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The Role of Networks in Going Abroad

A study of how SMEs use business networks to act in foreign markets

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Abstract

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RESEARCH QUESTIONS

- How do SMEs and MNCs use their resources to gather knowledge on a foreign market?
- How important are business networks in providing resources to facilitate foreign market entry?

PURPOSE OF THE STUDY

The purpose of this paper is to describe and analyze the processes and resources involved in the internationalization of SME's and MNC's. Particular attention is paid to the manner in which a company utilizes resources from its business network in order to enter and do business in a foreign market.

METHODOLOGY

This thesis took a deductive approach towards the research and analysis. Both primary and secondary data was used to establish its findings. Representatives from four companies were interviewed. This consisted of accessing two MNC's and two SME's.

CONCLUSION

The companies examined proved to have strong correlations with theoretical leanings on network importance for internationalization. It is also clear the companies draw heavily on resources from their networks. It, therefore, can be argued that while physically intangible networks are central to business success as they provide environments where the more tangible resources are accessible. Partners provide the connection between the expanding firm and potential customers as well as access to both tangible and intangible resources in foreign markets.

KEY WORDS Internationalization, networks, resources, actors and knowledge.

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1. Introduction

The following chapter will briefly introduce the topic of discussion in this paper as well as to develop and outline the purpose of the study undertaken.

Small to medium sized enterprises (SMEs) appear to be more driven than ever to achieve sales outside of their domestic markets (Yamamoto & Igusa, 1996). The process of expanding sales to new foreign markets is made complicated by the differences in market and consumer characteristics between a firm's domestic market and the foreign market which it wishes to enter. This has been a particularly important aspect in adapting products to suit the needs and consumption behavior of a new market (Levitt, 1983). The knowledge that a firm has on the foreign market is then of great importance to the success of future international operations and sales, as the level of knowledge that a firm has determines the manner in, which a firm will go about entering a foreign market (Johanson & Vahlne, 2009). The concept of learning through experience is now further enhanced by the notion that collective knowledge within partnerships and networks can be used by a firm for the purpose of internationalization (Nahapiet & Ghoshal, 1998), and that in-fact SMEs can increase their competitiveness in foreign markets through international inter-company co-operation (Kaufmann, 1995).

Firms thus need to develop sufficient understanding and knowledge of foreign markets as well as solid and sustainable strategies and alliances through business networks. In this sense, developing sustainable and competitive strategies needs to be thought through according to the resource-based view, which sees the firm's unique capabilities and resources such as skills, processes and knowledge as a determinant of its sustainable competitive advantage (Barney, Wright, & Ketchen, 2001). What is perhaps more evident is that firms need to look beyond the resources within the organization and understand how business relationships with partners can create and allow access to resources, which would aid and likely drive internationalization and the recognition of business opportunities in foreign markets (Johanson & Vahlne, 2009).

1.1 Problem Formulation

When it comes to entering a foreign market much of the success of the venture depends on the selected mode of entry as well as the execution of it (Johanson & Vahlne, 2009). In conjunction, the mode of entry is best determined according to the reason behind entry (Gorg, 2000) as well as the resources which the firm has at its disposal in order to achieve a sustainable competitive advantage. Most importantly according to Johanson and Vahlne (2009), the decision on mode of entry relies on the knowledge which the firm has on the foreign market in order to reduce uncertainty. Firms can evaluate their options for entering a foreign market according to the level of knowledge and resources which they have at their disposal in order to ensure the greatest chance of success. This focus is on the internal resources of the firm. Smaller firms inherently have fewer internal resources at their disposal and thus lack the ability to be competitive in foreign markets. SMEs do then need to find ways of building a sustainable competitive advantage which can assist foreign market entry, and this can be don't through accessing external resources through their business network Johanson and Mattsson (1988). It is however uncertain how and to what extent firms utilize the collective resources available within their network to assist internationalization.

The internationalization process model by Johanson and vahlne (1977) clearly describes the foreign market entry process of a firm according to experiential learning and incremental change. Their revised model in 2009 takes the role of the network into consideration, placing importance on relationships with partners and the overall network position as facilitating market knowledge and opportunity recognition. The theoretical understanding then is that internationaliation occurs from within a network. This is particularly important for SMEs as they might lack the resources to gain a

competitive advantage in foreign markets (Kaufmann, 1995). Business networks should thus be utilised to gain access to external resources to assist a firm in internationalization (Li, Qian and Qian, 2012; Johanson & Mattsson, 1988; Johanson and Vahlne, 2009). The extent to which firms, and particularly SMEs, approach the issue of using collective resources and network partners for the purpose of entering foreign markets in practice is however unclear.

1.2 Purpose

The purpose of this paper is to describe and analyze the processes and resources involved in the internationalization of SMEs in comparison to those of MNCs. Particular attention is paid to the manner in which a company utilizes resources from its business network in order to enter and do business in a foreign market.

1.3 Research Questions

In order to fulfill this purpose we need to answer the following research questions:

1. How do SMEs and MNCs use their resources to gather knowledge on a foreign market?
2. How important are business networks in providing resources to facilitate foreign market entry?

1.4 Disposition

The theoretical views and concepts relevant to the study are reviewed in chapter 2, this is based on theoretical perspectives which are highlighted by various authors in the fields of internationalization, business networks and the resource based view of the firm, a conceptual framework is also developed in order to describe how the concepts relate to one another and also makes up the foundation for the analysis of the paper. Chapter 3 gives a detailed account of the data collection process as well as the methodology behind the study. Thereafter the findings gathered from four participating companies are presented in chapter 4 and the analysis of the findings through the framework in chapter 5. Finally chapter 6 presents the conclusions and managerial implications as well as suggestions for possible future research on the topic.

2. Theoretical Framework

This chapter will run through the various theoretical views and concepts, which are relevant to the study. This theory forms a framework with which the collected data is analyzed.

2.1 The Internationalization Process

The Uppsala Internationalization Process (IP) Model will be used as a platform for theoretical analysis but most importantly to gain insight into how companies enter foreign markets. The model emphasises that internationalization is done in incremental stages through the gradual acquisition of market knowledge on the target country (Johanson & Vahlne, 1977). According to their position, it is the norm for companies to enter a foreign market through exporting and building gradually towards full entry. Furthering this, companies who adopt a strategy formed around the IP Model establish their foreign subsidiary either through joint venture, subsidiary or licensing building towards potential full entry. The IP Model also draws on an important issue as the model helps understand how companies learn and the manner in which their learning affects their investment decisions and subsequent entry methods (Forsgren, 2002). Similarly studies by Andersen (1993), Cavusgil (1984), Thomas and Araujo (1985) also show the role of managerial learning in the internationalization process. There is significant focus on behavioural theory in the internationalization of a company, and according to the IP Model it looks to the process in which the firm gradually increases its international involvement that is expressed in the Uppsala Model through the ‘establishment chain’

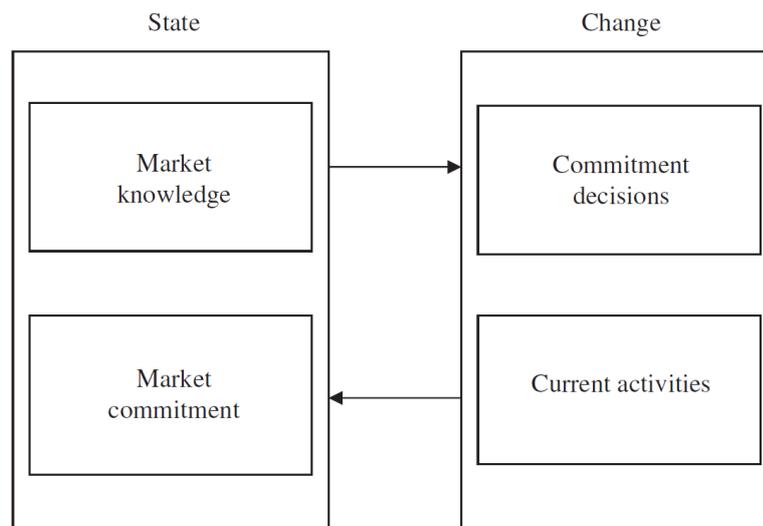


Figure 2.1: The Internationalization Process Model (Johanson & Vahlne, 1977)

(Coviello & Munro, 1997). Psychic distance was defined as a factor, which makes foreign environments hard to understand and thus a pattern was highlighted where firms generally set up initial international operations in markets, which are close to that of their domestic market in terms of psychic distance (Johanson & Vahlne, 1977), Coviello and Munro (1997) describe “psychically close” markets as those “having similar culture, language, political systems, trade policies, etc.” (Coviello & Munro, 1997, p.363).

The Uppsala Model has two aspects, namely the state and change aspects. State aspects are comprised of market knowledge and market commitment while change aspects include commitment decisions and current activities (Johanson & Vahlne, 2009). This dynamic model shown in Figure 2.1 above shows how a firm changes through experiential knowledge. This is gained through the firm’s

current activities in the foreign market and its commitment decisions that strengthen its position in the foreign market. In turn, the firm’s level of market knowledge determines the level of commitment and the activities, which develop from that commitment. What this model then portrays according to Johanson and Vahlne (2009) is a form of rational internationalization.

This model, which was developed in 1977 has however been revised by Johanson and Vahlne to take into consideration the importance of networks in the internationalization process of firms. Their revised model: *The Business Network Internationalization Process Model* (Johanson & Vahlne, 2009) seen in Figure 2.2 below has the same basic structure, making use of the state and change aspects of a firm.

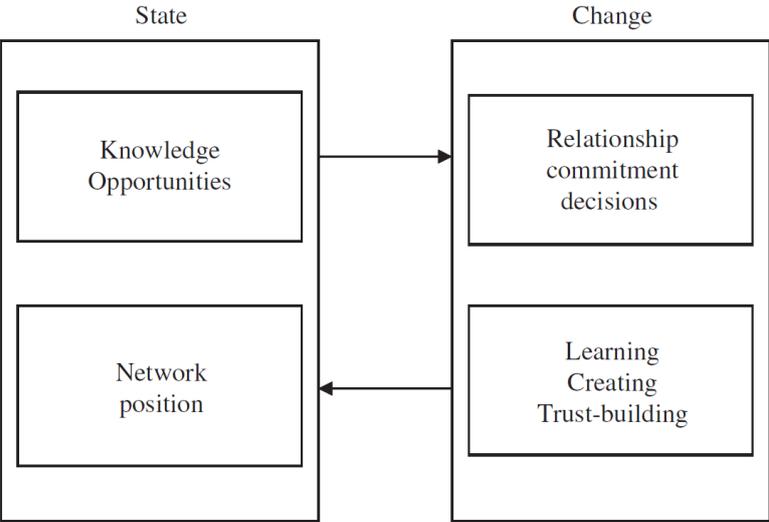


Figure 2.2: The Business Network Internationalization Process Model (Johanson & Vahlne, 2009)

The knowledge concept includes opportunity recognition, which is seen as an important aspect in the internationalization process (Johanson & Vahlne, 2009). The network position becomes of importance to the process as internationalization is seen as something, which is developed and approached within a network. Depending on the distribution of trust, commitment and knowledge within the business relationships the network position then may contribute differently to the internationalization process. The revised model is more explicit about the current activities and thus entails learning, creating and trust building, where learning is now considered as more than just experiential. Furthermore, the change aspect on commitment decisions is more focused on the decisions with regard to the relationships between parties within a network (Johanson & Vahlne, 2009).

This revised model then suggests that a firm internationalizes based on its relationships with important partners. A firm may follow a partner or partners into a foreign market if the partner has a valuable market position, and hence allows for the firm to take advantage of opportunities that may arise in the foreign market, or perhaps at the request of the partner (Johanson & Vahlne, 2009). This aspect of the network partner’s role in the internationalization of a firm is further elaborated on by Loane and Bell (2006) who explain that a firm can seek out and build new connections in order to facilitate market entry and hence take an active role in the process. Conversely firms which make new connections through actions by outside actors such as customers, suppliers, importers or intermediaries are seen to take a passive role in the process (Ellis, 2000; Johanson & Vahlne, 1993)

The foreign market is generally decided according to the opportunities that are seen by the firm and its partners or a market where a partner has a strong position. It is also possible for a firm to select a market according to the ease at which new partners who have existing positions in the market can be found. Johanson and Vahlne (2009) give an example where the internationalizing firm makes use of agents or distributors in order to establish relationships with customers in the foreign market. It was also made clear that the starting point of the internationalization process in this sense is hard or near impossible to determine. Johanson and Vahlne (2009) suggest that any explanations as to where the starting point lies should be found in the state variables of the firm's relationships. The factors such as trust, knowledge and commitment are more specifically those, which could be indicators as to how and where the process kicks off. A firm in this case could use trust which its partner has established with other firms in order to gain knowledge (Johanson & Vahlne, 2009). Nahapiet and Ghoshal (1998) discuss this notion of acquisition of knowledge through relationships using the concepts of social and intellectual capital.

Ojala (2009) points out that in contrast to the incremental internationalization model (the Uppsala Model) the network internationalization model does not take psychic distance or the country of entry into account, along side the fact that it is not "gradually progressing in nature" (Ojala, 2009, p.51). Johanson and Mattsson (1988) describe the firm's need to develop its position within its network in order to gain access to resources which it requires and which are controlled by other firms in the network. This view is further strengthened by Li, Qian and Qian (2012) who put forward that firms should take advantage of international strategic alliances, as they can be used to gain access to external resources as well as to spread the costs and risks involved with internationalization (Li et al., 2012). An important factor which is highlighted by Johanson and Mattsson (1988) is that firms in these networks have common interests, as the relationships which are built and maintained are done so in a manner as to provide mutual benefits to the parties which form the network.

The network which a firm operates within is held together by numerous relationships with various actors (Johanson & Mattsson, 1988) and according to Coviello and Munro (1997) these relationships can be classified as either formal or informal, where the formal relationships are related to business activities and informal relationships related to personal connections (Coviello & Munro, 1997). Intermediaries which facilitate transactions between buyers and sellers are seen as a separate form of relationship which also play an important role in the foreign market entry process (Ojala, 2009). Ojala (2009) further contributes to the network model of internationalization by adding that knowledge-intensive SMEs expand to markets with low psychic distance through existing network relationships, whereas these firms tend to develop new relationships in preselected markets which are high in psychic distance.

The incremental internationalization model presented by Johanson and Vahlne (1977) and updated to incorporate the importance of the business network in the process (Johanson & Vahlne, 2009) cover the importance of managerial learning and understanding of foreign markets. In combination with the views put forward by authors such as Johanson and Mattsson (1988) and Coviello and Munro (1997) on the network model to internationalization the process can be further described as dependant on the resources and opportunities provided by partners and actors within the network. Furthermore the strength of the relationships which form the network determine the firm's network position and consequently its ability to draw the necessary factors for successful internationalization (Johanson and Vahlne, 2009). The relationships which form the network are made up of informal,

formal and intermediary, where the firm can play either a passive or active role in finding and developing new relationships and extending its network (Coviello & Munro, 1997; Loane & Bell, 2006; Johanson & Vahlne, 1993).

2.2 Business Networks

Johanson and Mattson (1988) widely regarded network theory as aggregation of relations and company behaviour towards both relationships and action. They argued that the network comprised exchange and adaptation processes that are reliant on the network (Johanson and Mattson, 1988). Present research is based on the definition of networks suggested by Anderson, Håkansson and Johanson (1994) which define business networks as a set of interconnected business relationships and exchange relations between different actors. They see the network as a set of dynamic processes with negative and positive outcomes, but management is required to mitigate negative impacts and to maintain the positive.

Furthering this argument Ford et al. (2011) suggest that this desire to development interconnectedness of business activities and relationships has a strong bearing on the ability to draw out resources. Business relationships are developed to mitigate negative impacts on business operations. To this end Uzzi (1997) can be introduced as his theory develops the notion of relationship levels. Uzzi (1997) argues that there exist two forms of relationships arm's-length relationships and embedded relationships.

Arms length relationships characteristics:

- Detached language focused towards transaction.
- Lessened exchange between partners.
- Interaction is sporadic and regularly singular.
- Focused primarily towards economic matters (Uzzi, 1997).

Embedded relationships characteristics:

- Personal relationships centered on economic processes which are the platform for behavior between partners. Characterized by levels of:
 - Trust.
 - Information transfer.
 - Problem solving between partners (Uzzi, 1997).

This being said Uzzi (1997) argues that these two forms of relationship are most productive run in parallel, Uzzi suggests that being over embedded is restrictive (Uzzi, 1997). This can be augmented with Ford et al.'s (2011) argument that over embedded relationships leads to loss of direction and input on said direction. One can see that these relationships exist but management is paramount to promote innovation and network activity (Ford et al., 2011).

Johanson and Vahlne (2010) argue that markets are networks and thus require strategy. Expanding on their position they furthered this by arguing that business networks are sets of connected

business relationships. Relationships are thus subsequent connections that are the critical elements of the network (Johanson and Vahlne, 2010). Their research discusses strategic change and alliances in networks and resulting strategy. Broadly speaking their view is that one party, i.e. the supplier of the customer willingly exchanges and interacts, which in turn builds knowledge and trust if the exchange is mutually beneficial than long-term exchanges and relationships might be built characterized by the aforementioned tenets (Johanson and Vahlne, 2010).

The business relationship is created through enactment and integrated actions. To this end, Johanson and Vahlne (2010) argue that intentions, interpretations and expectations are important but the relationship and alliance are informal depending on management level. This leaves the interpretation of said tenets open to cultural scrutiny or simply put; clashes and misunderstanding with regards to culture interpretations. The relationship is to a large extent the development of knowledge and learning abilities.

To this end, Johanson and Vahlne (2010) argue that common knowledge happens as a result and as such opportunities are determined through the network. This is because the creation of knowledge, particularly common knowledge, is more likely to lead to those in the network being able to determine possible opportunities. They argue that the coordination of activities is a critical point in this school as it links relationships and has strategic implications on the management and targeting of relationships (Johanson and Vahlne, 2010).

International companies today are firmly set on the utilization of relationships as a tool to build and maintain international business ventures. Gadde and Ford (2008) argue that a predominant characteristic of business networks is the strong interdependency of companies. They further this argument by purporting that, business relationships and the interdependencies of companies are the sum of network theory (Gadde & Ford, 2008). However, there are significant areas within the literature past and present, which lends to our research based on the need to determine the network as a resource.

Perry (2002) gives a good understanding of network classification, which is specifically interesting to this research as he divided small and medium enterprises' networks into four categories. These categories of networks are community-based networks and are specific to particular industries and companies. They are built and maintained by competitive advantage through cooperation. The network is characterized by dependency of the firm and value chain grouping, independence of activities, shared norms and culture similarities, which permit and facilitate inter-company cooperation (Perry, 2002).

Personal and ethnic networks are orientated towards relationships built in and amongst family and friends, which is furthered by and through social networks. This network is influenced by two tenets, personal relations, business activities, cultural attitudes towards values and corresponding behaviour (Perry, 2002).

Organizational networks are orientated towards relationship assimilation towards ownership, shared membership and investment (Perry, 2002). This network purports that a company would be tied to the level of cooperation and integration with others for their success and failure (Perry, 2002).

Buyer-supplier networks purports that exchange, interaction and mutual development between two or more firms is the platform of the network. Actors are required to form commitment bonds and involvement amongst partners so as to develop the buyer-supplier network. The network focuses on long-term relationships where actions, exchanges and adaptation's are undertaken in the network and not individually. Actors strive to build competitive advantage through information sharing and cooperation through continued interdependency (Perry, 2002).

2.2.1 Actors, Activities and Resources (A.R.A)

Håkansson and Snehota (1995) discuss the concepts of actor bonds, resource ties and activity links, which form the connections between parties in a business network. Ford et al. (2011) stress that companies are highly dependent on the networks and relationships between suppliers, customers, distributors and co-developers, however they mention that no relationship can be wholly managed by just one company. Relationships are dynamic and require management and the ability to access resources and activities through direct and indirect relationships (Ford et al., 2011).

Actors are individuals, companies or organizations and are defined as those who perform activities and/or control resources (Håkansson & Snehota, 1995). Furthering this, bonds are created between actors and in turn, this derives differing levels of commitment. This aspect is important for the business network Internationalization Process Model (Johanson & Vahlne, 2009), as the relationship commitment decisions as well as trust play considerable roles in the change aspect. At the company level, actors are independent and organize functions and divisions, while the relationship level actors are more integrated and form bonds with important counterparts. These bonds have a dramatic effect on the actor's network (Håkansson & Snehota, 1995).

The relationship is continuous and complex requiring management that can see the interactive nature of resources and network management. Ford et al. (2011) further this argument by suggesting that the management of these bonds integrates the resources and activities of many firms. This forwards the notion that network theory and the resource based view has many commonalities and interdependencies.

Ford et al. (2011) describe activities as sequential acts where activity occurs when actors combine and exchange resources, which aid the development and creation of resources. Håkansson and Snehota (1995) suggest that networks are linked by the business activities of other actors and activities centered on resources, which are according to them, linked to each other. According to Ford et al. (2011), there are two types of activities: transformation activities and transfer activities, where the exchange of resources occurs through transfer and transformation activities.

The resources of a company/firm are heterogeneous and are specific to the situation and setting and as such, resources are related to the activities performed (Ford et al., 2011). As such, the positions that Johanson and Mattson (1994) purport are that the actors in a network choose to exchange or integrate resources suggest that the network is a resource and resources in the network exist. Moreover, and of far more importance to the study, Johanson and Mattson (1994) argue that heterogeneous resources lead to new knowledge through the development in the network as a result of pooling activities and resources.

The idea that firms who are connected through a network have actor bonds, activity links and resource ties, although these ties are of differing levels, they contribute to the commitment and trust

variables of specific relationships. This returns us to Johanson and Vahlne (2009)'s revised IP model where the internationalization process is determined by relationships and carried out within a network. Learning and knowledge, which make up substantial elements of the process can then be affected and enhanced by collective resources within a business network and its extensions (Johanson & Vahlne, 2009; Johanson & Mattsson, 1988).

2.3 A Resource Based View of the Firm

The resource based view model was developed by Wernerfelt in 1984 looking to clarify how a company uses its internal resources and analyzes its strengths and weaknesses to make the best use of its competitive advantages. Wernerfelt argued that through the resource based view, resources and internal capability can be seen to be heterogeneous as most resources are used to produce the products and most products require using the service of firm resources (Wernerfelt, 1984). The resource-based view is a way of viewing the firm and in turn of approaching strategy. This view suggests that the firm is a bundle of resources (Wernerfelt, 1984).

Knowledge is increasingly seen as strategically important (Barney, 1991). The resource based view looks at the internal resources of companies as such what Barney (1991) accounts as the companies capabilities, processes, knowledge and assets becomes of significant importance to this study. This is because the strategic importance of competitive advantage of SMEs needs to account for internal resources for purposes of leverage before they can look to the more intangible resources in networks.

Companies act in different industries and have different resources this report looks at markets as networks and as such the determination of what Barney (1991) determines as opportunity recognition requires a fit with the companies resources. Furthering this argument to analyse competitive advantage opportunities resources must be relevant to the market as such firstly according to Barney (1991) a company's resources must be accounted for then secondly the more intangible resources in their networks.

Penrose (1959) argued that the resources a company possesses at any particular point in time limits said company's abilities. He furthers this argument stating that companies can extend their physical, human, and organizational resources (Penrose, 1959). It can be argued that the cumulative effect of resource utilization is cyclical in that the resources with which a particular company is accustomed to working will shape the productive services its management is capable of rendering (Penrose, 1959, p. 5). These resources and their leverage and application are what drive sustainable competitive advantage. As such they are important to the research of this report and will be summarized below.

Barney (1991) developed the resource based view model supporting the argument that competitive advantage is found in the company and not specifically to its industry (Barney, 1991). Barney (1991) argued that a company's competitive advantage is highly dependent on its resources materialized through its assets and its abilities. This theory argues that efficiency in production and distribution is where the company looks to aggregate and focus its energy. The theory also gives credit to the need of the company in shaping the environment in which it conducts its business activities and operations (Barney, 1991). The resource-based view is excellent at identifying strengths and weaknesses of a company as it allows the identification of a company's specific resources and capabilities.

The resource based view model does not consist of one theoretical framework and the literature that was looked at, which best analyses a company's resources, is seen through tangible resources, intangible resources. Tangible resources are physical assets of a company, which can be seen on their financial report in the form of land, machinery and financial assets. Intangible resources are assets that a firm has influence over or own but are not physical and don't appear on their financial report, however have great value to the company (Barney, 1991). Both Wernerfelt (1984) and Barney (1991) focus their debate on the company's resources arguing that both tangible and intangible resources are integral to understanding and building competitive advantage.

Organizational resources

Organizational resources consist of the interactions the company has within industries and is heavily influenced by social effects (Barney, 1991). The structure and culture of a company have significant influence on the activities and management of relationships. This is affected by internal influences, these are:

- Behavior.
- Motivation.
- Leadership.
- Decision making and problem solving.
- Group interaction and organization structure (Barney, 1991).

Cumulatively these resources have significant impacts on organizational effectiveness consequently they are impacted by structure and cultural impacts. Moreover this theory sees the organization as made up of capabilities and resources. It purports that internal capabilities and resources determine the strategic choices and opportunities of companies in external environments (Barney,1991).

Human resources

Barney (1991) focused on human resources including experience, internal and external relationships and intelligence; however the concept of human resources has been developed by Wickham (2006). He argued that human resources in a company are, simply put, humanistic where employees are critical to the resource based view due to their abilities, relationships and attitudes affecting overall strategies and planning, which is relevant to allocation of resources (Wickham, 2006). Networks or relationships can be argued to be synonymous with human resources or as Wickham (2006) argues a set of activities perpetrated by employees, which are built and managed through relationships creating mutually beneficial outcomes (Wickham, 2006).

Capital resources

Operating resources has seen progressive expansion in its theoretical field, however it can be argued to be progressive. Wernerfelt (1984), Barney (1991) & Wickham (2006) are all roughly of the same opinion that operating resources include and are made up of work premises, machinery and machinery, materials both produced and raw and storage. Intangible resources are also relevant as distribution networks and partnerships or outsourcing is equally relevant as they are to network under human resources. Wickham (2006) argues states that all operating resources, both tangible

and intangible, need to be balanced while the company should be aware of aspects affecting them as their implications will impact the cumulative balance of the company's resources.

Financial resources are, according to Wickham (2006), represented in a company's borrowing capability, assets, credit liquidity, and anything representing financial importance on the financial reports. Previously, it has been argued that financial resources are cash dependent, however more and more are being argued that financial resources are any tangible asset, which can be liquidated to acquire other resources. We can draw on both Wickham (2006) and Hollensen (2007) who are complimentary in their respective arguments about the lack of financial resources in regards to SME's as they have limited equity bases. Both argue that this lack of equity and possible experience moderates the opportunities with regards to the acquisition of and the building up of financial resources. This is useful in respect to this research as it analyses SME's and help formulate the approach to information gathering. Hollensen (2007) points out that there is a commonality among SME's in their need to combine financial resources together with other tangible resources to create competitive advantage and leverage their position (Hollensen, 2007).

2.4 Conceptual Framework

A conceptual framework is presented in this chapter. The aim of the framework is to develop an understanding of how the various concepts presented in the previous chapter connect to each other.

2.4.1 Entering New Markets

The revised IP-Model by Johanson and Vahlne (2009) strongly incorporates the findings by other authors (Chetty and Blankenburg Holm, 2000; Ellis, 2000; Johanson & Mattsson, 1988) who argue for the role of a firm's position and access to resources within its network in the internationalization process. The relationships which a firm manages with its network partners are seen as of importance to the internationalization process as the strength of relationships as well as the network position of both the firm and its partners affects the process (Johanson and Vahlne, 2009; Johanson & Mattsson, 1988). According to Johanson and Vahlne (2009) firms will often follow existing partners with strong positions into new markets. Alternatively firms will seek out and develop new relationships in markets which they are eager to enter (Loane & Bell, 2006) or might have potential partners reach out to them to present new market opportunities (Ellis, 2000), thus playing either an active or passive role in expanding the network for the purpose of foreign market entry (Johanson & Vahlne, 2003; Ellis, 2000).

2.4.2 Managing Relationships

The internationalization process of a firm whether incremental or viewed from the network perspective is reliant to a certain extent on the network (Johanson & Mattsson, 1988; Johanson & Vahlne, 2009) where the relationships between the firm and its partners are seen as an important part of building and maintaining the network (Johanson and Vahlne, 2010). These relationships are on either 'arms-length' or embedded levels (Uzzi, 1997) and can fall into one of four types of relationship: Community based, Personal and ethnic, Organizational, Buyer/Supplier (Perry, 2002). The strength of a relationship as well as its ability to successfully provide the necessary support to increase a firm's competitive advantage is determined by the various bonds, ties and links which connect the actors, resources and activities (Ford et al., 2011; Håkansson & Snehota, 1995).

2.4.3 Using Resources

The resource based view of the firm is an internal perspective with which to determine the sustainable competitive advantage of a firm according to the internal resources which the firm has available (Wernerfelt, 1984; Penrose, 1959). These resources include the firm's capabilities, processes, knowledge and assets (Barney, 1991). By extension then resources which are available to the firm via the network would increase the firm's competitive advantage and ability to enter a foreign market, however according to Barney (1991) the internal resources should be accounted for before seeking external resources from the network. The resources of a firm consist of both tangible and intangible resources and fall into the categories of *Organizational, Human and Capital resources* (Barney, 1991; Wickham, 2006).

2.4.4 Summary

Summarizing then, the process of internationalizing is affected by the firm's strength and capabilities according to its internal resources (RBV) and its network position and subsequent available support from the network (IP/incremental and network). This position of the firm can be increased through finding and developing relationships to extend its network. The resources available from partners within foreign networks can increase the firm's ability to enter the foreign market. Furthermore the firm can adopt an active or passive role in extending this network in order to internationalize, developing both formal and informal relationships which provide resources and opportunities within the foreign market. The figure below represents this process graphically (where "Partner E" and "Partner P" represent existing and potential partners respectively) and shows the connection between the various theoretical views and concepts discussed in this chapter.

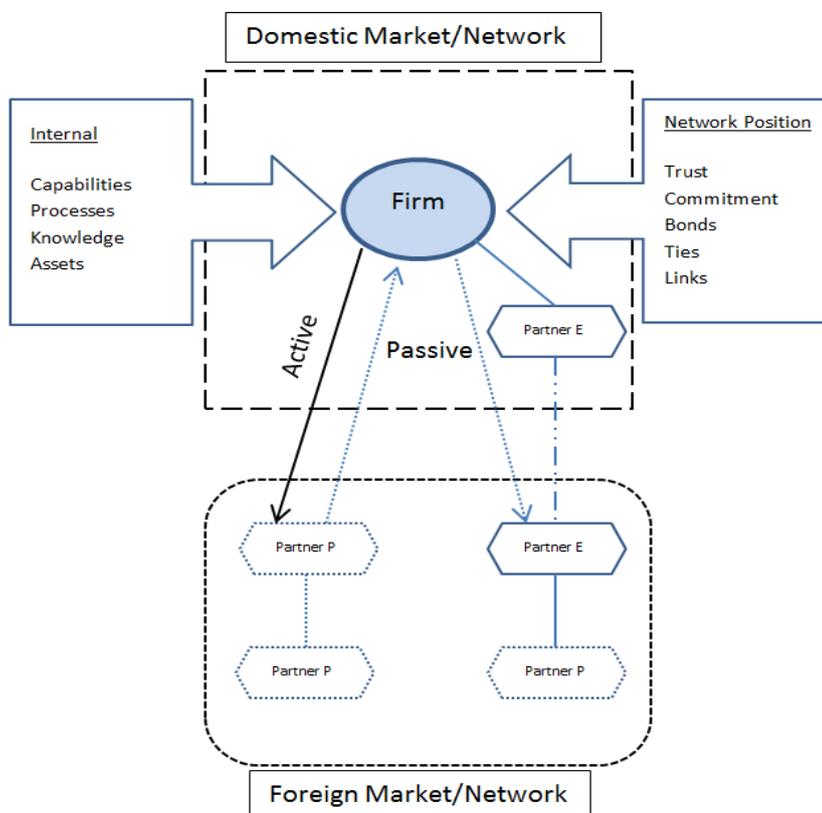


Figure 2.3: Conceptual Framework (Source: Authors Own)

3. Method

This chapter describes and explains the thinking and actions behind the study undertaken. This covers the planning and execution stages for developing a framework to collecting and analyzing the data.

3.1 Choice Of Topic

The reason for choice of topic was the interest of from both authors on the topics of internationalization and business networks. As a result of globalization interconnectivity and interrelatedness are ever-increasing in respect to company's internationalization processes and business activities. The authors saw that as a result of the aforementioned affects of globalization business networks, activities and the structural usage of resources has become of critical importance to SME's and MNC's. The topics and fields of research utilized were chosen based on subject area, relevance to research interest's strength of the study. They were also chosen as they conform best to the academic need for the research project and the wishes of the companies participating.

The research project is formed on two themes; firstly, an understanding of the knowledge available in the fields of internationalization and international business, which was built through reading the literature relevant to the project. Today, international business ventures are multifaceted. This mode of entry into a new foreign market is built on the foundation that a company has either pre-existing knowledge of a market or has undertaken extensive investigation of the market.

To fulfill what Fisher (2010) classifies as central criteria for topic selection there are several areas that must be considered when planning a research project. These areas relevant to selection are:

- Topic interest and relevance,
- Strength and relevance of research questions.
- Durability of research.
- Topic relevance.
- Ease of access (Fisher, 2010).

For this research project relevance of the literature was selected so as to be closely connected and complimentary to the research questions. The questions are closely linked to the research area in respect to the aims of the project and the gaps presented in the literature review. Their strength is drawn from selected literature. They are a direct product of further questions that rose from what the authors saw as a lack of knowledge in the area. They are specifically designed to draw out data which can be reproduced in further studies and is durable when tested.

3.2 The Research Approach

The study follows the deductive or processional approach, which is linear in thinking (Fisher, 2010). What this means is that the authors begin the study with a framework of theory through which to view and analyze the empirical data collected during the study.

The structured approach of this paper is based on theories from three fields, the Internationalization Process, Network Theory and the Resource Based View. Through a qualitative research approach, the research at hand in what Fisher (2010) states is a structured research approach with a small group of

interviewees to construct non-statistical insights. Furthermore, the research is orientated towards the qualitative approach so the structure can be systematic and thorough.

The qualitative approach was chosen as it allows for what Fisher (2010) argues is an in-depth understanding of human behavior and the underlying factors behind these actions. Furthermore the qualitative approach allows for more in-depth questioning of all the tenets of the decision making process. What is relevant to this study is a more in-depth questioning of why and how decisions were made and as such a qualitative approach is the better fit it also allows for more focused data collection (Fisher, 2010). However, this approach has been chosen as it allows the gathering of data to be somewhat less structured and dynamic than quantitative research.

There are different approaches to research and according to Saunders et al.. (2006) the approach chosen will be the most relevant to the desired starting point of the author in relation to the theories. The inductive approach first gathers empirical data and analyses it so a theory is developed (Saunders et al., 2006). The inductive approach is argued to move from the specific to the general (Saunders et al., 2006). This approach was not seen as suitable by the authors as the research project was built from existing theories. However according to Saunders et al.. (2006) one of the benefits of the inductive approach is that it allows for the acquirement of a deeper understanding of the topic.

When carrying out a research of any particular topic, in this case organizational behavior, one has to be aware of the alternative methods that can be applied or used. The project is, according to Fisher (2010), a work, which follows realist research in its approach. Following Fishers (2010) arguments on a realist approach the project approach recognizes the subjective nature of research and the inevitable role of values of in it.

To this end it should be briefly highlighted that had this project followed an inductive approach this project could have made use of grounded theory, or had there been more time, action research could have been applied. Furthering this argument Fisher (2010) suggests that the structure of research should be complimentary to the central criteria of topic selection. As such, time allowance and the interpretive nature of the research made these approaches impractical.

3.3 The Research Method

This research project will make use of interviews as a means of gathering the primary data. The method adopted in the project could have also made use of what Fisher (2010) terms panels, questionnaires, observational research (action research), and activity sampling. These methods are not exhaustive (Fisher, 2010) but due to the nature of this project there was more focus on open and not pre-structured methods.

The semi-structured nature of the interviews was chosen to facilitate relevant primary data via face-to-face interviews which were followed up and complimented with email and phone conversations. This approach allows the authors to follow the structure and linier formation of the interviews so as to extract relevant data from the interviewees on specific topics. This approach also allows the topics to be linier but expansive.

The research is partly focused on experience and knowledge; as such Fishers (2010) argument that the semi-structured approach allows the interviewees to discuss their experiences in detail is of significant value to the research. It is also in complimentary to the qualitative approach as it allows for the in-depth analysis of humanistic behavior. However more importantly it is in keeping with the epistemological significance placed on carrying out a research project (Saunders et al., 2006). All semi-structured interview and transcripts are provided in the Appendixes.

3.4 Data Collection

Academic sources are of importance to any research project as it is constructed information presented from existing theory or opinion and arguably the starting point (Fisher, 2010). Primarily it gives a researcher an overview of the literature so they can understand and be clearer of existing theory, research and opinion. This allows and is essential to the building of any conceptual framework of theories so an area can be explored and narrowed to the researchers aim. It is presented in many ways such as books or articles, academic or organizational reports accessed through electronic databases, internet or print.

The literature was collected via the databases provided through the Mälardalens Högskola online library. The construct of the literature collection went as follows.

Table 3.1: *Data collection sites (Source: Authors own)*

Emerald Insight	http://www.emeraldinsight.com/
Google Scholar	http://scholar.google.com/
SwePub	http://swepub.kb.se/
JSTOR	http://www.jstor.org/
LIBRIS	http://libris.kb.se/
Discovery	http://ep.bib.mdh.se:3516/eds/
EconPapers	http://econpapers.repec.org/

The topic of the research project is internationalization process knowledge and networks. This is a very broad area so as to narrow the scope of the search the author's used key words and search phrases. The key words and phrases used in collecting the secondary data were:

Internationalization	Mode of entry	Network theory
	Business networks	
Small and Medium-sized Enterprises	Actors	Resources Activities (A.R.A)

The authors search for secondary sources was specifically focused on searches for internalization and networks of SME's. The need to find literature dealing with activities, resources and actors was given particular attention in the later stages of the search. This process of narrowing the focus was necessary in relation to the research questions. Moreover the narrowing of focus was necessary to compliment the direction of the research on networks and knowledge.

Literature was also taken from academic books so authors could take what the books reported as the basic premise for the theoretical selection. It should also be stressed that in the formalities of this research paper, such as the formulation of the topic and the method academic books were used as guidelines.

The authors also consulted and took material from the websites of each of the aforementioned SME's and MNC's sampled as complimentary secondary data.

The data that was used in the study consisted predominantly of primary data collected by the researchers through interviews during visits to the companies. Communication was also via email and telephone this was in follow up to the interview.

3.5 The Interviews

The interviews were of a semi-structured nature, which means that the general topics discussed were steered by the interviewer through a prepared sheet of questions. The respondent did, however have reasonable amount of latitude in the manner in which he/she could respond to the questions (Fisher, 2010). This semi-structured approach enabled the interviewer to ensure that the relevant topics were covered in order to allow for a comparison of the different views and experiences. Fisher (2010) suggests that an open approach is good for situations where the type of answers from interviews are not known or for situations where the interviewer is interested in finding new ideas.

According to Saunders et al.. (2006) in-depth information requires face-to-face interviews and that telephone interviews can have a negative influence on the quality of the study. As such the interviews were conducted in person and were carried out in Eskilstuna, Stockholm, Örebro and Kumla the duration was one hour per interview. Prior to the interview the authors asked for and received permission to record all interviews. As the interviews were semi-structured, there was a coded list of questions. The interviewer used this list in order to steer the conversation in a relevant direction (Fisher, 2010). This structure allowed the respondent to be flexible in providing information that he/she found relevant or interesting to the topic.

This also allowed the interviewer to probe the respondent in order to gain more specific information for the purpose of comparison. An interview protocol (as can be found in appendixes) containing the list of topics and questions was sent to all respondent prior to the interviews in order to allow them to have a better understanding of the topic and discussion at hand. The protocol included an explanation of the study that was being performed as well as information and an offer of confidentiality, anonymity and feedback. This information was also gone through face-to-face before the interview and allowed the interviewee to express any concerns and requests.

The topics and questions covered in the interviews related to the theoretical and conceptual frameworks. They were focused within two general fields: Foreign market entry and foreign market

knowledge. Questions surrounding the firms past, current and future activity in these areas, as well as the processes and resources involved were discussed. Each of the two areas was discussed according to the role of the business network in both internationalization and knowledge gathering.

The disadvantages of using semi-structured interviews are that firstly they are time-consuming due to transcribing and analysis of the data. Secondly these forms of interview according to Fisher (2010) can be hard to interpret due to the allowance for in depth discussion on many topics. They argue that it becomes easy to digress due to the general nature of some questions proposed. It is also paramount to understand that the standard questions used can also pose problems as they have different settings. This means that the respondents are acting in different networks as such their answers will not be uniform. However as the research project is aiming to analyze a research gap which is heavily influenced by the interpretative approach this form of interview was deemed most suitable as it allows for the abstract.

It would be prudent to point out that the interviewer according to O'Muircheartaigh and Campanelli (1998) is the primary source of error. Interviewer variance, interviewer effect and sample design effects interview precision (O'Muircheartaigh and Campanelli, 1998). To mitigate this effect the questions were constructed specifically to the theory and literature review and relevance to the research topic. There was also now influence exerted on the interviewee, also in keeping with the semi-structured interview.

The interviews were recorded which all respondents agreed to prior to the interview, and were transcribed afterwards. The interviewer also kept a degree of written records in order to record as much information as possible, which might not have been relayed properly on the audio recordings. The written records also provided crucial backup in the case of equipment failure.

3.6 Choice of Companies

The study is based around the operations and network activities of SME's and MNC's and therefore one criterion for an interviewee are the size of the company. SME's by definition are companies which have less than 250 employees. However two of the companies interviewed, Atlas Copco AB and Carl Zeiss Optronics (Pty) Ltd were multi-national corporations (MNC's). These MNC's were interviewed in the first instance (Atlas Copco AB) as a follow-up and attempt to further understand the network position of Calix AB, which it is in a network with. The interview with the Carl Zeiss Optronics (Pty) Ltd also allows for a comparative perspective of the internationalization process of SME's and MNC's. Processes and decisions at this company are thus looked at on the subsidiary level and not at the parent company level.

The authors chose these companies as the focus of the research is on SME's. The MNC's were selected as they shared networks and were complimentary to research done on the SME's.

A total of four companies were interviewed in the process of this research they were

1. A manufacturing and technology firm in the defense industry, Carl Zeiss Optronics (Pty) Ltd (MNC).
2. A heating system manufacturer in the automotive industry, Calix AB (SME).
3. A service firm in the packaging/paper industry, Millcon AB (SME).

4. A mining equipment manufacturer in the mining industry, Atlas Copco AB (MNC).

For each of the companies a representative in an appropriate position in the organization to shed light on the subject was interviewed. Here the authors will discuss the positions of these representatives and the number of times contacted.

The findings from the interviews are, therefore from of an organizational perspective. However due to the nature of the interviews, open, there was a certain level of latitude for individual perspective. This is because the interviewees were representing their companies and were discussing their experiences and knowledge of activities and contacts in networks. To this end there will be one analyzing unit organizational.

3.7 Literature Overview

The three schools of research or theoretical schools, which the researchers were inspired by, subsequently investigated, and theories drawn upon were from the Uppsala Internationalization Model, Business Network Theory and the Resource Based View. To expand on this; the theories were broken down into the investigative reading as follows:

Uppsala Internationalisation Model

The IP model was taken as a starting point. Previous reading had been carried out about the model in Ghauri and Cateora (2010) and Ford et al. (2011), two books broadly concerned with internationalization and marketing. The original research report by Johanson and Vahlne from 1977, which was peer-reviewed and insightful, was read. However there have been significant advances made in the areas of research, and as such Johanson and Vahlne revised the model in 2009. It is this version of the model from which the project has taken theory, however to achieve broader knowledge articles and research by academics and authorities relevant to this area were also utilized.

Network Theory

Ford et al.'s (2011) *Managing Business Relationships* was where first inspiration for this theoretical field was taken from. The authors were also present at a lecture on Network Theory given by Mats Forsgren whom is one of the original theorists in this field. As such the project looked into his work through articles and research reports given by the IMP Group, which included the work done by Johanson & Mattson (1994) that also considered architects of the theory. Subsequently, it was necessary to expand the literature to included Perry (2002) and Gadde and Ford's (2008) work as the research has developed and are considered contemporary. This information was provided in the form of research reports and journal articles.

Resource Based View

Broadly, the researchers started looking at what was available in book form for this area as a base to begging deeper investigation. To this end, the project started out with Wernerfelt (1984) and his journal article, *A Resource-Based View*, which is the seminary work for this area. The project then expanded to contemporaries in the field, namely Barney (1991) and Wickham (2006). In addition, there was also research in the form of reports and journal articles to narrow the theory.

To this end, all books and research reports followed this process as they are academic in nature. The references were used as a source for further reading making sure to have stayed with academic work. This was because there were stark differences in writing styles, choices of qualitative or

quantitative approaches, differing theories and frameworks, which all have differing levels of quality. It should be stressed that here the main fields researched and the main academics in these fields are discussing in a cursory manner. In no way was the literature search and analysis limited to these authors and academics alone.

3.8 Analyzing the Data

The collected data was looked at through the theoretical framework drawn up concerning the internationalization process of companies and the resource based view, however before that step in the process, there was a need for a stage of sorting the collected data as to make sense of it. According to Riley (1996), making sense of data requires a cycle of sifting and sorting, followed by writing. In the case of this research report the authors deemed this as coding. This process involved thematic coding as to sort the relevant data into the various themes, which are presented in the theoretical framework (Fisher, 2010).

One could also argue that the data analysis took the approach from what Miles and Huberman (1994) argue is a three tired consecutive approach. The authors followed this approach by firstly reducing the data in to what Miles and Huberman (1994) argue is a simplification and organization of data. This makes it easier to draw conclusions. Secondly the authors presented the data in what Miles and Huberman (1994) classify as Data display. This is presented in the findings and analysis chapters and is separated into thematic categories of structured data which was interpreted using the theories chosen. This was done to make conclusion structured and easier to draw. Lastly is what Miles and Huberman (1994) argue is the collection of conclusions and testing. The authors presented their findings and analysis in the conclusions and described the evaluation of the study which is in keeping with the final stage of Miles and Huberman (1994) data analysis process.

These processes allowed for a better understanding of the data and greatly contributed to a strong analysis of the findings. The data is then written up as a narrative account of the events and subjects of the study (Fisher, 2010), in which case the analysis is completed with the use of the aforementioned techniques proposed by Miles and Huberman (1994) and Riley (1996).

3.9 Reliability & Validity

Fisher (2010) states that validity and/or reliability refers to the understanding, discussion and analysis of universals. To this end, we can expand as realism, nominalism and critical realism draw out questions over truths. As such, Fisher (2010) argues that you should say what you mean. Further this position on universals muddies the water in respect to truths and positions towards them Fisher argues that three positions can be taken as a researcher, and they are:

- Universals are real and more or less reflect reality and are therefore easy to define and measure (Fisher, 2010).
- They are just phrases laced with ambiguity which can be difficult to analyse, however a humanistic approach could be adopted to assess perceptions (Fisher, 2010).
- Universals are real but exist on a level below our experience and as such are difficult to identify intellectually on an experience level (Fisher, 2010).

What is meant here, is that due to the structure of the thesis, construct validity is imperative as the authors used interviews to determine if an organization exhibits particular characteristics (Fisher, 2010). Again, this is highly dependent on the degree to which research is carried out in the same manner and if the results will provide similar outcomes. The authors were looking for high reliability so the literature was scrutinized to form a concise body of questions, which would provide reliable findings so conclusions could stand up to scrutiny.

The authors were working in a field where there have been similar researches but the author's research utilizes academic works on internationalization, network theory and the resourced based view, thus reliable studies served as a guideline. The authors approached the research in a holistic manner. As such, validity was critical and scrutinized the approach to make sure the tools were capable of achieving measurement. The internal validity according to Fisher (2010) is to identify cause and affect relationships to this end the authors aimed to present data, which is justified or can be critically analysed.

The interviews were sent to the companies prior to interview to minimize conflict and to maintain openness. Once the interviews were transcribed they were sent back with follow up questions so the areas of interest were covered, transparency was maintained and the holistic approach applied. Again, to this end data was collected from architects of theory's or academic researchers to support the undertaking. Subsequently, we framed these questions to numerous members of management in our target company's responsible decision making in these areas to achieve validity.

3.10 Ethics applied in the research

For the purpose of transparency, it should set out to describe how the project was carried out in line with what Fisher (2010) classifies as ethical research. There are two main tenets to this; firstly, what can be termed as obtaining and use of the empirical data. Secondly, the scrutiny and understanding of influences on the analysis, and the portrayal of said analysis.

For ease of understanding, this project gained access to four different companies. This negotiated access and terms of reference was done via managers in relevant positions of responsibility. This is in line what Fisher (2010) classifies as the negotiating stage of data collection. At the subsequent interviews informed consent was sought, privacy and confidentiality where discussed and agreed upon. To this end all four companies gave permission to record and publish all data collected being fully aware that it is to be stored on the university database and will effectively become public.

The project has taken all ethical aspects of plagiarism, openness, objectivity and confidentiality in careful consideration (Fisher, 2010). As such the primary research of the project is complimented with carefully sourced and fully referenced and quoted secondary sources. There has been extensive discussion of the methods used in constructing this project again in keeping with Fishers (2010) argument about openness and transferability.

There are always questions over objectivity to remain unbiased the findings and analyses are presented in an unbiased manner. This was done so a reader can as, Fisher (2010) suggests, read the material with ease and determine for themselves whether there is impartiality.

3.11 Limitations

This research project has been carefully constructed however limitations were inevitable. The authors identified and will discuss here these limitations. The issues surrounding author bias in regards topic selection was considered an acceptable limitation. This was due to the necessary motivation required to pursue the study.

Firstly, due to the insufficient time frame the research project was limited to the data provided within this thesis. Secondly the depth of discussion on resources given by the interviewees might limit the scope of analysis. Thirdly, the collection of primary data is from Swedish and South African SME's and MNC's which could limit the scope to these particular cultures. This was however mitigated as the study is focusing and taking the perspective of the industry. The interviews were approached from a noncommittal and nonjudgmental stance to minimise influence. However it is unknown how much of the information disclosed is influenced by the interviewer's stance and the interviewee's bias towards their companies. Interviewee bias is according to Yin (2003) is a significant issue. Specifically when there is pressure to represent the companies in the best light possible. To mitigate this effect interviews were carried out on the premises of the interviewees so as to placate their responsibilities.

4. Findings

The information collected for the purpose of the study is presented in this chapter. These findings are based around the relevant themes drawn out by the theoretical framework in chapter 2 relating to the internationalization process, business networks and resources of a firm.

4.1 The Companies

The bulk of the empirical data was collected through personal interviews with representatives from four different companies, two of which are SMEs and two which are MNCs. The interviews were held in order to collect information on the aspect of internationalization and the importance of business networks in providing the necessary resources for successful foreign market entry. Furthermore the interviews will shed light on the differences between the importance of business networks in the internationalization process for SMEs and MNCs.

4.1.1 Small and Medium Enterprises

SMEs are defined by EU law as companies with no more than 250 employees or a turnover not exceeding 50 million Euros (European Commission, 2012). Small and medium sized enterprises are a vital part of the European economy as they make up over 99 percent of the businesses in the European Union as well as provide for over 60 percent of the private sector jobs (European Commission, 2012).

Calix AB

The first of the SMEs interviewed is Calix AB which is based in Eskilstuna, Sweden, and produces and sells electrical engine and cab heating systems for both commercial and personal vehicles and machinery (Calix AB). This company is active in markets within Europe, Asia as well as North and South America. These markets are, however, not serviced by the company directly, as they supply parts to original machinery manufacturers (OEMs) in Europe, which then distribute their products that are integrated into the trucks, construction machinery and cars that are exported around the world (Claes Nyberg, personal communication, April 24, 2012).

Millcon AB

The second SME is Millcon AB which is a packaging and paper converter based in Kumla (Örebro), Sweden. It is the leading partner in reel converting solutions for the Scandinavian paper industry. Its mission and goal is to help their customers save time, money and reduce engaged capital through efficient rewinding, storage and distribution of paper and board (Millcon AB).

4.1.2 Multinational Corporations

Multinational corporations (MNC's) are according to Forsgren, Johanson and Sharma (2000) organizations incorporating geographically separated actors and units that are engaged in business activities in diverse markets. These MNC's have subsidiaries, which are active in different markets and as a result have to commit differing resources and meet different market challenges. This plays a significant part in shaping the companies behaviour and activities (Forsgren, Johanson and Sharma, 2000).

The Multinational Corporation is according to Riad A. Ajami, G and Goddard, J (2006) is defined in three ways. Firstly as a firm which is structured so business activities or ownership is split amongst countries. Secondly it can be defined as the organization of global product divisions. Lastly a

multinational corporation can be determined by specific ratios of foreign business activities or assets to total firm activities and assets (Riad A. Ajami, G and Goddard, J, 2006).

In relation to this research all possible resources of the examined companies will be considered but particular focus will be on what Grant (1991) suggests. This is that a MNC's knowledge accumulation and use provides a source of sustainable differentiation and competitive advantage. Furthering this argument MNC's are more than anything facilitators of transfer and exploitation of knowledge (Grant, 1991).

Carl Zeiss Optronics (Pty) Ltd.

Carl Zeiss Optronics (Pty) Ltd. is a defense contractor based in South Africa. The company is a subsidiary of Carl Zeiss Optronics GmbH in Oberkochen, Germany, which owns a 70 percent share in the company. The company develops and produces electronic and optical devices for use in helicopters, aircraft, drones and submarines (Carl Zeiss Optronics).

Atlas Copco Mining and Rock Excavation Technique

Atlas Copco Mining and Rock Excavation Technique is a mining and rock excavation technique business. It provides machinery for drilling and rock excavation, a complete range of related consumables and service through a global network (Atlas Copco, 2012). The business area innovates for sustainable productivity in surface and underground mining, infrastructure, civil works, well drilling and geotechnical applications. Mining companies and contractors are vital customer groups for aftermarket products such as maintenance contracts, service and parts, as well as consumables and rental in 2011 the business area had revenues of BSEK 29 (Atlas Copco, 2012).

4.2 The Markets

Three of the companies interviewed, Calix AB, Millcon AB and Atlas Copco have Sweden as their home market, Carl Zeiss Optronics' home market is South Africa. They are all also present in various other markets to differing degrees. The SMEs are however less active than the MNCs in international markets. Calix AB is present in markets in Northern and central Europe, Asia and North and South America (Claes Nyberg, personal communication, April 24, 2012) and Millcon AB is present in different European markets (Johan Millgårdh, personal communication, May 2, 2012). Carl Zeiss Optronics on the other hand do only around 20 percent of their business in their home market and as such have more extensive international operations with large customers in the United States and Europe and younger ones in Asia (Ben Ash, personal communication, May 1, 2012). Atlas Copco has the most extensive international operations of the companies interviewed with a presence in every single market bar one, Guinea-Bissau (Peter Bray, personal communication, May 1, 2012).

4.2.1 Key Markets

Both SMEs' most prominent markets are in fact their home market and surrounding markets in Scandinavia. There is also much interest in Germany as a market for both Calix AB (who are currently present in that market) and Millcon AB who are eager to expand into the market (Claes Nyberg, personal communication, April 24, 2012; Johan Millgårdh, personal communication, May 2, 2012). Carl Zeiss Optronics too has strong connections to and operations in Germany which are in large due to their parent company's presence in the market (Ben Ash, personal communication, May 1, 2012). The United States is a prominent market for Carl Zeiss Optronics which has large customers in that market (Ben Ash, personal communication, May 1, 2012), this market is also an attractive one for Calix AB who do have a limited presence in the US and are keen to expand further into the market.

Carl Zeiss Optronics and Calix AB also have growing presence in markets in Asia them being India and Japan respectively although expanding these markets appears to be of most concern (Ben Ash, personal communication, May 1, 2012; Claes Nyberg, personal communication, April 24, 2012).

4.3 The Roles of Partners

Business partners and strategic alliances were found to have differing functions among the four companies interviewed. Carl Zeiss Optronics in some cases sold to distributors, this was often the case with some of their smaller products, which they do sometimes also sell directly to end users. What they more often do is to sell to other businesses which integrate their products into their own products and then sell them on to end users (Ben Ash, personal communication, May 1, 2012). Calix AB supply parts to original machinery manufacturers (OEMs) in Europe, which then distribute their products as integrated into the trucks, construction machinery and cars which are exported around the world (Claes Nyberg, personal communication, April 24, 2012). Products are sold directly to end users in some markets, particularly their domestic market, but end users form a small part of the total sales of the company. Millcon AB's partners' roles are more oriented to supplying raw materials like the paper which they convert and rewind as well as trading houses which purchase and distribute their products (Johan Millgårdh, personal communication, May 2, 2012). Atlas Copco was found to have partners with much more limited roles and particularly only with regards to production where they have many partners who work with them on the production of components. Customers were in some cases also used as strategic partners in laying foundations in new markets (Peter Bray, personal communication, May 1, 2012).

4.3.1 Facilitating Connections

Ben Ash states that "It's actually quite rare to make a company to company or business to business type of connection without local help. It is difficult to find each other without it" (Ben Ash, personal communication, May 1, 2012). For Carl Zeiss Optronics then an important role of a partner is in facilitating connections for potential business. In markets where it is allowed agents are used to help with these connections, however in the defence industry in which the company operates often agents are not allowed as they create suspicion of corruption (Ben Ash, personal communication, May 1, 2012). Johan Millgårdh also mentions that a crucial role that their partners play is that of referring potential customers to them (Johan Millgårdh, personal communication, May 2, 2012). Calix AB also rely heavily on their customers and partners to deliver their products to end users as an integrated part of their vehicles and equipment (Claes Nyberg, personal communication, April 24, 2012).

4.4 Finding and Selecting Partners

The process of finding new partners to assist the company in new markets was found to be a troublesome process. Ben Ash states that "The main issue is then how to find and establish this network". It was mentioned that often this is done through contacts with people or companies who have previously established networks in a particular country (Ben Ash, personal communication, May 1, 2012). In the case of Carl Zeiss Optronics they mention that they made contact through their parent company in Germany. The other obvious way to do this according to them is to go to trade shows and display your products. This way other people or companies who are interested in distributing or representing your company or products in a particular country will find you (Ben Ash, personal communication, May 1, 2012). Johan Millgårdh mentions the importance of presenting the company at events which make it possible for potential customers to get to know about the company

and approach them, he states: “we are going to ScanPak (Europe’s largest paper and packaging Expo) this year with a booth. So we can promote beyond our network and interact and gain insight to new markets” (Johan Millgårdh, personal communication, May 2, 2012). This method of discovering potential partners and customers is also highlighted by Peter Bray from Atlas Copco when he says: “we are at expos, conferences, meetings and dinners where we meet our counterparts, partners and potential customers” (Peter Bray, personal communication, May 1, 2012).

4.4.1 The Connection Process

The process of finding partners to work with was found to take a considerable amount of time according to Ben Ash from Carl Zeiss Optronics. He mentions an extensive process of getting to know partners after you have met them in order to determine if they are the correct choice for the company in terms of delivering the product and developing sales. This process includes working out non-disclosure agreements, meeting with them and their customers, assessing whether they have the right contacts, legal checks in both the domestic and foreign market as well as doing thorough background checks as to make sure that any potential partners have the right reputation and that they will not damage your own company’s reputation. The interviewee gave an example where they recently signed agreements with companies in India after close to a year since first meeting (Ben Ash, personal communication, May 1, 2012).

4.4.2 Partner Criteria

Millcon AB specifies the quality and supplier ability alongside the ability to connect them with customers as an important aspect of partner selection (Johan Millgårdh, personal communication, May 2, 2012). Calix AB is primarily concerned with their partners’ ability to distribute products to end customers as well as provide stable product demand across seasons (Claes Nyberg, personal communication, April 24, 2012). The important factors found for selecting partners at Carl Zeiss Optronics are that they have the right connections and that they have some experience in the market that they want to operate in and that the potential partners actually are currently doing business in that market (Ben Ash, personal communication, May 1, 2012).

In the case of Carl Zeiss Optronics preferred network partners in foreign markets were explained to be those which can add value to the company’s products. This way for example they sell 90% of the completed product from their home country to an in country partner in the foreign market who adds customizations or small tweaks to software or perhaps add-ons or accessories. At very least it is beneficial for the partner to have the capabilities to maintain products, which makes it easy for customers to return products and have repairs done. Often a customer’s decisions to buy products is based on the local support or manufacturing which is available for the product, so it is crucial to have a local person there who can quickly and easily answer questions and make the entire process transparent to the end user. The US was given as an example where customers were unsure of the ease of working with foreign suppliers, where quick and readily available information and contacts can lower this concern of theirs (Ben Ash, personal communication, May 1, 2012).

4.5 Knowledge

Millcon AB gains foreign market knowledge through working with both experiential knowledge and internal and external investigation and targeting. They as a company cannot afford the resources and time to focus specifically on targeting and market knowledge gathering. Johan Millgårdh states that “The company is too small and potentially over stretched” with regards to internal knowledge

gathering activities (Johan Millgårdh, personal communication, May 2, 2012). Calix AB too mention that their limited number of employees means that collecting knowledge on the foreign market is rather difficult and something which does not receive focused attention (Claes Nyberg, personal communication, April 24, 2012).

Ben Ash from Carl Zeiss Optronics stated that knowledge attainment depends on the level of experience that you have in a specific market. In previous employment, for instance in Abu Dhabi, there was actually initially a South African living there who had done business there before, had good contacts, and actually helped them to do business. When that person left they just carried-on on their own as the company had its entrance, acquaintances and knowledge. This was possible because the electronics manufacturer learnt through that experience and got to know the people and went-on on their own without any local help. The company did however open up a local office there and had a continuous presence there, so there is continuous experiential knowledge being built in the market (Ben Ash, personal communication, May 1, 2012).

Understanding how a market functions and staying up to date with what is happening in the market is something which is very important. This is crucial in being able to spot opportunities and take advantage of situations which the market might present (Ben Ash, personal communication, May 1, 2012). There is mention about services which are more and more available, which offer services like sending you opportunities. The interviewee states that an obvious way of generating business is through potential customers finding you, through your web site for instance. However it is good to use tender bulletins and services which monitor these bulletins in order to find opportunities. It is thus possible for someone to alert the company to potential buyers of their products and companies can also subscribe to bulletins which send out updates and provide market knowledge and competitive data, which they call "business intelligence"(Ben Ash, personal communication, May 1, 2012).

India is mentioned in an example as "the defence industry in India is huge" (Ben Ash, personal communication, May 1, 2012). The country has 1.3 million soldiers, which means that when they buy something it's in thousands. Ben reiterates "to hear of all the opportunities and all the tenders you need to be extremely alert, and you can't do that for a wide variety of products" "(Ben Ash, personal communication, May 1, 2012). Carl Zeiss for instance has quite a diverse product range and as a result of that has got three or four different people helping them in different areas to sell things in India. In the last 30 years, it has been people that have had this experience in the country before that have transferred this knowledge, they know how to do business in India or Korea and so on. Even in Algeria the interviewee had a friend helping out. "It is important to understand the end consumer, it's about what they want and need, will the product meet their requirements?" (Ben Ash, personal communication, May 1, 2012). Its understanding what they need, how to adapt your product, your actual marketing pitch, which features of your product to emphasize which make this knowledge and network important(Ben Ash, personal communication, May 1, 2012).

Calix AB was found to make use of local assistance in Germany where they have a contact with experience in the market. This is a former MD of their distributor in Germany who is now a consultant for them. He is currently transferring his knowledge and he will deliver and introduce the company's representatives to the market and customers. This is important to them because of the size and growth rate of the customers which they have there (Claes Nyberg, personal

communication, April 24, 2012). The North American market is one which is attractive to Calix and which they currently have customers/partners in. They have set a task of expanding further into this market and this is made harder for them as they have limited knowledge on the distribution structure of the market (Claes Nyberg, personal communication, April 24, 2012).

When it comes to gaining market knowledge Calix does so through education and exploring modern technology industries. The company uses what it gains through experience but they are integrated so they share knowledge and solutions with customers as a means to develop channels (Claes Nyberg, personal communication, April 24, 2012). External partners and their network are used to gain knowledge as there is an issue with size of the company and the number of employees who have the relevant knowledge (Claes Nyberg, personal communication, April 24, 2012). In contrast Atlas Copco has an entire internal division which prioritizes in collecting information on different markets (Peter Bray, personal communication, May 1, 2012).

Atlas Copco gains market knowledge internally and externally; Peter Bray states: “we have many years within the division of our markets and as such have extensive documentation of market research”. The company also has large departments within marketing and communications which research new options based on their previous knowledge, from both experience and research. The company also uses external agencies when they are in weak areas but most often is in conjunction with their internal division (Peter Bray, personal communication, May 1, 2012).

4.6 Sharing Knowledge and Resources

The sharing of knowledge was explained to be limited between Calix AB and their customers even though they are connected strongly (Claes Nyberg, personal communication, April 24, 2012). Claes Nyberg states that “of course there is potential for beneficial knowledge sharing...and we need to start somewhere” (Claes Nyberg, personal communication, April 24, 2012), he adds that, if they work with customers in Germany there is the potential to use the knowledge that they have from customers who import trucks to the US, and if the company can develop a good relationship with the importer it could influence things when approaching the OEMs. An example of this potential is that they have a project with Atlas Copco and Cummings engines. They use Cummings engines and these engines come fitted with their competitor’s machinery from the US. Then when Atlas Copco receives the engines in Sweden they rip out the installed machinery and install their approved products which are produced by Calix AB. This relationship thus has great savings and profit potential if developed further (Claes Nyberg, personal communication, April 24, 2012).

The sharing of information is something which Calix AB feel is not done so well. They do however actually know when for instance a tractor manufacturer is changing their engines, as this type of change is mostly driven by emission levels. The company is more or less integrated into their customers so they get a 'heads up' a year or so before new changes are implemented (Claes Nyberg, personal communication, April 24, 2012). The interviewee from Millcon AB stated that one good thing about their closest customers is that they are willing to share knowledge due to their relationships and reputation. Their willingness to share knowledge and reciprocate in sharing and developing potential and prospects within the company’s networks allows it to consider their own resources and look to utilize available resource available from their customers (Johan Millgårdh, personal communication, May 2, 2012). Johan Millgårdh identifies that the company has three main resources which they utilize simultaneously, which are: The workforce that drives everything from

the top down where information and knowledge is recycled to drive expansion and efficiency; strong networks which allows for continued expansion and possible extension, it was stressed the company consider this a strong and valuable resource; The company's position and distribution channels are a considerable resource, they are integrated with their strongest customers, we are in Örebro with many forms of distribution outside their front door (Johan Millgårdh, personal communication, May 2, 2012).

Learning through experience and the sharing of solutions between customers and Millcon AB has led to the further extension of their clients. The company argues that due to their position within their clients' production flows and distribution channels a certain level of knowledge transfer is necessary. The interviewees state that this compounds trust and strengthens their network position. Both agree that ironically this is something that is really out of their control. They are glad that it strengthens their network and furthers their knowledge but it is a byproduct of their activities (Johan Millgårdh, personal communication, May 2, 2012).

Carl Zeiss Optronics note the importance of an incentive for partners to want to spend time on them and their products. Partners therefore must be able to see that Carl Zeiss and their products have an ability of succeeding in that market, so that partners can succeed as well. Ben Ash emphasizes that in order for an efficient transfer and sharing of knowledge or resources to take place there needs to be enough money for partners to earn. If it costs a partner a large amount of money and effort to market their product and they're making too little profit from it, they are not going to do it. Also, if they do not have the right reputation or product quality, they will get a bad reputation, so it is important that there is trust between them (Ben Ash, personal communication, May 1, 2012).

According to Ben Ash an in country partner will ask "what's in it for me?" They will share quite willingly if they see that they can earn money too. If you have a good reputation and have a good chance of succeeding, then of course there is an incentive for them to help you succeed "that's what a partner is, it means that you are doing something together and are both benefiting from it...and obviously when it comes to competitors and semi-competitors they are less open about what they share" (Ben Ash, personal communication, May 1, 2012). One thing that is said to be difficult is to determine which bits of information are relevant or not, Ben Ash adds "just because somebody tells you something doesn't mean that it's true" (Ben Ash, personal communication, May 1, 2012). According to Peter Bray, Atlas Copco works with their customers and suppliers to maintain state of the art products and distribution channels and to this end their knowledge transfer and gathering is fluid and integrated. However the interviewee states that the company is careful with the amount of knowledge it shares as it can be dangerous particularly considering some of their markets and property rights issues (Peter Bray, personal communication, May 1, 2012).

4.7 Entering New Markets

When talking about entering new markets Carl Zeiss Optronics explain that existing networks and partners are preferred for doing business, as the process of finding the right people and building trust and knowledge on them is removed. It is made much easier by having a partner in place which knows the company and their products and can from an early stage assist in connecting them with customers in the market (Ben Ash, personal communication, May 1, 2012). In an example, Carl Zeiss had a case where a person in the company had a contact which he did business with in Europe 20 years before. This contact had then moved to the US and approached Carl Zeiss at their exhibit at a

trade show in the US with an offer to be the company's distributor in the market. Because the company knew his background and that he has all the technical knowledge and contacts in the US for their products they could comfortably use him as a distributor in that market to sell to integrators. "This is something that does happen" Ben Ash states, referring the movement of partners between markets, which opens up opportunities for easier market entry and access for them. This can be due to the movement of both firms and individuals (Ben Ash, personal communication, May 1, 2012).

Calix AB mentions a key aspect to embedding them self in the foreign network which is the certification of the company and its products (Claes Nyberg, personal communication, April 24, 2012). This allows the company to be on a stable footing as well as enables partnerships to form more easily. The continuous renewal of certifications as well as the long term relationships which the company has with important customers and manufacturers in the industry is also a key aspect to maintaining and strengthening their network position. The company uses formal customer and distributor networks as well as more informal personal contacts and relationships which form its network (Claes Nyberg, personal communication, April 24, 2012). Ben Ash says that "you need to be a little careful" when committing to a market and that "a person or company makes mistakes and can learn from them". The interviewee suggests that it's probably always good to find something that's not too big to start off with, to test a contracting model. Sometimes they may have a distributor model, and it's always good to do something small first to test the model and to see if everything works before entering into large deals that can potentially cost them a lot of money (Ben Ash, personal communication, May 1, 2012).

5. Analysis

This chapter looks at the findings presented in Chapter 4 through the theoretical and conceptual frameworks drawn up in the preceding sections of the paper. The basic structure of the analysis will be based on the conceptual model presented in Chapter 2.

5.1 The Firm and the Internationalization Process

The Uppsala Model outlines what Johanson and Vahlne (2009) call rational internationalization, where a firm's level of market knowledge in their current state determines its level of commitment and subsequent activities in that specific market. All of the companies interviewed were present in international markets in one way or another. The questions thus are how did they get there, what level of knowledge do they have of their markets and how did and does this affect their decisions in terms of commitment to these markets.

5.1.1 Incremental Internationalization

Calix AB and Millcon AB both appear to be following the suggested manner of gradual internationalization (Johanson & Vahlne, 1977) as their activities in international markets are fairly limited and their level of commitment still relatively low. These companies' activities in their respective foreign markets are gradually extending, however they appear to be in the early stages of the establishment chain with mainly exporting activities and limited foreign investments (Claes Nyberg, personal communication, April 24, 2012; Johan Millgårdh, personal communication, May 2, 2012).

Carl Zeiss Optronics is currently present in many markets globally, however the core of their customers are located within Europe and the United. The strong connection which the company has with Europe is due to the location of its parent company in Germany. Entry into the German market was facilitated by the knowledge of the market from the parent company, where they incrementally spread to more European markets as well as the US (Ben Ash, personal communication, May 1, 2012). This behavior is very much in line with the concept of rational and incremental internationalization as outlined by Johanson and Vahlne (1977), however only in the stages after entry into the German market as the parent company's presence there naturally allowed for rapid entry into that specific market. Thus their operations and commitment in their markets are more advanced than those of the SMEs according to the establishment chain with joint operations in Germany and the US (Ben Ash, personal communication, May 1, 2012). Atlas Copco is in contrast a long way ahead according to the establishment chain with high levels of commitment in numerous markets through subsidiaries, joint ventures and licensing agreements (Peter Bray, personal communication, May 1, 2012).

5.1.2 Psychic Distance

The element of psychic distance, which relates the differences between two markets in terms of culture, language, political systems, trade policies, etc. (Coviello & Munro, 1997) was found to be evident in the markets which the companies were present in. According to Johanson and Vahlne (1977) companies will select markets which are low in psychic distance to set up initial operations. This behaviour is seen particularly with regards to the SMEs studied, as their limited international activities were concentrated around markets which are relatively similar in these aspects. Both Millcon AB and Calix AB who have Sweden as their domestic market have their international activities

predominantly in surrounding countries in Scandinavia. The German market which too is psychically close is a key market to Calix AB as this market contains important partners which they work with and supply to (Claes Nyberg, personal communication, April 24, 2012). The German market is also one which Millcon AB are looking to expand more into as they too see it as an important market for them (Johan Millgårdh, personal communication, May 2, 2012). What can be seen from the markets that the SMEs are present in is that as the markets become further in terms of psychic distance their presence and commitment decline. With regards to this Millcon AB have very little in the way of market presence in psychically far markets, whereas Calix AB have limited activities in Russia and Japan which are further psychically and increasing activities in the US which is slightly nearer in terms of culture and language (Claes Nyberg, personal communication, April 24, 2012).

With the MNCs we observe much less in the way of psychic distance. Carl Zeiss Optronics shows elements of increased activities within markets which are close psychically, particularly in Europe and the US, whilst they too have increasing presence and activities in markets which are further psychically, such as India and the Middle East (Ben Ash, personal communication, May 1, 2012). Atlas Copco on the other hand shows little in the way of this theory considering its global presence and operations, although it must be noted that this does not shed light on the company's initial operations which data of was not gathered, there is merely no sign of Psychic distance in their current behavior (Peter Bray, personal communication, May 1, 2012).

5.1.3 Knowledge and Opportunities

Knowledge on the foreign market and the ability to recognize opportunities in the foreign market are key aspects to the internationalization process proposed by Johanson and Vahlne (2009). These are found in the state aspect of the model which according to Johanson and Vahlne (2009) is where the starting point to the process is likely to be found. Both of these aspects were highlighted by the interviewees as important to their international operations. It was found that an understanding of the market was crucial in being able to conduct successful business. This included information on the needs and wants of end users as well as the practical issues of how business is conducted (Ben Ash, personal communication, May 1, 2012). Calix AB puts emphasis on the information surrounding the different actors in the industry as well as an understanding of the distribution structures and channels which are used and available (Claes Nyberg, personal communication, April 24, 2012).

5.1.3.1 Building Knowledge

Collecting market knowledge and being aware of opportunities in the market were found to be troublesome tasks, particularly for the SMEs. Calix AB and Millcon AB admitted to having little resources available and dedicated to gathering information on foreign markets, whilst both companies claim to collect this intangible resource through experience within markets and cooperation with partners (Claes Nyberg, personal communication, April 24, 2012; Johan Millgårdh, personal communication, May 2, 2012). In contrast the MNCs had more resources dedicated to gathering information and keeping tabs on the markets for opportunities. Atlas Copco has a vast amount of resources invested in gathering market knowledge through an internal division as well as collaboration with external sources (Peter Bray, personal communication, May 1, 2012). Carl Zeiss too have more in the way of human resources, particularly in large markets such as India where they have numerous people keeping track of happenings in the market (Ben Ash, personal communication, May 1, 2012).

5.1.3.2 Support

Local assistance in collecting knowledge is an aspect which arose from the interviews and can be seen as increasing the companies' knowledge and ability to spot opportunities. What is further evident is that markets where firms had local assistance were found to have greater commitment by the companies, thus conforming to the business network internationalization process model presented by Johanson and Vahlne (2009). Calix AB for instance made use of support from a consultant with experience in Germany where they now have increase commitment through partnerships with key OEMs (Claes Nyberg, personal communication, April 24, 2012). Carl Zeiss Optronics too used the help of personal contacts as well as agents in order to gain further knowledge on particular markets, with their commitment in the US market increasing through the use of personal contacts with knowledge on that particular market. In addition to this form of local assistance Carl Zeiss Optronics mention the usefulness of tender bulletins and subscription services which provide "business intelligence" and alert the company to opportunities in the market (Ben Ash, personal communication, May 1, 2012).

5.1.4 Network Influence

5.1.4.1 Existing Partners

The network's role in the internationalization process well argued for (Johanson & Vahlne, 2009; Chetty and Blankenburg Holm, 2000; Ellis, 2000; Johanson & Mattsson, 1988) and is also evident in the findings from the companies interviewed. It is suggested that a firm might follow partners to new markets based on their network position and ability to allow the recognition of opportunities (Johanson & Vahlne, 2009). This is definitely a factor when looking at the findings from the four companies interviewed, as particularly the SMEs are present in markets solely due to the presence of their partners. Calix AB supplies mainly to OEMs in central Europe, which distribute products around the world, thus their presence in many markets is due to their relationships. They too develop products which work in cooperation with those of their partners making it essential for them to be present in the same market (Claes Nyberg, personal communication, April 24, 2012). This is much the same for Millcon AB which also is present in international markets through its connections with partners in Scandinavia. The company relies heavily on referrals from its partners and also works in cooperation with them, which implies that they are present in the same markets (Johan Millgårdh, personal communication, May 2, 2012).

Carl Zeiss Optronics has a key relationship with its parent company, which enables access to the German market and other European markets (Ben Ash, personal communication, May 1, 2012), in this sense the company also to a degree has followed a partner to a new market, although not to the extent that the SMEs have. There is also little evidence given by Atlas Copco of following existing partners to markets, predominantly as they do not enter new markets as they already have a presence in most. It was found that because of the amount of time needed to find and develop partnerships, existing partnerships were preferred. Hence markets which had existing partners were seen as preferable to those which did not, thus heavily influencing the internationalization and market selection of the firms. This process is explained by the change aspects of the updated IP Model, particularly those of learning, creating and trust-building. These elements are particularly important in that they affect the firm's network position, and conversely the entire dynamic process.

5.1.4.2 Potential Partners

Companies though can also look to develop new relationships in networks which are attractive to them in order to facilitate effective market entry (Loane & Bell, 2006). In some cases Carl Zeiss Optronics looked for new partners in the market which they were interested in (Ben Ash, personal communication, May 1, 2012). The same was found with Calix AB who was interested in potential partners for the US (Claes Nyberg, personal communication, April 24, 2012). Finding these potential partners was said to be hard (Claes Nyberg, personal communication, April 24, 2012) and time consuming (Ben Ash, personal communication, May 1, 2012), however the most prominent ways of going about it were the use of expos and trade shows, as well as informal and formal events and contacts (Ben Ash, personal communication, May 1, 2012; Peter Bray, personal communication, May 1, 2012; Johan Millgårdh, personal communication, May 2, 2012). The movement of existing partners between markets was also found to create opportunities in markets where the company was searching for potential partners.

The example, which Johanson and Vahlne (2009) give, where firms find customers or partners in foreign markets through agents or distributors appears very relevant as both Carl Zeiss Optronics and Calix AB were found to make use of distributors and agents when entering markets where they had no prior network partners present. Calix AB appears to have very little sales which are not facilitated by an integrator, distributor or agent in its international markets. Millcon AB similarly has international sales directly linked to referrals and requests by its strategic partners in Scandinavia. In this sense, the companies' international business is being limited by their partners' presence and their ability to find new and reliable partners in markets, which they have none.

5.1.5 Passive vs. Active

The issue of internationalizing through the network can be approached in either an active or passive manner by the company (Johanson & Vahlne, 2003; Ellis, 2000). In the case of Millcon AB the company appears to mainly follow its existing partners into its new markets, as such the company takes a passive approach. Calix AB are present in markets through current partners, however these partners have been created by adjusting and developing products to suit the selected partners and their markets making their approach slightly active. The approaches adopted by presenting the companies at expos and trade shows is either active or passive depending on whether the companies are approached by intermediaries or third parties or whether the companies actively approach potential partners in new markets (Loane & Bell, 2006; Ellis, 2000). In this sense Carl Zeiss and Atlas Copco appear to adopt a varied approach, keeping a passive approach in general markets and adopting an active approach in markets which are important to them. This is mainly due to their level of resources which allow them to have presence in numerous markets simultaneously.

5.2 The Business Network

The empirical data gathered from the investigation of the four companies found a broad mix of networks and that strong relationships exist in regards to knowledge sharing. In keeping with Anderson et al.'s (1994) reasoning that interconnected business relationships are endemic in and between companies. It is clear and stated in interviews with all four companies that clear contracts and agreements exist. All four companies claimed that their networks were of intrinsic importance and trust amongst each other is critical. With regards to their networks, each company was clear that the trust manifested in numerous forms of activities and relations.

For the Carl Zeiss Optronics, it was quite rare to make a company-to-company or business-to-business type of connection without local help as it was difficult to find partners without it. Establishing networks was more likely to be done through other people who have already found or established networks in the particular country. Calix AB considers partners very important to the company as the company's products make up a small part of the completed products, which end users purchase. Thus, relationships must be managed as the distribution networks of their partners in Europe are important to get access to other international markets. It was stated that long-term relationships that the company has with important customers and manufacturers in the industry also is key to maintaining and strengthening their network position. This involves two varying degrees, formal and informal interactions, with customers, distributor networks and personal contacts.

Millcon AB's network is crucial to current and future business. They state that what is changing in the industry is the strength and dynamism of their network as it used to be about contacts and verbal agreements. The company sees these interactions as a crucial mixture of informal networking and formal business arrangements that must be managed for the continued growth and stability of the company. Atlas Copco AB has a very strong and integrated network, on entry to new markets and rolling out new products they look to utilize in this network. They have an extensive range of partners as well as a wide range of activities they mention that they are always looking to work more closely with when it comes to partners. As an industry leader, they are quite independent preferring to have ownership of decisions. Moreover, trust is required but in most cases has to be built.

As Johanson and Mattson (1988) argue actors and businesses that interact with each other regularly are more likely to develop relationships. Social dimensions exist within all these interactions where trust between each other is intrinsic. To this end, all companies investigated have, as a core of their network, this dynamic.

Gadde and Ford (2008) argue that a predominant characteristic of business networks is the strong interdependency of companies. Social relationships are built on consistency and action towards mutually beneficial partners. Business relationships are dynamic and as such there are high degrees and possibilities of abuse of trust. Surprisingly, the companies interviewed were positive in their interpretation of relationships and networks with no bad statements made. This could be due to the Swedish nature of integrated networks and the placement of emphasis on informal working practices; however, this is not a conducive mode when looking internationally.

Conducting a business relationship requires less barriers and exchange of information that the end goal being knowledge mitigates uncertainty. The desired outcome is the minimizing of risk and increasing trust and subsequently strengthens the network. To this end, there are clear correlations amongst the company's positions on networks. This, in turn, is conducive with Johanson & Mattson's (1988) position that when companies interact with one another; each side tries to seek and/or share knowledge so as to reduce uncertainty and increase trust.

5.2.1 Network Types

There are many similarities between the types of networks that were investigated amongst the four companies. However, with regards to the four specific forms of network put forward by Perry (2002), there are some specifics, which demark the companies from being completely similar. With regards to Perry's (2002) concept of community-based networks, it can be argued that each company's network is specific to their particular industries. However, with regards to Calix AB and Atlas Copco

AB, it became obvious that there was a linkage in their networks. It was and is a distant relationship but is a good example of how company's build and maintain competitive advantage through cooperation and look to extend products and relationships through said networks.

Again, it can be argued that due to all the companies except Carl Zeiss Optronics (however it is German/South African meaning there is a European mentality about the organization) being Swedish there are shared norms and culture similarities. This, according to Perry (2002) would permit and facilitate inter-company cooperation.

The four companies each gave explicate examples of cooperation and incidences where they have used their networks and relationships to manage foreign entrance, new networks and customers in foreign markets. This is a-typical of personal networks where the network is influenced by two tenets personal relations and business activities. From the empirical data, it is apparent that all companies hold their personal networks in high regard. The empirical data gives to the notion that these personal networks are intrinsic in facilitating and enabling foreign market entry or gaining knowledge. The interviewee from Carl Zeiss Optronics stated that there had been help in numerous market entry's and introductions to new networks of a personal nature for example in Dubai. It is interesting in regards to the electronics company as in many markets, for example in Korea, agents are mandatory, legalized and registered. In addition, everything is above board and well documented.

Another example of this form of network can be draw from the empirical data collected from Calix AB. It was stated that they are constantly in touch with partners to gain market knowledge on the Russian market, working with up to twelve individuals. The company is also being guided through the German market by a consultant well known to the interviewees who has been a part of the network for many years. This is in keeping with the emphasis placed on personal relations and networks by Perry (2002). Leading on from this, it is also in keeping with what Perry (2002) terms, cultural attitudes towards values and corresponding behaviour and ethnic networks, which mean that it is necessary to maintain these informal but strong relations in order to maintain the network. Moreover, it is these personal relationships, which enable the extension of the company and make cooperation feasible (Perry, 2002).

Millcon AB is active in both the aforementioned personal networks. However it must be stressed that, they are very much involved in and benefit from what Perry (2002) termed organizational networks. From the empirical material, it was made clear that the company's activities in regards to expansion and market knowledge are something that is taken from cooperation and development with their partners. The company has two very specific types of partners; firstly, the contracted customers, which are integrated with and who produce the paper that they convert and rewind. These are critical in placing them in the market but they also work very closely with traders and trading houses to expand their activities. Millcon AB also draws strength from their partners as they are leading companies in the paper industry. From the empirical data it is evident that they are integrated with their customers and partners. This is indicative of organizational network where the company is orientated towards relationship building and looks to shared membership and investment as suggested by Perry, (2002).

Carl Zeiss Optronics is also active in this form of network. The interviewee from Carl Zeiss Optronics stated that the company and the interviewee's own experience has been heavily influenced by

relationships with network actors in foreign markets. Exemplifying this from the empirical data, it was stated that going to foreign markets is essential to having some form of contacts to show you the layout and introduce you. It was also stated both by the interviewee and on the company's website that there is a large focus on the development of products between networks and subsidiaries (Retrieved April 20, 2012 from *Carlz Zeiss Optronic's website*). The empirical data for these companies point towards Johanson & Mattson's (1988) and Perry's (2002) positions on organizational network, the empirical data clearly suggests that these companies are tied to the level of cooperation and integration within their networks for their success and failure.

Atlas Copco AB is predominantly active in the buyer-supplier network. From the empirical data, it was made clear that the company is producing their goods through a modular system so they have many partners who work with them on the production. They, therefore, rely heavily on interaction between the partners. There is a vast network but it is evident that due to the dispersion of the company there is a need for long-term relationships. The company works actively through localized distribution centres and partners, which run their rental, sales, logistics, distribution and training. This is in keeping with Gadde and Ford's (2008) concept, that actors are required form commitment bonds so as to build and sustain buyer-supplier networks. This is particularly relevant in this case as the foreign market is the strongest and most predominate As such, Perry's (2002) concept of exchanges and adaption's are necessary to facilitate this business mode.

Atlas Copco AB exchanges, interacts, integrates and mutually develops so as to expand, thus it is important to consider that their network as an intrinsic part of the company as it is multi – faceted. It should be stressed that Gadde and Ford (2008), suggests that these actions and interactions are not individual in nature; however the interviewee from Atlas Copco AB suggested that there is a high level of ownership of responsibilities and actions.

From the empirical data we can see that all the companies have actors who strive to build competitive advantage through information sharing and cooperation through continued interdependency. This is a core tenet of Johanson and Mattson's (1988) and Perry's (2002) concepts where there are differing levels naturally but this is down to level of internationalization and size. It could also be seen as something, which may be part of the Swedish culture, but a grey area as the companies in question hire broadly and have a dichotic mix.

Networks are crucial in accessing information and knowledge, however Ford et al. (2008) argue that the largest and most crucial factors of a network are not contact centric but take resources to maintain and manage them to benefit most. Both Johanson and Vahlne (2009) and Johanson and Mattson (1988) argue that entering and maintaining positions within a network is resource demanding. Activities therefore manifest as a result of interactions between actors in a network. All four of the companies have these characteristics and from the empirical data, we can see that they are each stronger in one area and weaker in others as some have larger resources while some have stronger network positions. The network is dynamic and the company must follow suit, which is why we find from the empirical data, that there is dynamic interplay between the actors and activities in the network. All four companies are fluid in this respect as they are reliant on market knowledge gathered from partners and relationships in their respective networks.

Johanson and Vahlne (2010) suggest that firms will place considerable importance on creating and building strategy's to target, enter and maximize potential within a specific network. From the

empirical findings and subsequent analysis, it is quite clear that networks of the four companies are a set of connected business relationships. These relationships are a central platform for interplay between knowledge and commitment development. This is, according to Johanson and Vahlne (2010), what drives development of the network and associated relations. What is interesting from Johanson and Vahlne's (2010), markets as the networks report that they differentiate between relationships and alliances; a longstanding central tenet of network theory. From the empirical findings, there was clear differentiation of company position. The empirical findings pointed towards all four companies being predominant in relationships but with a view of Johanson and Vahlne (2010), it becomes a tricky prospect to separate relationship or alliance.

This is due in part to the informality of relationships that the interviewees are a part of. It should be stressed, that Johanson and Vahlne (2010) argue that formal aspects such as contracts, flows of products and services are elements of a business relationship are informal (Johanson and Vahlne, 2010). It is suggested that there is a difference of relationships and alliance depending on the level of management. From the empirical findings, it is clear that this is the case as informal relationships are seen as more binding.

Resources are intrinsic to the companies. From the empirical data, we can see that the companies consider the networks that they are in to be a resource. The companies interviewed stated the foreign market knowledge and market entry cannot be achieved without their relationships and networks.

5.3 The Resources of the Firm

The empirical findings require a broader analysis with regards to actors, activities and resources as they are integrated to differing levels. This means that the interviewees are giving responses, which are relevant to one another in relation to their company and activities. There are sweeping contrasts in the empirical data, as previous mentioned in the analysis there will be differing numbers of actors within a network and business segment. Also, their activities will be different to varying degrees as they are in different industries, markets and countries/cultures.

From the empirical data, we can see that each company has drawn heavily on their resources when expanding their market. The actors and companies in the empirical data clearly underline the need to commit resources to their operations but this varies in the degree, as there was clear evidence of lack of resources and knowledge or mismatched relationships between these two concepts. The interviewees each gave examples of their network activities and relationships with suppliers, distributors and customers. The empirical data leads to the argument that actors are very active in their networks so as to preserve and grow them, but more importantly they build bonds to facilitate this.

The empirical data suggests that there is a collective effort to build strategy in dealing with relationships and networks. This is because there is no meaningful way of controlling them individually. There must be mutual interaction and collective management. This is in keeping with Håkansson and Snehota's (1995) view, that actor bonds, resource ties and activity links form the connections between parties in a business network. These relationships and activities are impossible to manage individually as such relationships are informal but individual depending on level of responsibility and management. This is at a basic level as relationships are aggregated to build a

network. The dynamism of the relationships and networks and the subsequent success and benefits depends largely on the level of integrated activities and the actors involved.

The empirical data for the four companies suggest that there has been significant knowledge drawn from their activities within their networks. At its basic premise, the empirical data suggests that there has been significant actor knowledge growth from activities carried out in their respective networks. The differing levels of activities previously mentioned is largely due to experience within the industry and length in a particular market as actors become better acquainted with other actors. This can be supported by Ford et al.'s (2011) argument that activities are sequential acts where activity occurs when actors combine and exchange resources, which aid development and creation of resources. This returns us to Johanson and Vahlne's (2009) revised IP model, where the internationalization process is determined by relationships and carried out within a network. The idea that firms who are connected through a network have actor bonds, activity links and resource ties begs the question over what the resources are perceived as and how can they be utilized whether they are tangible or intangible.

The resource based view has three core tenets human resources, capital resources and organizational resources. The empirical data lends to Wickham's (2006) argument that the central focus of the resource based view is human resources including experience, relationships internal and external and intelligence. This can be exemplified through the empirical data in respect to the company's experiences towards the concepts. The Carl Zeiss Optronics, Calix AB, Millcon AB and Atlas Copco AB gave example of situations where the companies were working on projects in foreign markets with partners who were introducing the customers and suppliers. This was taken in to further experiences in starting in another foreign market or simply put the experience created intelligence and knowledge, which was re-used.

Both Calix AB and the Carl Zeiss Optronics claim to place significant emphasis on intelligence and relationships as they look too utilized and strengthen these resources. This is the argument developed by Wickham (2006). He argued that human resources in a company are a set of activities perpetrated by employees, which are built and managed through relationships creating mutually beneficial outcomes (Wickham, 2006). Millcon AB claimed it employees were its biggest resource due in large part to their ability to re-use and improve on experiences and intelligence taken from activities within and outside of the network.

For capital resources, there is limited information given in the empirical data as the financial resources of the companies examined were not forthcoming. However, we can assume that due to the empirical data in regards the company's network strength and sales ability, they have, to some degree, borrowing capabilities, assets and credit liquidity that Wickham (2006) regards as a central tenet of the resource based view. The companies will naturally try to negate any lack of equity and possible experience through leverage of their products and positions so as to avoid moderating influences on opportunities with regards to the acquisition of and building up of capital resources (Hollensen, 2007).

The empirical data for Millcon AB and Calix AB clearly points to this. It is clear that due to their size and limitations that capital resources are combined to create competitive advantage and leverage their position (Hollensen, 2007). It is clear from the data that all four companies have defined capital resources. Calix AB, Atlas Copco AB and Millcon AB have premises, machinery, materials both

stocked and produced in Sweden while the Carl Zeiss Optronics has premises in Germany and South Africa. These, according to Wernerfelt (1984), Barney (1991) and Wickham (2006), are all tangible resources.

Company	Internationalization	Network	Resources
Calix AB	Present in various markets through distribution and integration partners. Limited Knowledge on international markets particularly outside Europe. Main connection to market in Europe mainly due to psychic distance.	Many network partners in Europe limited elsewhere. Strong buyer-supplier network. Linked to Atlas Copco through community based network.	Strong and predominant in human resources and organizational resources. Focus on their lack of intangible resources as these are relevant to foreign market (possibly struggling in this area). Operational resources key to product specifications and quality which assist key supplier relationships.
Carl Zeiss Optronics	Present in numerous markets through direct sales, integrators and distribution agents. Commitment in market varies according to countries and customer requirements.	Focused towards organizational Networks. Active in buyer-supplier networks.	Human resources in the form of agents and personal contacts to facilitate knowledge transfers. Tangible resources, like operational resources to facilitate support functions in the foreign market.
Millcon AB	Present in international markets as a preferred supplier to key Scandinavian partners.	Focused towards organizational Networks. Active in buyer-supplier networks.	Human resources which can transfer experience to valuable intangible resources. Operational resources are important for remaining a preferred supplier to key partners.
Atlas Copco AB	Global presence through subsidiaries and licensed dealers. High level of commitment in most markets as a strong member of the industry.	Focused towards buyer-supplier. Active in organizational networks.	Operational resources linked to high commitment in the foreign market presence and support for products.

Table 5.1: Analysis Summary (source: authors own)

However, the empirical data for all four companies suggests that the effects of organizational resources have significant impact on company structure, distribution networks and partnerships. These intangible resources are subservient to cultural effect but are potentially the most important in regards to foreign market knowledge. Wickham (2006) best argues why this is the case when he argues that the company should be aware of aspects affecting the knowledge collecting ability, which

in this case is the intangible resources. These resources are managed and developed in the network and through relationships while their implications will impact the cumulative balance of the company's resources (Wickham 2006).

To conclude, looking at the conceptual framework where the starting point for the dynamic process is likely the firm's current knowledge on the foreign market and its ability to recognize opportunities in that market, we see this as the initial hurdle to foreign market entry. Knowledge is required and constantly searched for by all the companies interviewed. In markets where this knowledge is available to the companies either through their own experience or through the assistance of network partners or intermediaries there is evidence of higher commitment by the firms in that international market. Calix AB has significantly higher commitment in the German and Scandinavian markets, where they have strong network connections and understanding of the market.

Similarly, Carl Zeiss Optronics has high commitment in the German market where it has a parent company and subsequently also has strong business ties in other European countries. Calix AB show very low commitment in markets such as the United States; where they claim to have little market knowledge. These market opportunities, which arise and lead to higher commitment also, have obvious links to the companies' network. The resources, which are required for successful foreign market operations, such as the operational resources that Carl Zeiss Optronics use for providing product support, or that Millcon AB needs to remain a preferred supplier, are very often provided by the network in the foreign market.

The operations within foreign markets, which arise from the bonds, links and ties with network partners also generates the firm's own intangible resources in the form of experiential knowledge that increases the recognition of opportunities and hence the level of commitment in the market.

6. Conclusions

Doing business in international markets has grown exponentially as an area of interest in research in the last forty years. There is and has been much investigation of globalization and all its associated concept but this is only a driver and enabler of international business. SMEs face the daunting task of exploring new and potential markets in order to keep up with global competition in their respective industry. SMEs are also heavily challenged in the aspect of internationalization as they often do not possess the resources that of large multinationals.

Analysis, which can truly look at activities and aspirational activities of a business internationally, must focus on areas of internationalization theory, network theory and the resource based view. This is because they are cyclical and integrated areas where a company's activities internationally can be evaluated so as to determine the successful nature of enterprises that are undertaken and are considered likely to be undertaken. These specific processes involved in internationalization are hard to pinpoint due to the secretive nature of competitive business. To this end, the sum of all its parts, in this case internationalization and a company's position are increasingly hard to determine due to their size and demographics, which is clouded by secrecy and often is quite complex and vague.

6.1 Partners

The companies appear to place high value on their strategic partnerships as well as personal contacts as these allow for rather efficient and effective entries into foreign markets when partners have prior positions in the foreign network. Conversely, there is also a constant and ongoing search for new and reliable partners with valuable positions in potential new markets. What these partners provide in the foreign market is the connection between the expanding firm and potential customers as well as access to both tangible and intangible resources, which assist in creating successful business ventures. These include basic market knowledge on how business is done in the specific country as well as perhaps operational resources, which can add support for product lines and services in the local market.

Network partners and personal contacts were also proven to greatly increase the recognition of opportunities within international markets where the firm was present as well as new markets, which partners have subsequently moved to. This finding that networks are constantly evolving and shifting further enhances the view that the dynamic model proposed by Johanson and Vahlne (2009) suggest that a company's network position affects its market knowledge and ability to recognize opportunities in the foreign market. A firm's level of commitment to a business relationship as well as the level of trust between the firms, thus leads to a partnership where information and resources are shared although predominantly only if there is mutual benefit for all parties involved. Conforming to theory firms were found to enter markets where they had existing partners due to the difficulty and time involved in developing new relationships. Furthermore SMEs tended to adopt a more passive approach to internationalizing through the network by following existing partners, whilst MNCs had a more varied approach, adopting an active strategy by seeking out potential partners in attractive new markets.

6.2 Knowledge & Resources

One of the central elements to the theory behind internationalization is undoubtedly the issue of limiting uncertainty through acquiring sufficient knowledge on the foreign market. Within the

companies interviewed, this knowledge was found to be gathered predominantly through informational sources such as trade organizations and representatives, tender bulletins and services, personal contacts and strategic partners such as agents, distributors and integrators. These sources provide the knowledge in terms of the business opportunities available as well as the needs and requirements of customers. This is reliant on human resources who act as vectors for knowledge and contacts as well as, in some cases, financial resources for funding agents and operational resources, which lend support to the internationalizing firm's products and services.

Furthermore, it is evident that the business network plays an extremely important role in providing these resources, which facilitate effective foreign market entry. Network partners provide the necessary human resources, which carry with them connections and expertise that are crucial in understanding the market. A country partner's operational resources also lend technical support and service, which is important in allowing for easier product acceptance through integration and local manufacturing as well as lowering customer uncertainty about doing business with a foreign company. The resources involved are thus tangible and intangible, although the latter is of greater importance in the beginning stages of the market entry process in that it supports the recognition of opportunities.

These resources are seen to be accessed through formal and informal networks and partnerships. Tangible resources are, however, more easily accessed through formal relationships or partnerships, whilst informal relationships more often provide intangible assets such as market knowledge. Finding potential partners and extending networks in order to internationalize, however proved to be one of the hardest aspects for the companies to facilitate; thus making markets with existing connections all the more attractive.

The companies examined proved to have strong correlations with theoretical leanings on network importance for internationalization. It is also clear the companies draw heavily on resources from their networks. It, therefore, can be argued that while physically intangible networks are central to business success as they provide environments where the more tangible resources are accessible. Therefore, when questioning the network, actor's roles, resources and activities, one can firstly question if these are being examined in a company context or in a network context. This is important as there are implications relevant in regards to managerial decisions, activities and knowledge. The implications of the study have proved that there is a clear cyclical effect on all areas of the chosen concepts. In relation to this project, there is clear all-encompassing incidence of the concepts being relevant to one another. What is of relevance here is that the companies examined give to the idea that knowledge is something that is critical to internationalization and is developed in the network where it can open new opportunities.

One problem area that is evident from the study is that there is discussion on cultural implications and from the empirical analysis. It is clear that there are differences over how to obtain, use and develop knowledge in the network. There is a clear line of separation in regards to behavior of differing businesses and the way in which actors carry out activities. This leads one to the belief that there is a requirement to actively seek out and work with existing associates and acquaintances that are present or have been in a desired market for substantial periods of time.

As a result of this study some areas for practical consideration have become apparent from the analysis of the findings. These considerations could prove useful to Calix AB, Atlas Copco AB, Carl Zeiss Optronics (Pty) Ltd, Millcon AB and other practitioners and companies.

6.3 Practitioner Recommendations:

The suggestions aggregated after the analysis could be helpful to companies when looking to move into foreign markets and gaining foreign market knowledge. It could also be of use when determining how to work closer with existing partners and how to extend networks. Companies could look to extend market knowledge and market position if they consider not acting in a myopic manner and looking to extend and increase network activity. This could be achieved by looking to opportunities presented through more focus on intangible resources provided by networks.

Recommendations for practitioners:

- Companies should utilize existing partners to best attract and find partners in the desired foreign market.
- Companies should look to better utilize and catalog experiential knowledge as it is through this process that business networks and relationships are managed.
 - This would lead to opportunities of how to target and use market specific-knowledge from partners in the network.
- Companies should look to utilize free movers in the networks and contacts that have moved from one market to another.
 - This is would be a way to break the common practice of internationalizing in markets where partners are present.
- Network resources need to be clearly aligned so as to make sure intangible resources and are complimented by the tangible resources in later stages of internationalization.
 - Companies need to firstly structure the utilization of human resources so they are used effectively. This would be useful in making sure the distribution of market knowledge is in the relevant place.
- Tangible resources such as financing or investments need to be available and in place before market entry. This is will lend support to product acceptance and uncertainty.

6.4 Further research

The findings on the resources involved in going abroad as well as the business network's role in providing some of these resources are interesting in that they show the importance of having both the necessary resources as well as a reliable and capable network of partners, which can contribute

either intangible or tangible inputs that facilitate the internationalization process. Thus, a strong connection between a firm's ability to gain resources from its network and its commitment in the foreign market is observed.

A firm, which struggles to gain support in the form of the necessary resources from existing partners or perhaps has trouble finding new partners in a new market, will therefore be less likely to establish a strong position in the foreign market. The findings indicated that the sharing of resources within a network was reliant on the fact that all parties would have incentives or benefits from the potential operations in the new market. Although, this was mainly discussed in terms of financial incentives, there is definitely some insight, which can be gained through further study of the incentives involved in company to company resource sharing.

The role of network partners can also be looked at in more detail according to network connections as it was also found that communication and activities between a firm and its distant partners is often sporadic. However it is these network partners that could be of most use in internationalization. There appears to be little research at present on differing perspectives on resources and networks and their utilization and the impacts of culture on networks. To highlight this we can look at the Swedish nature of integrated networks and the placement of emphasis on informal working practices. This is a cultural impact and is not a conducive mode when looking internationally

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Appendix

Interview structure and questions

Interview for _____

Place:

Date:

Time:

Members Present:

Duration:

Research Objectives:

The purpose of the study is to describe and analyze the processes and resources involved in the internationalization of SMEs. Particular attention is paid to the manner in which a company utilizes resources from its business network in order to enter a foreign market. We will look to scrutinize areas of the company's internationalization past and present and their resources, both tangible and intangible. The interview will look to excavate what actors are present, what their activities are and what resources are available. We will subsequently look to scrutinize the company's network both past and present to build understanding of resource within the network that can be utilized in internationalization.

Confidentiality:

All collected data will be kept strictly confidential and it will be only released by respondents or after agreement by all parties involved. The interviewee will remain anonymous throughout the study and will not be mentioned by name nor will the company name be identified in the study.

Audio recordings of the interview will be taken for analysis purposes; however the interviewee has the right to request for recording to be stopped at any time.

Follow-up:

The interviewers would like to have the possibility for follow-up questions in the event that some part of the interview needs to be clarified. The completed paper resulting from the study can also be made available to the interviewee if it is requested.

Student contact information:

If you have any inquiry about this interview student contact information is:

Thomas Ash: elementalsaffa@gmail.com, +46 0703640320

Edward Gillmore: gillmore.edward@gmail.com, +46 0702283008

Internationalization

1. Is the company / Firm currently present in a foreign market.
 - a. If not is there a plan to do so in the near future.
2. How did the company enter this/these market(s)?
3. What role did/would the company's current business network play in facilitating, enabling or driving the foreign market entry?
 - a. Can you specify on the type of partner and their activities?
4. What role did the partner's network position play?
5. Which resources were/plan to be used?
6. What role did the network play in providing these resources?
 - a. What type of network?

Foreign Market Knowledge

1. Can you explain the process of how foreign market knowledge is gathered?
2. Through which channels is knowledge on the foreign market gathered?
3. Which resources are used to collect foreign market knowledge?

4. Do network partners play a role in gathering and providing foreign market knowledge?

5. To what extent is this knowledge based on experience by either the company itself or partners?

6. Is experiential knowledge seen as a resource which can be transferred within business networks?
 - a. If so, is it something which is willingly shared?

Transcript of Interview for Calix AB

Place: Eskilstuna

Date: Tuesday 24th of April

Time: 10:00

Interviewees: Present: Claes Nyberg (Business Area Manager) & Jonas Werner (Senior Account Manager)

Interviewers: Edward Gillmore & Thomas Ash

Duration: 70 min

01:00/Claes Nyberg claims that Calix AB is active in Germany, France, Sweden, Norway, Austria, Finland, Poland, Korea, China, North America and Brazil. Nyberg states the within commercial vehicles they are active with Volvo construction, Scania, John Deere and Massey Ferguson. Which are constructed in Europe and distributed abroad all companies are international.

07:00/Claes Nyberg starts by stating two important areas for future are Russian and American markets for basic products engine heating cables. The company looks continuously to add markets. He places a high amount of emphasis put on hybrid cars. They wish to go through their customers. Claes Nyberg states that they have a partner in (industry not specified) Stockholm who speaks Russian. They also have 9 to 11 partners who they are talking to in various OM's with interests Russia.

08:00/Claes Nyberg states that they want to enter the North American market through their customers. These specific customers are Ford, General Motors and Renault, Volkswagen.

11:20/Both Claes Nyberg and Jonas Werner have extensive networks in Scania and are constantly in touch with actors in this network discussion possibilities. Claes Nyberg discusses that Scania was in the US market with busses though stopped. They are now there through selling engines to Telex and Oxy in the US. Jonas Werner states that Calix AB has many customers who are established in the US of which some they are hopeful of utilizing their network position.

16:50/ Jonas Werner states that direct delivery in US is only to Volvo, MAN and Jackson. He stated that there are issues with 150 volt systems and size and American regulation. He furthers this argument that the systems are too big. Claes Nyberg states their position within their network is strong due to integration with their partners and customers. Their competitors are through informal links connected due to meetings. Both Nyberg and Jonas Werner state that years working with their customers and continuous renewal of the latest industry certification strengthens and reinforces their network position. Nyberg suggests that this certification opens markets. He gives the German market as example stating certification has aided embeddedness within their network in the German market.

23:00/ Jonas Werner states Calix AB goes about gaining market knowledge through education and exploring modern technology industries. Both Claes Nyberg and Jonas Werner suggest that they use experiential knowledge but they are integrated so they share knowledge and solutions with customers as a means to develop channels.

28:40/ Nyberg states that there is virtually no advertising the main reason being that the organization is not large enough. Jonas Werner states that Calix AB due to its integrated position is customer centric and looks to service orders and requests. External partners and their network are used to gain knowledge there is an issue with size and over stretch of resources due to lack of personnel.

34:00/ Jonas Werner states Calix AB has to use lots of resources to grow the organization but as it is growing they are stretched and have overlap in human tasks. Jonas Werner states that they have very limited resource so they use customer retention and knowledge within the network to grow. He clearly states that they do not hunt customers. To this end he gives the example of a former MD of the distributor in Germany who is now a consultant named Herman Osterman. He is transferring his knowledge and he will deliver and introduce Jonas Werner to the market and customers.

34:45/ In the French market which you are in, is it similar in the fact that you too have someone who assists you, like in the German market?

I think it is only Germany where we have had this kind of assistance, because the customers there are so big. Our contact there is handling a lot of things because of the size of the customers and the growth of some of them like Daimler for instance. Whereas the customers like MAN are a little easier to handle because they have more standard products. For the commercial vehicles engines are used in production for longer periods than with cars which means developing and adjusting our products more frequently which is a lot more intensive. Another aspect for the car industry is the cost, as every cent is important, as we are talking about consumers (public) whereas with commercial products the price is not such a sensitive issue.

36:15/ Would you say that Calix's position within the market and industry is strong?

Well we need to consider that the products we sell to our customers are in quite small numbers. For Daimler for instance, they will only sell a hundred or so trucks in Scandinavia with our machinery fitted, so as a supplier we are quite small.

When it comes to our position in comparison to other manufacturers of similar products, then I think with OEMs we have a strong position and are a 'go to' supplier. With the aftermarket though we are not so strong, where our Norwegian competitor is strong in the Nordic countries. When it comes to selling in this market for cars though, selling directly to producers like Volvo etc is good, as sales should not fluctuate seasonally. Whereas customers or distributors like Mekkonomen will buy once a year before winter.

39:20/ When we consider this experiential knowledge is it something with is quite easily and willingly shared by partners?

It's quite limited and I don't think information is shared so well. But I mean, we actually know when for instance a tractor manufacturer is changing their engines, because it is driven by emission levels mostly. We are more or less integrated into our customers so we get a 'heads up' a year or so before new changes are implemented.

Do you have good contact within different purchasing departments as to be able to be up to date as to where you stand in relation to your competitors?

We are already in a position there where we have a professional product and the prices are ok. But purchasers would always like to have some reductions every year. But we also have quite complex products and offerings so it is not simple to compare prices to our competitors.

44:00/ How do you consider your current customers' network position in North America?

We have no idea. We don't know how they distribute the products. I can assume that John Deere for instance have a workshop, but how they handle the distribution from the workshop we don't know. And we don't know anything about their network within that market, the only thing that we can investigate from here is on the internet etc. Its difficult to get information, last week for instance we were visiting Daimler in Stuttgart, and we will be a supplier for their biggest engines for trucks, which will be a global engine. So now they start with Mercedes benze in Europe, but they will also use these engines in other plants like in Japan and the US. And we asked when this integration to the US will be, and they don't know. Our limit for getting this kind of information is from SWECON here in Sweden. They know the network and the workshop. With the Daimler case, we have the heaters and we know that they sell to other manufacturers in Europe. Then know that we can go to these manufacturers and offer heaters to them. So we need to find these contacts in the US and let them know that have the heater for their engines which they receive from Daimler etc. Plus when the heater is accepted by Daimler, then it is registered in the system as an approved part for the engines. So the business with Daimler is a basis and has potential for more sales to any other customers of theirs who buy these engines.

59:20/ We are quite updated with the internal processes of this company so we know that their first request for a quote is just to check out the area, and therefore is not with all the information about what exactly they need. So yes our competitors initial quote on price was lower than ours, but was for a very basic product, without the extras that the customers wanted, whilst our was already incorporated into the price.

1:05:00/ Instead of building our own workshops in North America, we can support our partners there with information, knowledge, pictures illustrations etc for a small amount instead, but we need to find the correct persons and that is not so easy.

1:06:35/ We need to start somewhere, and for example, if we work with Daimler and Wurdt in Germany, of course we have a benefit if we can work with the import of Daimler in parallel. So we can use the knowledge that we have from wurtd who import trucks to the US, and if we have a good relationship with the importer we can influence things when we go to the OEMs. We have a project with Atlas Copco and Cummings engines. They use Cummings engines and these engines come fitted with our competitors machinery fitted from the US. Then when they get the engines here they rip it out and throw it away to install our approved products.

Transcript of Interview for Carl Zeiss Optronics(Pty) Ltd.

Place: Stockholm

Date: Tuesday 1st of May

Time: 11:00

Interviewee: Ben Ash (Executive manager: Business development)

Interviewers: Thomas Ash

Duration: 35 min

The company is in mostly international markets, probably 20 percent of sales are in South Africa and 80 percent in different international markets. The US, which is probably one of the biggest customers, the UK, Germany which is the country of the parent company, Sweden, Turkey, France, Belgium, Italy, Switzerland. We are actually trying to penetrate the market in South Korea and in India, which we see as big growth markets.

Are the sales in these markets direct sales?

In some cases we sell to a distributor, in cases with smaller products, sometimes we have low cost products which sell for 10 or 15 000 dollars apiece and those we typically sell through a distributor but we also sell directly to end customers, but often also to other businesses which will integrate our products into their own products and then sell them on to end users. So we don't often sell to end users, we sell to integrators and distributors.

When it came to entering these markets, what role did business networks and partners play?

In my opinion, in the international market the network is absolutely essential, because without it you don't know how to do business in the country. It's actually quite rare to make a company to company or business to business type of connection without local help. It is difficult to find each other without it. So the main issue is how to find and establish this network, and probably the way to do it is through other people having found or established networks in that country, and by other people, it could be, as in our case it was our parent company in Germany, and we made contact through that avenue. The other obvious way to do it is to go to one or two trade shows and display your products. This way other people or companies who are interested in distributing or representing you in a particular country will find you. Then of course the thing is that you do not know them. So now you need to do a little bit of work with them, and see whether they can help you and get your product to the customers and develop sales. So for instance it took us now in India, We have just recently signed with two different companies for different types of products. but it took us close to a year since we met, until we just a few weeks ago signed agreements with them. It starts with non-disclosure agreements, visits with them to customers, seeing whether they can help you, whether they have the right contacts, background checks to see whether they have the

right reputation, because you don't want somebody to damage your reputation. Legal checks to make sure that all the agreements that you want are legal in the specific country as well as in your own. So it takes a bit of time to establish all that.

So are these then mainly distributor networks?

It depends on the country and what is allowed and what isn't allowed, and also what type of business it is. In the defense business, many times agents as such are not allowed, because it creates suspicion of corruption. So then you might have a distributor network. In some countries you have to have an agent, and the agents are all legalized and everything is above board and well documented, places like Korea for instance. You have to have an agent and they are registered as agents.

In such a case, is it quite easy to find a network?

Its the same process more or less. You still have to find the right person that can help you, and still do all the background checks and so on to see that everything is good and that they can help you and that you actually want to work with this person.

8:20/ What role does a partners position in the foreign network play in either selecting them as part of the network and also in assisting foreign market entry?

It is really important that they have the right connections and that they actually have some experience in the market that you want to operate in and that they actually are currently doing business in that market. Secondly, there has to be an incentive for them to want to spend time on you and your products. So they must see that you and your products have an ability of succeeding in that market, so that they can succeed as well. There needs to be enough money for them to earn. If it costs them a large amount of money and effort to market your product and they're making too little profit from it, they are not going to do it. Also, if you don't have the right reputation or product quality etc., they will get a bad reputation, so it is important that they also trust you.

10:05/ How has the network partners position within a specific market influenced decisions to enter that market?

Often decisions to buy stuff are made based on having local support or even maybe manufacturing or capability etc. So if you can find a partner that can add value, then that is really the best solution. You sell let's say, 90 percent of the product or the value from your home country, and you're in country partner can add some things, like particular customization, small tweaks to the software or even just a carry case or something. At very least a capability to maintain the products and make it easy for the customer to send products back if they break, that is actually quite important. We just had a case in the US last week where the guys asked a whole bunch of questions and the distributor there asked us to answer the questions rather quickly because there was some doubt about the ease of

working with a foreign supplier. They would rather work with a US supplier because it's easy and less hassle, they can get quick answers to questions and easily get solutions to problems etc. So it's important to have a local guy there that can make it transparent to the end user.

12:20/ So it is then preferred to enter markets where you already have established networks and contacts?

Yes, absolutely. For instance, this particular guy in the US, one of our guys happened to know him from doing business with him 20 years ago, but then he was living in Europe, now he is living in the US. We had an exhibit at a trade show and this guy actually came along and said that he had a customer for the product and asked whether he could be our distributor. And because we know his background, and that he has all the technical knowledge and contacts in the US for this type of product, so we could then more comfortably and easily sell the products on to him and get them integrated into other products which are built in the US.

13:48/ So it's often the case then that old network partners change positions and then it is possible to utilize their resources in different markets as they shift there?

Yes, also you have partner companies, or companies which do similar things to that which you do, you see them at these trade shows and talk to them. You hear listen, let's take any country, let's say South Korea or India or perhaps Algeria, from a South African perspective which is a strong market for us because of the links in Africa. Kenya is another example, where you ask other companies who are doing business in Kenya, who are you using? How is he helping you? Not quite asking competitors but other players in the industry.

14:55/ Can you identify some of the resources that are used when entering a foreign market?

Actually making contact with your country's foreign embassy in that market is probably the first and easiest thing that you can do. Normally there is a trade representative in the foreign country, and even as an SME you can go there and hear about what is going on in the country, how to do business, ask for help with leads, ask them to actually to help with contacts. Because they meet many people and can often put things together and find the people who are already doing business with your country.

Also, as I mentioned, talking to other companies to hear what they are doing as well as showing our products at trade shows has been successful for us.

16:40/ How important are the more physical resources and perhaps manufacturing capabilities for new markets?

It depends on the market and their attitude. Sometime all foreign customers want is to buy, if you take customers from the Middle East for instance, the UAE, Abu Dhabi etc., they just want to buy products and are not really interested in manufacturing. The Koreans and Indians on the other hand are interested in local manufacture of products, and then it's good to actually find , often through some or other agent or intermediary to put you into contact with a company that can actually do something in terms of local manufacturing. What you have then is that its transfer of technology, so you need to send people to support in setting that up. Although it is very applicable to bigger companies, for instance I know that the previous company that I worked for did a transfer of technology and manufacturing in Korea. And after you have done that, then it is seen as a local product and then most countries have got some preferential procurement for local products. This does however requires quite a lot of resources in terms of human resources and financial. Then of course the question is, how do you earn your money? Because you do a transfer of technology, they actually pay very little for this transfer and how do you earn your money? One way, and we have done this now with our parent company in Germany and Korea, is to form a joint venture. So you have a 50/50 joint venture company, and this technology transfer goes to this joint venture company so that you still earn profits from the products being produced from your knowledge.

19:30/ market knowledge

There are more and more people offering services of like sending you opportunities. Obviously you can have your own website and people will find you, but if you want to go and find them and find opportunities there are tender bulletins and people who are monitoring these bulletins who will alert you to when you can supply something or if there are customers looking for your products. You can actually subscribe to these bulletins and receive like one page updates that provide market knowledge and data as well as competitive data, what one would typically call business intelligence. Any there are quite a few of these subscription type business intelligence sources, which I think are quite important if you are relatively new in a particular area, geographically, to learn about what is going on and so on. These are good then if you don't have a network partner in the foreign market, or if your network partner doesn't have the right connections. If the number of things that are happening is quite diverse, take India for example, the defense industry in India is huge, they've got 1.3 million soldiers, when they buy stuff it's in thousands. To hear of all the opportunities and all the tenders you need to be extremely alert, and you can't do that for a wide variety of stuff. Our company for instance, has quite a diverse product range and as a result of that we've got three or four different people, helping us in different areas to sell stuff in India. So having a diverse product range has advantages and disadvantages, and of course a big disadvantage is that you have to have a broad market knowledge in the foreign markets.

23:50/ Is the market knowledge built more on the company's own experiences or on the experiences of partners?

Both of course, and it depends on the level of experience that you have in a specific market. In the previous company that I worked at, for instance in Abu Dhabi, we actually initially had a South African guy who was living there who had done business there before, and actually helped us to do business. Then when he left we just carried-on on our own. We could do this because we learnt through that experience and got to know the people and went-on on our own without any local help, but we opened up a local office there and we always had a continuous presence there, so there is continuous experiential knowledge being built in the market. The of course if you are going to a new market the intermediaries do help you a lot, I mean, that's what they are there for.

26:05/ Is this process of gaining that kind of knowledge something which can be just transferred? Or is it the process of interacting and doing business together that actually builds this knowledge?

I would say that all the cases that I have been through in the last 30 years, it has been people that have had this experience in the country before that have transferred this knowledge to me. And I mean know you know how to do business in India or Korea and so on. Even in Algeria I had a friend helping me.

26:55/ does this also involve understanding the end consumer?

Sure, exactly. Its, what do they want? And what do they need? Will the product meet their requirements?

Its understanding what they need, how to adapt your product, your actual marketing pitch, which features of your product to emphasize , all the way through to when you make a bid and it comes to contract negotiations and so on to know what the norms and processes are, for giving discount for instance.

29:10/ We have established that experiential knowledge can be transferred. Is it something that you feel is willingly transferred?

I think it's, if you're talking about an in country partner, it's about "what's in it for me?". He will share quite willingly if he sees that he can earn money too. If you have a good reputation and have a good chance of succeeding. Then of course there is an incentive for him to help you succeed. Obviously when it comes to competitors and semi-competitors they are less open about what they share. And that's what a partner is, it means that you are doing something together and are both benefiting from it. One thing that is difficult is to determine which bits of information are relevant or not. Because that can also be an issue, just because somebody tells you something doesn't mean that its true. So in terms of commitment you need to be a little careful, but a person makes mistakes and you learn from

these. It's probably always good to find something that's not too big to start off with, to test a contracting model. Sometimes you have a distributor model, and it's always good to do something small first to test the model and to see if everything works before entering into large deals that can potentially cost you a lot of money.

Transcript of Interview for Millcon AB

Place: Kumla

Date: Wednesday 2nd of May

Time: 13:40

Interviewee: Present: Johan Millgårdh (Managing Director) & Ulf Millgårdh (Sales manager)

Interviewer: Edward Gillmore

Duration: 40 minutes

01:00/ Ulf Millgårdh: this is a tricky question to answer as we work with and within Scandinavia's largest paper companies. I would say we are partners to the companies in their international markets an active in many markets in Europe as a preferred partner of our Scandinavian customers. We are actively looking of extending our business model in Germany, one of the biggest markets for delivery of our product.

06:00/ Johan Millgårdh states that Millcon AB are very active in just in time for our customers throughout Europe. We have had our sights set on Germany as a viable market to expand into. We have already done market viability and discussed possibilities with our customers on the mater.

12:40/ Ulf Millgårdh: I have been in the industry for 35 years and Johan for 10 years we have had continues contacts with major competing forces within the paper industry and I saw a gap in the market to start the company. Originally I was approached to take control of a small company active in the industry through acquisition. I thought as there was few competitors in Scandinavia at the time it might be possible to use my contacts and go it alone.

21:14/ Johan and Ulf Millgårdh: we are partners with many large company's in the paper industry in Sweden which are present internationally and globally through distribution. This is our area and we specialize in converting as such our partner's are our life blood to international markets and subsequent referrals. In some cases our customers specifically state that their subsidiaries and customers must use us. Ulf Millgårdh: to this end I would say that our network is critical to the business now and in the future. What is changing in the industry is the strength and dynamism of our network as it used to be about contacts and verbal agreements. These days it is more orientated towards networks but it is a mixture of informal networking and formal business arrangements. We still rely on our position in the network and the breath of said network.

29:00/ Ulf Millgårdh: We have two very specific types of partners firstly we have our contracted customers which we are integrated with and whom produce the paper we convert and rewind. These are critical in placing us in the market but we also work very closely with traders and trading house in to expand our activities. Strong relationships within the industry in Scandinavia are expanded to our customer's customers.

Johan & Ulf Millgårdh: we are lucky in the respect that our partners and customers are the leading companies in the paper industry. This strong position means that they are international and strong within their markets as Millcon works with these companies and through referral it is critical that our position is strong but our partners is strong also. Our biggest problem is that as a service company we are working with competitors and while this broadens our network it is a balancing act.

33:20/ Ulf Millgårdh: We have three intrinsic tangible and intangible resources which we utilize simultaneously. These are our work force that drives everything from the top down where information and knowledge is recycled to drive expansion and efficiency. We have strong networks which allows for continued expansion and possible extension, at Millcon we consider this a strong and valuable resource. However it is intangible a third more tangible resource is our position and distribution channels, we are integrated with our strongest customers, we are in Örebro with many form of distribution out side out from door.

37:00/ Johan Millgårdh: When it comes to foreign market knowledge we work with both experiential knowledge and internal and external investigation and targeting. We as a company can not afford the resources and time to focus specifically on targeting and market knowledge gathering.

Ulf Millgårdh: However we are going to ScanPak (Europe's largest paper and packaging Expo) this year with a booth. So we can promote beyond our network and interact and gain insight to new markets.

38:10/Johan Millgårdh: Yes, but we are too small and potentially over stretched to consider not using our own knowledge and our extensive network to gain new knowledge. The good thing about our closest customers is that they are willing to share knowledge due to our reputation. Their willingness to share knowledge and reciprocate in sharing and developing potential and prospects within our networks allows us to consider our resources and look to utilize available resource available from our customers.

40:22/ Johan & Ulf Millgårdh state that through experiential knowledge and sharing of solutions between customers and Millcon AB has lead to the further extension of their clients. They argue that due to their position within the client's production flows and distribution channels a certain level of knowledge transversal is necessary. Johan Millgårdh states that this compounds trust and strengthens their network position.

Both agree that ironically this is something that is really out of their control. They are glad that it strengthens their network and furthers their knowledge but it is a by product of their activities.

Transcript of Interview for Atlas Copco AB

Place: Örebro

Date: Tuesday 1st of May

Time: 14:00

Interviewee: Present: Peter Bray (Global Product Manager – Atlas Copco Underground Drills)

Interviewer: Edward Gillmore

Duration: 40 minutes

01:00/ Peter Bray: Atlas Copco is in every country with the exception of Guinea-Bissau. We have a broad range of products incorporated within our many divisions which are global.

04:20/Bray: We are always looking to roll out new products on existing markets. It is a motto of Atlas to be always better. To this end we are looking to use our existing networks and distribution centers to extend products and facilitate new releases.

08:14/ Atlas Copco AB uses both external agencies and internal departments and existing markets knowledge to build and extend our markets or enter new markets. In the past we and our nearest competitor Sandvik were considered domestic leaders in the industry. We extended internationally through reputation and through existing customer channels.

15:22/ Peter Bray: Our network is incredibly strong and diverse we look to utilize this when ever entering new markets or releasing products. Bray states that the divisions within Atlas Copco rarely interact over entry strategies or channels. They are relatively independent of one another but do talk when it comes to countries where one division is stronger.

21:23/ Peter Bray: Our partners are extensive and their activities are wide. With regards production we run a modular system so we have many partners who work with us on production of components. This we would classify external. We work through localized distribution centers, this is internal. We run our rental, sales, logistics, distribution and training from these locals' centers.

24:30/ Peter Bray: with regards to your question on Calix AB and Cummins it is an interesting prospect to save more time and money. Also we would most certainly consider suggesting tying up these two partners so that they work together. However we are one of many partners working with Cummins engines. We also use Orical engines as well so we are not exclusively with Cummins. Moreover I would assume we are one of many partners with Cummins and as such they might have industry standards over requirements of size and ability. They also might have agreements in place with other partners over their engine heaters.

26:00/ Peter Bray: we are always looking to work more closely with partners but atlas as a industry leader is quite independent preferring to have ownership of decisions. To this end we don't know specifically how you would go about recommending that these two partners should work together se

we have a finished article. I suppose that one way would be to suggest that they work together on the Russian and European markets then look further afield.

28:30/ Bray: Atlas Copco has many resources at its disposal; we have a vast multi-skilled work force. We work closely with our distribution channels and providers as such we have strong logistical networks globally. Internal knowledge and education is of premium importance at Atlas Copco, this is a area I am heavily involved in globally but I know that Atlas looks to use its knowledge to further extend product life cycle and rejuvenate product lines. Tangible assets are fluid within Atlas Copco we as a corporation our very strong in ownership. We are soluble and leverage or strong position to build on resources such a human and assets i.e. new companies in foreign markets and buying out suppliers so we can modify the specs to our needs.

Our resources within our network are strong. We work with our suppliers to provide best products that our developed and specialized internally and externally. When looking to role out new products we draw on our network to lay to foundations and facilitate favorable positions in markets.

33:00/ Bray: we gain market knowledge internally and externally; we have many years within the division of our markets and as such have extensive documentation of market research. We also have large departments within marketing and communications which research new options based on our previous knowledge, both experiential and researched. We also use external agencies when we are in weak areas but more than likely this is in conjunction with our division.

Our partners are also relevant in this case; I have just got back from India and prior to that I was in St Petersburg meeting with clients and partners on just this issue. We will look to expand more into India and Siberia through new products and acquisition. Our partners will be invaluable as they know the market and with be buying our products but more importantly they are already there and should help us move into new markets or diversify in our existing market.

36:30/ Bray: going back to you issue with regards Calix Siberia is a area were surely their product will be in high demand. Volvo, Scania, Atlas and Sandvik are all there in differing capacities as such they should discuss with their customers the possibility of linking up on their possible expansion.

38:20/ Bray: we transfer market knowledge internally in our division and when necessary throughout our other divisions. Naturally we are at expos, conferences, meetings and dinners were we meet our counterparts, partners and potential customers. Here we share knowledge and experiences but internally and within the network we share a great deal of knowledge and gain it in return. We develop prospects, markets and products internally and in the network. With our customers and suppliers we work to maintain state of the art products and distribution channels to this end our knowledge transfer and gathering is fluid and integrated, however we are careful with the amount we do give away as it can be dangerous particularly considering some of our markets and property rights.