before entering the market. They would also make sure that all the formalities are in place to handle the issues that might arise. Frank’s advice to Swedish firms is to start in a small scale because the problems become smaller and easier to manage. When you start in a small scale you have time to learn the market and use your knowledge for bigger investments in the future. Depending on what business a company is going into there are a lot of small issues that need to be taken care of and these are specific to that area of business. Regarding the security situation in Kurdistan Frank says that it is better than in Iraq and not any worse than in the surrounding countries.

One advantage for Swedish firms is that companies from Sweden have a good reputation in Kurdistan and are known for delivering quality products and services. Furthermore there is a lot of Kurds living in Sweden which is an opportunity for Swedish companies. The market in Kurdistan is pretty undeveloped and there is still a lot to do and therefore there are a lot of opportunities in the region. A disadvantage with the market is the internal conflicts and corruption in the government. Frank says that it would only be worth entering the market if a company can find the right niche on the market, otherwise he would advice the companies not to enter the market.
6 A comparison between the theoretical framework and the examined reality

In this chapter we present our analysis where we have compared our theoretical framework with the stories from the Swedish companies. Our purpose with this comparison is to examine whether or not the theoretical framework is consistent with the empirical findings. We have found that a big part of the theory consists with the empirical findings but we have also discovered some interesting aspects about the Kurdish market. More about this follows.

6.1 State aspects

According to Johanson and Vahlne, a firm is seen as an outsider if it does not possess a prominent position in a network and this could be seen as an obstacle for internationalization. (Johanson and Vahlne, 2009, under the headline: FMEBNV) All the respondents in our study agree that it is important to have contacts that make it easier to establish a business. The companies say that the contacts have been helpful regarding the language barrier, cultural differences and meeting the right people. They have also helped the companies to understand the history in the region and how this affects the way Kurds do business. Company X differs from the rest of the respondents because they have been established in the region since the 1960s which can have an impact on their knowledge about the region and the people who live there. It might be possible that Company X do not need as much help from the mentioned contacts because they have gathered a lot of information through their own experience.

The network is important for gathering information because one has access to knowledge that other actors in the network possess, something which can lead to future opportunities (Johanson and Vahlne, 2009, under the headline: OD). Swedavia and IQ-networks agree with this statement. In Swedavia and IQ-networks case they have access to people who helped them understand the market and provided vital contacts. These contacts have then led to contracts in the region that has been vital for their operations. Through the experiences gained from working in the region the companies in our study argue that they have found new opportunities that they can exploit. This is consistent with what Johanson and Vahlne says about finding new opportunities through experience (Johanson and Vahlne, 2009, under the headline: OD).

It is a time consuming process to get experiential knowledge about foreign market (Eriksson et al, 1997, p.354 and Johanson and Vahlne, 2009, under the headline: KL and the 1977 model). Frank argues that IQ-networks would have done things differently if they would get the same opportunity today with the experience they now have. Mainly these things are related to formalities like getting all the needed documents signed and other practical issues. IQ-networks did not have enough knowledge about how the market works when they entered the market but today they know what issues are time consuming and should have been done before entering the market. Our opinion is that IQ-networks would save a lot of time and money if they would have made sure to have all the formalities in order before entering the market. To do so they needed to have access to experiential knowledge which they did not have at the time of market entry.
Johanson and Vahlne state that the lack of objective knowledge is an obstacle for entering a foreign market (Johanson and Vahlne, 2009, under the headline: KL). On this subject the empirical findings contradict the theory since only Aronders believed that they had enough knowledge about the market at the time of entry. This could be mainly because Khoder has a lot of knowledge about Kurdistan and is a big part of the company and this is an advantage for the company. Persson at Company X was not able to give us an answer about this subject since he was not part of the firm when they entered the market almost fifty years ago. Both Swedavia and IQ-networks state that they did not have enough knowledge about the market at the time of entry although they say that the contacts that helped them to enter the market had knowledge about the market. Swedavia feels that it was risky to enter the market with little knowledge about the market but since they were working as consultants they did not have that much to lose. We think that IQ-networks entry on the market was more risky than Swedavia’s because they were not a consultant company and therefore had much more to lose. Because IQ-networks needed to invest more money in Kurdistan that they could not get back in the case of failure it was a larger risk than Swedavia.

The first contact with the market was made by Kurds living in Sweden in most of the cases. From one organization we did not get the information about how the first contact was established at that firm was Company X which has been on the market for a long time. With this said it could still be that Company X did get the first contact with the Kurdish market trough Kurds living in Sweden. We do not know for sure how Company X did get knowledge about the Kurdish market but probably it was not the same as in other cases as there were not as many Kurds who lived in Sweden during the 1960s. One interesting aspect with the other cases is that the knowledge about the market was presented to them rather than them looking for it. We conclude that it is not always so that the expansion is planned. The expansion can come from opportunities that are unexpectedly presented to the companies. In our study most companies have got the opportunity by external resources in the form of Kurds living in Sweden that contacted them with an opportunity to enter the Kurdish market. This shows that internationalization can be initiated by external resources and not only internal.

6.2 Change aspects

According to the theory it takes a while to see the consequences of your actions and therefore hopefully be profitable for the firm (Johanson and Vahlne, 1977, p.28). This means that the process for building trust, relationships and learning is time consuming. The study indicates that this is true. IQ-networks for example has four co workers that work full time with the political relations (more about the politics later) that can be of value for the company. This shows that it is a time consuming process to build relationships. IQ-networks also admit that they have learned a lot during their operations in Kurdistan and believe that this is necessary for a successful expansion. Company X uses its cooperation partners to build relations with important people on the market. Company X does not engage in such a partnership without signing a contract with the counterpart. We think that this is because they sign multimillion dollar contracts and have more to lose than the other companies in our study.

All the companies in our study say that they build trust by delivering quality products and services and in good time. According to us this has to be done for some time before it builds
up the trust and therefore it is a time consuming process. One aspect that makes the building of trust easier is that there are a lot of Kurds living in Sweden and therefore has good experience from Sweden and the firms in the country that is passed on to their relatives in Kurdistan. All the companies in our study agree with this statement. We think there can be a deeper meaning with the Kurds living in Sweden, because they have received a great deal of help from Sweden in a time of need. Because of this experience they can have a very good sense about Sweden as a country and therefore firms in Sweden get a good reputation.

Swedavia is letting their contacts in Kurdistan handle the business because they feel that they lack the knowledge to do so. This is because these contacts have knowledge about the market and therefore know how to handle the contacts in Kurdistan. Swedavia said that they have to trust their contact to be able to handle the business in Kurdistan. IQ-networks and Aronders have also employed Kurds and Arabs to handle the contacts in Kurdistan because they feel that they are not able to do so themselves. This is consistent with the theories that say that it is vital to have trust for a successful learning process (Johanson and Vahlne, 2009, under the headline: TCB). Company X on the other hand uses partners that have already built up some trust on the market in Kurdistan and this is because Company X does not want the partners to use Company X´s name to build up their own trust. We believe that this can be because Company X is world leading in its field and therefore are very careful about how their brand is used.

The companies in this investigation are of the same opinion regarding opportunities that might arise from relationships they have. They all say that opportunities have presented themselves through the earlier collaborations with partners. We think this is a sign that the companies focus on emotional commitment in their relationships rather than calculated. This is consistent with the theory which says that emotional commitment implies that firms have a positive view and commitment toward their counterpart. Because the firms have this perspective they will have a focus on the future opportunities that relationships may result in rather than on the existing bonds in the relationships. (Gounaris, 2005, ps. 127-128 and Johanson and Vahlne, 2009, under the headline: TCB)

One important aspect to bear in mind is the political situation in Kurdistan. There are two big parties in Kurdistan that divide the power between themselves. They are controlling different territories in Kurdistan and there are conflicts between them. This is something that all the companies in the study have pointed out as a big problem that has to be handled correctly. All firms except IQ-networks are of the opinion that it is vital to have contacts to both parties. Otherwise it could be difficult to do business in the whole region. We believe that one reason to that is that IQ-networks do not have the same opinion as the other companies might be that they focus on the government in Baghdad rather than the Kurdistan regional government. Company X have also concentrated a lot of its efforts towards the government in Baghdad but still thinks that it is important to have contacts in both parties in the KRG region. One reason for this difference in opinion could be that Company X has more experience with the political situation in Iraq than IQ-networks do.
According to all the respondents the political conflict is so complex and therefore hard for us Swedish citizens to handle. There is a lot of history involved in the politics and therefore it can be hard to comprehend the situation. Because of this it is important to have contacts to both parties for handling the political situation. It is vital to carefully evaluate the potential contacts so that you work with people who have the right political contacts.

6.3 The SWOT analysis

The theory states that it is important to identify the strengths, weaknesses, possibilities and threats in order to make use of these. (Dyson, 2004, p. 632 and Rauch, 2007, p. 414) The companies in our study have identified a number of factors that they feel represent the market. First of all the companies were of the same opinion that there are a lot of opportunities on the Kurdish market. All the respondents except Company X agreed about that there is a lot of economic power in Kurdistan. We believe that the reason why Company X does not have the same opinion is that they offer projects that are of a larger scale and therefore requires a lot of capital. For Company X it is important to have contact with the government in Baghdad because that sort of capital is located there. At the present time there is a lack of infrastructure in the region and therefore there are a lot of investments in that area. Because there are a lot of investments in areas where Kurdistan has problems at the moment this provides lots of opportunities for foreign firms. All the interviewed companies agreed with this statement. The companies also said that it is a big opportunity for Swedish firms that Sweden has a large Kurdish population and therefore has some knowledge about Sweden and some knowledge about Kurdistan. Swedish firms should take better advantage of this opportunity by using the resources that is present in Sweden. As a consequence of this there are ministers in Kurdistan that have lived or are living in Sweden and talk Swedish. The respondents state that the Kurdish market is growing and will continue to do so and the people in Kurdistan have a strong will to build up the country since the fall of the Saddam regime. In Kurdistan there are a lot of valuable natural resources in the form of oil, gas, water and gold which make it easier to finance the development of the region.

There are downsides with the Kurdish market as well and they are as follows: the infrastructure could, according to the companies in our study, also be seen as a disadvantage with the Kurdish market. Mainly the banking system and roads in the country are a problem. It is a big problem that the projects are paid with cash rather than a transfer of money. Regarding the security in the region the companies feel that it is not a big problem although there is a small possibility that an incident could happen and it could be hard to get Swedish personnel to work in Kurdistan. It is important although to point out that the security situation is a lot better than in the rest of Iraq. The political situation in the region was seen as a problem by the respondents and it is mainly because there are a lot of corruption and conflicts within the KRG although the corruption is less than in Baghdad.

We believe based on the companies stories about the Kurdish market that the advantages are greater than the disadvantages. Some of the problems in the region like the infrastructure could be seen as an opportunity depending on what field of business your firm operates in. The main problem according to us is the political situation but one can overcome this problem with good contacts that have the knowledge and experience of how to handle the situation.


7 Concluding remarks

In this chapter we present the conclusions that come from the comparison in the previous chapter. We will also give advice to future Swedish companies that think about exploiting the Kurdish market. Furthermore we will give suggestions for further research.

The study conducted has led to several important factors that Swedish companies have to be aware of when entering the Kurdish market. These are as follows and will be explained further in the following text.

- Have access to the right contacts
- Is there any market in your field of business?
- The security situation
- The bureaucracy
- The political conflicts

The companies in our study have got the first contact with the Kurdish market through external contacts rather than internal. The contacts in our study have been Kurds living in Sweden who saw an opportunity for themselves as well as Swedish companies in our study. These contacts led to the firms visiting Kurdistan to examine the market and see if it was something to exploit. The decision to enter the market has not been a formal decision at a given point of time but rather a process with an unclear start or ending. The companies in our investigation saw more opportunities with increased knowledge about the market.

To get things done in Kurdistan can be time consuming and one needs to have patience. The decision making process is very bureaucratic and takes a long time. This is mainly because there are political parties with different interests. To make this problem a little bit smaller you need the right contacts in your network and these can be Kurds that have lived in Sweden that have contact with politicians. Companies in Sweden have a big advantage towards other companies because there is a large Kurdish population in Sweden. These resources are valuable and should be exploited better than they are today. You can either use them as consultants or hire them as employees in the company.

There are a lot of opportunities in Kurdistan and, mainly in the areas of construction and infrastructure. This is because Kurdistan is rebuilding the region after a history of war and violence. Because of this we conclude that it is a very good market for Swedish firms that are active in the areas of infrastructure and construction. The Kurdish region also has a lot of capital in contrast to other development countries and therefore they can decide for themselves what company will get a contract. This in contrast with other development countries/regions where the capital comes from organizations from around the world and therefore cannot decide themselves what firm will get a contract. Therefore we can state that Swedish companies have the opportunity to build up the region and be profitable.

The security situation in Kurdistan is under control. According to this study the Kurdish region is a lot safer than the rest of Iraq. Although to be on the safe side it is advised to hire
people that have roots in the region. This is mainly because these people can blend in with the environment better than Swedish natives.

Because there is a lot of bureaucracy and there is a difference in the way to do business it is important to start your business in a small scale and increase the volume successively. This is because the problems that might arise are of a smaller scale if the volume of business is smaller. The reason that we give this advice is that if you start in a small scale it is not as expensive to learn the bureaucracy and the way to do business in Kurdistan. You also have time to learn the environment and acquire valuable contacts that can be helpful in the future. Another factor that can be helpful for Swedish companies is that there is a lot of trust in Swedish companies in the region of Kurdistan. The reason for this trust is that there are a lot of Kurds that have lived or are living in Sweden and they speak well of the firms in the country. This gives Swedish companies an advantage against firms from many countries.

In our opinion it is a market that is thriving and there are a lot of opportunities for Swedish companies but there are also issues that need to be managed carefully. First of all, you need the right political contacts, and probably in both parties. There are a lot of people living in Kurdistan that cannot speak English and therefore you need employees that know the languages (Arabic and Kurdish).

We state that there are conflicts between the political parties in the region and these can constitute a problem for new establishments in Kurdistan. Companies have to stay updated about the political situation and could do so with the use of contacts in the region. The political situation is so complex and deep that we advise companies to outsource the political relations to Kurds who have important contacts and have the ability to handle the situation. This because these contacts have more information about why the situation is the way it is and they have knowledge about the Kurdish history that we do not.

The political situation has a large impact on the market in Kurdistan and there are still a lot of problems connected to the politics in the region. Because of this we can conclude that the political situation is very important to be aware of and to handle it correctly. The theory that we used in this thesis was largely based on the internationalization process model but there are not any political factors in that model. Therefore we will present a version of the model that includes the political aspects. We are aware that the IP-model is of a more general view but our model is adapted only to the Kurdish market. We have added political relations next to the network position because it is important to have the political relations as well as the other relations in the network. To be aware of what relations are necessary to the political sphere you need to acquire knowledge about the political situation. (Figure 4)
7.1 **Further research**

The political situation had a large impact on business in Kurdistan according to our study. It could be of interest to examine if the political factors have as large of an impact on other markets as well. This is because the political factors are not part of the internationalization process but could none the less have a large impact on the internationalization.

Another interesting aspect is to see if there has been a continuous development in the region of Kurdistan. The same study conducted by us could be done at a later point of time to examine if there are any differences regarding the way to do business and the political impact on the market.

One area that can be researched more closely is how Swedish companies use the large resource of the Kurdish population living in Sweden and how they have helped these firms. Our study showed that companies in Sweden did not make use of these resources as well as they could.
Bibliography


Frank, Martin. (2009). Personal interview on the 1st of May.


Hoffmann, Ulla. Mail interview on the 9th of April 2009


Appendix 1: Wordlist

Experiential knowledge = Knowledge that you receive through experiencing and cannot be taught.

Objective knowledge = Knowledge that can be taught and it can be about language, rules, laws etc.

Psychic distance = The differences between markets in culture, language, laws, and ways to do business defines how big the psychic distance is.

Resources = There are two kind of resources, physical and human resources. The physical resources are tangible and the human resources are administrative, financial and juridical functions.

Kurdistan = A region in the northern Iraq that is a federal state that has its own government. The region is inhabited mostly by Kurds.

KRG = The Kurdistan regional government that controls Kurdistan.
Appendix 2: Abbreviations for the unpublished article by Johanson and Vahlne

BNMIP = A business network model of the internationalization process
FMEBNV = The firm in the market environment: a business network view
KL = Knowledge and learning
OD = Opportunity development
TCB = Trust and commitment building
Appendix 3: Interview guide

Background questions

1. Tell us about yourself and the position you have in the company. (How long have you worked in the company and towards the Kurdish region? In what way have you been involved in the decision for having operations in the Kurdish region? Practical examples? Is it possible to get any documentation or articles etc.?)

2. Tell us about the operations you have in the Kurdish region. (Tell us about your company. How long have you had operations in the region? How big are the operations? Have you Swedish or Iraqi employees?)

3. To what extent have you been a part of the internationalization process? Practical examples? Any tips on other persons to interview? Who came up with the idea to exploit the Kurdish market and why?

4. What experience do you have from the Kurdish market? Everything about the market, it can be both positive and negative. Is it a good market to invest in? What problems and disadvantages are there with the market?

Questions concerning the theoretical framework

5. Tell us about your internationalization process regarding the Kurdish market.

6. How did you first get knowledge about the Kurdish market? (Network, consultants, contacts with the governments etc.)

7. How did you acquire knowledge about the Kurdish market? (Consultants, contact with governments, new employment etc.)

8. Do you feel that you had enough knowledge about the Kurdish market before making the decision to enter the market? (Is it easy to acquire knowledge about the Kurdish market?)

9. Tell us what the knowledge resulted in. (Decision to enter the market, led to opportunities to enter the market?)

10. What have your experiences on the Kurdish market resulted in? (Increased commitment as a result of increased operations in the region? Have you adjusted yourself to the Kurdish market? Have you got new friends and partners? Have you intensified your relationships with other companies in the Kurdish region?)

11. Have you learned anything about the Kurdish market through the company’s experience? (What have this experience led to? Do you handle the market in a different way? Has the experience led to an extension of your operations? Have you learned anything that can be used on other markets through your experience from the Kurdish market?)
12. Do you see new opportunities through the increased experience?

13. How do you work to build trust for your company on the Kurdish market? (Do you feel that there is a mutual trust between your company and other actors that you do business with?)

14. How much influence does your operation have in the whole company? (the internal network)

15. How much influence does your company have on the Kurdish market? (The external network)

16. How dependant is you to other actors on the market and in what way?

17. Do you find new opportunities through your partners or environment? (Practical examples?)

18. With the experience and knowledge you have today, would you do anything different if the same opportunity arose? (regarding information gathering, and the way to establish yourself on the market)

19. Do you regret the venture on to the Kurdish market? (Do you see any differences or similarities with other markets?)
## Appendix 4: Search words and databases

**Databases:**
- ELIN@Mälardalen
- Uppsatser.se
- Oalster
- ABI/Inform
- Proquest
- EBSCO
- Google Book search
- Libris
- Samsök
- Google Scholar
- Nutek
- Google
- Riksdagen.se
- Regeringen.se
- Emerald
- IngentaConnect
- JSTOR
- Oxford University Press
- Scirus
- ScienceDirect
- Provenmodels.com
- Exportsind/Swedishtrade.se
- kurdistanmot.com
- krg.org
- kurdistandevelopment.com
- hartford-hwp.com
- cci.se
- sakerhetspolitik.se
- swedenabroad.com
- infoplease.com
- iscc.se
- i-acci.org/

**Search word:**
- Market Entry
- Foreign Market
- Internationalization
- Internationalization process
- Kurdistan
- Iraqi-Kurdistan
- Iraq
- Kurds
- IP-model
- Uppsala-model
- Kurdistan Regional Government
- Kurdish Market
- Jan Johanson
- Jan-Erik Vahlne
- Finn Wiedersheim-Paul
- Amjad Hadjikhani
- Peter Thilenius
- Mats Forsgren
- Iraq Embassy
- KRG Norden representant
- Kurdistan History
- Marknadsinträde
- Utländska marknader
- Internationaliseringsprocess
- Kurdistan-Irak
- Kurdistan-Iraq
- Kurder
- Kurdstans Historia
- Kurdstans regionala regering
- Kurdiska marknaden
- IP-modellen
- Internationaliserings
Appendix 5: Document for registration

Ministry of Justice
Sulaimaniyah Notary Public

No: 16-5-2006 Date

I certify that the document is the literal translation of (Contract) No. (-) Date (22.2.2006).

The legal translator (Chalak Jalal Mohammed) has translated it from (Kurdish) to (English) he doesn't swear because he is permitted previously.

He has received a sum of money ( ) in return for the signature below. After confirming that the translation is true and correct, this office is not responsible for the contents of this document.

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