

The nature of business relationships towards suppliers in an international context

A quantitative study of the companies within the Stockholm Business Region and the Automation Region

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THE NATURE OF BUSINESS RELATIONSHIPS TOWARDS SUPPLIERS IN AN INTERNATIONAL CONTEXT

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Purpose: To describe and analyze why companies in the Stockholm Business Region and Automation Region (SBR/AR) are working with international suppliers and the nature of relationships that are formed between these parties. The chapter's main focus lies in the relational and transactional approach companies have when forming relationships with international suppliers.

Design/Methodology/Approach: A quantitative research was conducted in which an online questionnaire was e-mailed to 276 companies within the Stockholm Business Region and Automation Region. The primary data, collected through the survey, was analyzed in SPSS using a bivariate and univariate analysis method.

Findings: The companies within the SBR/AR are internationally embedded in a network. Despite price as the major driving force for seeking international suppliers, these companies have a clear relational approach.

Keywords: Internationalization, attitude towards internationalization, network theory, network embeddedness, resource dependency, transactional approach, relational approach, international suppliers and international business relationship.

COMPANIES' INTERNATIONALIZATION DEPENDS ON many different factors. Some of these factors are due to a more competitive price, resources that are not available in the domestic market and cultural homogeneity (Chetty & Campbell-Hunt, 2004; Javalgi, Griffith & White, 2003; Håkansson & Wootz, 1975). When internationalizing, the investment in international business relationships becomes necessary, since these increase the company's knowledge of the new market (Sigfusson & Harris, 2013; Jonsson & Lindbergh, 2010; Håkansson & Wootz, 1975), i.e. it is more difficult for companies that do not have these relationships to internationalize.

Since Stockholm aims to develop as a smart city, it is vital that the companies based in the region are international, to a certain extent, or are part of an international network (Lazaroiu & Roscia, 2012). Though, the question should not only be if the companies are active in an international network, but also *why*. Emerson (1981) describes networks as a "set of two or more connected business relationships, in which each exchange relation is between business firms that are conceptualized as collective actors" (Holm, Eriksson & Johanson, 1996, p. 1036). Being part of a network increases the chances of gaining knowledge and resources that do not exist domestically, as well as the possibility of being active in a market that is more developed and presents more opportunities (Johanson & Mattsson, 1988), which is fundamental if a region aims to be smart. The opportunities that the network offers can create differentiation from the other actors, and thereby a competitive advantage (Lamprinopoulou & Tregear, 2011; Porter, 2008; Turnbull, Ford, & Cunningham, 1996). Fernhaber and Li (2013, p. 317) state that "the importance of networking in the international context continues to escalate due to the increasing interdependencies between firms, countries and markets". This implies that companies are becoming more dependent on international actors and therefore have to be part of a network. The European Commission also suggests that companies should be active on a global level by sharing knowledge and experiences in order to increase the smartness of their cities. The information sharing should be done with countries that are innovative and have cost effective solutions, as these may enhance and increase business opportunities (European Commission, 2012).

The international network consists of business relationships that are crucial for a company, in order to be successful abroad (Sigfusson & Harris, 2013). A business relationship occurs when there is consistent information exchange between two firms (Hammarkvist, Håkansson & Mattsson, 1982). These relationships take time to build since acquiring insights about the market and the other companies requires experience (Johanson & Vahlne, 2009). In order to properly understand a firm, it is vital to not only look at the internal resources, but also take into consideration the company's relations to the surrounding companies. That is due to the fact that a company's resources are small compared to the entire networks resources, when it comes to knowledge, technology and personnel (Hammarkvist

et al., 1982). Adaptation of logistics, production, development and administration is therefore necessary to ensure a better fit between the firms. The coordination of these resources creates an interdependency that over time results in adaptation to the other firm's way of doing business, i.e. they become embedded in an international network (Holm, Eriksson & Johanson, 1996).

International business relationships can have stronger or weaker ties. The stronger ties (close relationships) are based on a personal interaction among the actors, building trust and commitment. The weaker ties (arm's-length relationships), on the other hand, often imply relationships that are impersonal and based on economical transactions. These ties restrict embeddedness in a network as a company without any relationships is an outsider. Though, the stronger ties can create over-embeddedness by the company becoming too dependent on the suppliers. Having too strong relationships with few companies can often be less efficient as it excludes the possibility of new ideas and innovation reaching the company. This may further suggest that the ties to other actors in the same network are weak (Uzzi, 1997).

A previous study in these fields shows that the choice of being international seems to be restricted considering the fact that Sweden has few domestic suppliers, which many times leaves the companies with no other choice than to purchase from abroad (Hallén, 1982). Following the fact that Stockholm is working towards being "smart", in parallel with companies' increasing need for doing business with international suppliers, this study's purpose is to describe and analyze why companies in the Stockholm Business Region and Automation Region (SBR/AR¹) are working with suppliers in foreign markets. Additionally, the purpose is to investigate the nature of the relationships that the companies form with these international suppliers. The results will allow greater understanding of the international embeddedness of these companies and how their relationships with their international suppliers affect the smartness of the region. These results will illustrate how the region itself can develop to be more attractive for companies on the foreign market. Furthermore, the results will increase the existing knowledge of why companies invest in international business relationships and how these transform over time. Based upon this purpose, the study will answer the following two research questions:

RQ1: What are the major driving forces for SBR/AR companies to do business with international suppliers?

RQ2: What type of business relationships do SBR/AR companies have with their international suppliers?

¹ See chapter one for description.

Literature review

This section presents the theories that are relevant for understanding why companies internationalize and how they are embedded in the international network.

Driving forces for internationalization

Chetty and Campbell-Hunt (2004) argue that firms are becoming more global due to new market conditions, *advanced technology in production (i.e. the ability to offer higher quality)*, transport and communication, as well as *cultural homogeneity on the market*, the domestic presence of international customers and foreign firms. An earlier study, conducted by Lars Hallén (1982), shows that the driving force for Swedish companies to do business with international suppliers is based on the fact that *the local market has no or very few suppliers*. Due to the domestic restrictions and limitations, the need to purchase from abroad is self-evident, even though Swedish firms might prefer to do business with domestic suppliers. This is supported by Johanson and Wiedersheim-Paul (1975), who argue that firms with small domestic markets start international operations even before they become large companies. Javalgi, Griffith and White (2003) argue that another reason for firms to internationalize is the *reductions in trade barriers*. They also imply that it is more common for larger companies to seek international suppliers due to their *range of resources*. A reasearch conducted by Johanson and Vahlne (2009) implies that learning about a new international market and to form relationships with companies requires time. Hence, experience is a vital factor for companies seeking global opportunities. Johanson and Mattsson (1988) argue that the driving forces behind firms' increased internationalization are that they would like to better utilize and develop its resources in a way that covers long-term economic benefits. This is confirmed by Håkansson and Wootz (1975, p. 51) who state that "price has been found to exert the most important influence on the suppliers selection", i.e. the international suppliers offer a *more competitive price*.

Networks are necessary to be a part of if the company wants to be exposed internationally. This since they are built on different relationships that are fundamental as they provide the company with insights about the international market (Fernhaber & Li, 2013; Johanson & Vahlne, 2009), i.e. understanding what opportunities that exist. These relationships can be downstream with customers, upstream with suppliers or horizontally with other actors producing complementary and/or competitive products. The company is therefore at any given time a part of a network (Hammarkvist et al., 1982). Operating within a network also means that firms to some extent are relying on each other and therefore an active adaptation is necessary (Johanson & Mattsson, 1988). Furthermore, networks are to be preferred compared to mergers and acquisitions. The flexibility in networks enables the company to freely choose whom to cooperate and coordinate its resources with, which is the advantage that networks have over mergers and acquisitions (Xia, 2011). Since firms, to a very large extent, have long-term relationships with customers and suppliers, the need for extensive

knowledge of the other partners' abilities to deliver, what services they offer, what resources are available and their possibilities of developing is crucial. In order to gain this information personal contact is required between several persons within these partner firms (Johanson & Mattsson, 1988). Previous research shows that industrial companies in particular favor long-term relationships due to the fact that companies in this sector are more dependent on adaptation and customization from their suppliers. These companies are additionally very loyal and it is unlikely that they resolve a relationship that they have invested in, despite changed conditions (Håkansson, 1982).

International business relationships

The amount of international business relationships, within a network, can affect the growth of becoming an international company. These relationships imply information and resource exchange that increase the ability to develop the business internationally and create the possibility to be part of an international network (Sigfusson & Harris, 2013; Fernhaber & Li, 2013; Jonsson & Lindbergh, 2010). According to Håkansson and Snehota (1995), relationships are about interaction over a period of time between two committed parties. The interaction creates a relationship that leads to interdependency between the actors, which in turn can be both positive and negative. Positive in a sense that the company increases its level of knowledge and receives new input and negative since the relationship can be too strong, preventing other actors from entering the network.

Håkansson and Snehota (1995, p. 25) additionally state that "relationships are mutually demanding besides mutually rewarding" and mention that they can be divided into three layers. The first layer is the activity links which is when two parties exchange technical, administrative and commercial activities; thereby developing a relationship. The second layer consists of resource ties, which is when two parties exchange tangible and/or intangible (technological, material, knowledge etc.) resources and thereby creating a closer relationship. The third layer is the actor bonds, created between two actors when they interact with each other, making the relationship stronger. By analyzing the activity links, resource ties and actor bonds between two parties it is possible to describe the existing business relationship. The links, ties and bonds are in a business relationship affected by one another, which creates a dependency between them. Though, as Håkansson and Snehota (1995, p. 27) further imply "a relationship between two companies has different functions because it affects and is affected by different parties and other relationships", by which they mean that two parties that share links, ties and/or bonds are also affected by other actors. Therefore, it is possible that the resource ties the company has with one actor can be combined with resource ties with other actors, in order to produce something different (Håkansson & Snehota, 1995), i.e. companies have business relationships embedded in a network. The detailed interaction between these firms rely on the perception of both parties, the balance of power-dependency and conflict

cooperation, meaning that companies are sometimes forced to adapt to the greater good of the network rather than following their own strategy, which exists in every relationship (Håkansson, 1982). According to Hammarkvist et al. (1982), companies that are part of networks develop different relations to other companies that function as bonds. These bonds have different purposes and aims. Technical bonds create solutions for companies with different technical designs. Time-related bonds incorporate coordination between the companies, resulting in cost saving for both parties. The knowledge bond occurs when companies that invest in the relationship learn about their mutual needs, problems and opportunities.

Business relationships require companies to have confidence in one another as they leads to the parties involved having an ability and willingness of being committed to each other (Johanson & Mattsson, 1988). The degree of relationship implies that there has been substantial investment from both parties and the linkages that can be seen between the parties are a result from different types of arrangements, such as technical or administrative ones (Dacin, Hitt & Levitas, 1997). Sigfusson and Harris (2013, p. 244) state that “the provision of market knowledge and information is the longest recognized role of relationships in internationalization”, which implies that international business relationships are fundamental to have in order to be globally successful. Ghauri and Holstius (1996) argue that companies that are planning to internationalize are dependent of one important factor: market knowledge. By creating relationships with other international actors companies gain this vital information. Investing in these specific relationships is therefore a key for companies’ internationalization (Ghauri & Holstius, 1996).

Strong and weak business relationships

Since companies have international business relationships, investigating the social exchange between the parties is necessary. The type of exchange describes the amount of cooperation and communication between the parties, which in turn leads to adaption of the process and product (Metcalf, Frear & Krishnan, 1992). A company’s social exchange with actors in the international network describes how *strong vs. weak ties* are, showing how dependent/independent the company is on the international suppliers and their resources, i.e. the social exchange indicates the degree of embeddedness. Cooperation, communication and adaption often generate opportunities that are differentiated and difficult to replicate (Uzzi, 1997). Relating the activities carried out by the different companies in a network requires adaption and the establishment of routines from both parties. The special characteristics that a company has can further reinforce the interdependencies in their relationships (Håkansson & Snehota, 1989). The weaker relationships are based on transactions without deeper interaction between the companies (Sigfusson & Harris, 2013). Companies can choose to have weaker ties to their international suppliers because they doubt the suppliers’ ability to deliver and keep

up with the trends, typically seen in markets that have high technological change (Campbell, 1985). On the other hand, the stronger relationships are based on deep interaction that allows the parties to share more information. Furthermore, it enhances the companies' exchange of tacit knowledge, due to the trust and commitment created between them, meaning that the companies become more embedded in the international network (Sigfusson & Harris, 2013).

According to Uzzi (1997), embeddedness of a company is about understanding how much trust there is between the actors, how fine-grained information is exchanged as well as how joint problems are solved. Therefore, it can be implied that social exchange in embedded relationships is about sharing knowledge that may be tacit in nature. Sharing this with business actors also shows that there is close interdependency between the parties (Uzzi, 1997). Johanson and Vahlne (2009) describe business *embeddedness* as an insidership in a network, which is necessary for companies that want to internationalize. Although, having too strong ties may imply that the flow of new information from other actors decreases restricting the innovative opportunities, i.e. *over-embeddedness* in the network occurs (Uzzi, 1997). Nell and Andersson (2011, p. 1090) describe the concept as the following: "Over-embeddedness refers to the idea that a network might be too closed and interconnected to allow for important novel information to get introduced into the network. This can lead to the non-survival of entire networks." Over-embeddedness can therefore cause negative effects for the company considering its strong and closed nature of relationship. Companies that are too committed to the relationships and resources in a specific network have more difficulties in transferring their resources to other markets. If the company in the future wants to expand to another market it may be restricted to do so from the other companies in the existing network, since they can object to the removal of resources from the network. Hence, if a company with a strong position decides to leave the network it will indeed have consequences for the other companies. These consequences can result in loss of knowledge, access to resources and other relationships that this specific company is in possession of (Forsgren & Hagström, 2007). Therefore it may be a benefit to decrease the amount of relational embeddedness, in order to create opportunities for new knowledge from other actors to enter the network (Nell & Andersson, 2011).

On the other hand, the *outsidership* from a network is also discussed as an obstacle, occurring when companies have too weak ties thereby not being embedded in a network at all. Outsidership is due to the fact that the company has no close relationships (Johanson & Vahlne, 2009). These relationships can be transaction based where the parties are only interested in an exchange of data and are not dependent on or committed to each other (Uzzi, 1997). The outsidership can lead to companies being restricted from opportunities where tacit knowledge is shared, causing them to be less innovative and differentiated than their competitors (Johanson & Vahlne, 2009). Network embeddedness is therefore, according to

Johanson and Vahlne (2009) about seeking opportunities among other actors, which can lead to relationship commitment decisions. The commitment leads to trust-building, learning and creation of differentiated products, which in turn creates a position within the network.

The transactional and relational approach

The nature of the relationship can differ amongst different industries. It is common to believe that industries focusing on consumers and goods relate to their market through the *transactional approach*. Business and service industries, on the other hand, are more focused on the *relational approach*, in which the aim is to be involved with the company, thus creating trust and commitment in the process of production (Coviello, Brodie, Danaher, & Johnston, 2002). Though, a study conducted by Coviello et al. (2002) shows that the separations are not as clear as they are described in theory, since there are companies working with a hybrid of these two approaches. Their study describes four different aspects of marketing in practice, that differs depending on the amount of interaction between the buyer and seller. The transactional perspective is about classical transactional marketing. The focus here is on the marketing mix by attracting and satisfying customers, in which the purpose of exchange is an economic transaction and the contact with the customers and suppliers is impersonal and formal. The relationship perspective, on the other hand, can be divided into three types of marketing. The first is the database marketing in which attention is on attracting, satisfying and retaining customers by using technology-based tools (allowing the company to store data about the customer). In the database marketing, the exchange consists of information and economic transactions with a targeted segment or individuals. The contact is personalized, yet formal and distant. The second type within the relationship perspective is the interaction marketing where the focus is on cooperation and interaction between individuals in firms in order to gain mutual benefit. The purpose within the interaction marketing is to have a interactive relationship with customers and suppliers and the communication is a formal and informal face-to-face contact between two individuals across organizations. Last but not least, the third relationship perspective is the network marketing, where the focus is on creating long-lasting relationships between firms by sharing activities and resources in order to gain mutual benefits. With the network marketing the aim is to have connected relationships between firms and the communication is often continuously shifting from impersonal to interpersonal (Coviello et al., 2002).

The transactional approach is therefore an approach that implies a lower level of commitment between the actors, allowing the company to be flexible in its business. On the other hand, the relational approach focuses on exchanging information through communication. The amount of communication indicates how strong the relationship between the parties is, as well as the amount of

activities shared in order to gain mutual benefits for the businesses (Whipple, Lynch & Nyaga, 2010; Coviello et al., 2002).

Resource dependency in business relationships

A close relationship with a company often leads to adaptation in products, processes, scheduling, logistical systems and delivery routines to fit the specific need and capabilities of the relationship partner. Investing in networks are processes that create certain resources that can be used in order to gain or create tangible or intangible assets for future use (Johanson & Mattsson, 1988). Johanson and Mattsson's (1988) network model is built on the assumption that the firm is dependent on resources that are not controlled by the firm. By entering a network they achieve access to the other firms' resources, depending on the strength of their own position. They define the firm's position as an intangible marketing asset, which the firm has partial control over. This is due to the fact that the establishing of a position in the network takes time to accomplish and that the existing position defines opportunities and restrictions for the future strategic development of the firm. These marketing assets are a way for the firm to acquire revenues; therefore the use of one asset in one firm has consequences for the other firms. This has implications even for the investment process which in turn creates implications for the interdependency (Johanson & Mattsson, 1988). Hammarkvist et al. (1982) argues that a strong power position within the network offers substantial opportunities to control the development of this specific network, i.e. only being part of a network is not enough. The position the company creates for itself is of importance, as a strong position allows control over the mutual resources that the network consists of.

According to Xia (2011), international networks provide multinational firms with the opportunity to stabilize the resource exchange, gain more market power and achieve a faster entry. The author also mentions that the resource dependency theory explains the firms' limitation absorptions activities, such as acquisition or alliance activities in a resource dependent environment. This environment constitutes of firms based in different countries having a mutual need for the other firms' vital resources through international trade, involving sales, exchanges and distributions of raw materials, intermediate products or finished goods, indicating that they are in a relationship. According to Dacin, Hitt and Levitas (1997), forming strategic alliances is the most popular strategy for firms from different countries coming together and sharing the risks and resources, in order to gain knowledge and to achieve access to new markets. Xia (2011) furthermore suggests that firms from different nationalities that form networks based on mutual trade dependencies have a longer life expectancy than those formed without. This is supported by earlier research from Hadjikhani (1997) who found that Swedish companies that integrate well in a foreign market and are well established have a much more favorable position than their counterparts.

Conceptual framework

The following section will discuss the conceptual framework, which is based on the theories presented in the literature review. The framework connects the most relevant theories, which makes it possible to answer the research questions stated in the introduction of this chapter.

Internationalization is of importance for companies that seek broader opportunities. As it can be seen in figure 1, in the end of this section, these opportunities depend on different driving forces such as resources that do not exist domestically, advanced technology in production (higher quality), few suppliers in the domestic market, more competitive prices, low trade barriers as well as cultural homogeneity in the foreign market. The driving forces result in companies choosing international suppliers for their business, since the domestic market might not have the factors mentioned above or is less advanced than the foreign one. When choosing international suppliers to do business with, the company also creates a relationship with them, as they need to be provided with knowledge about the new market. Business relationships like these require experience that assists the company when entering the international network, which is important to be part of if the company wants to be successful in the foreign market. It is therefore of interest to understand the nature of the business relationships that the companies form with their international suppliers, since it provides an understanding of how embedded a company is in its international network.

The business relationship with the international supplier can either be relational or transactional in nature. The relational approach indicates strong ties between two companies, meaning that the relationship is personal where the parties communicate on a daily basis. The communication between these parties often leads to them adapting their business production according to each other, which in turn makes them more resource dependent. This implies that the company that focuses on the relational approach is more likely to be embedded in a network, since it is dependent on resources that are not controlled by the firm itself. The transactional approach, on the other hand, indicates weaker ties between two companies, implying that the business relationship is impersonal where there is less communication taking part between the companies. The small amount of exchange often restricts the possibilities of adaptation between the businesses. This approach is more focused on economic transactions, rather than building relationships with the other party, which decreases the resource dependency. Companies with this approach are more likely to be outsiders from an international network. They can however gain a better position, if they focus on increasing the ties to their international suppliers. This in turn would change their approach from transactional to relational and thereby give them more insight about the market and the other actors in the international network.

However, a too strong relationship can lead to the company being over involved in the international network. In both cases, the possibility of gaining new information decreases as the company is having more/less contact with the actors within the international network than preferred. If the company is having more contact with the international supplier, it is too closely tied to it and cannot be as innovative as it could be if it was not so strongly connected to the network. On the other hand, companies that have less contact with international suppliers are not dependent on other actors. However, they risk being less innovative as they decrease the possibility of being influenced by other actors. In both cases companies stand a harder chance to create competitive advantages since they do not possess the knowledge crucial to have, in order to be different from competitors on the market. Therefore, the companies' degree of embeddedness in an international network not only illustrates the degree of adaptation but also their competitive advantages.

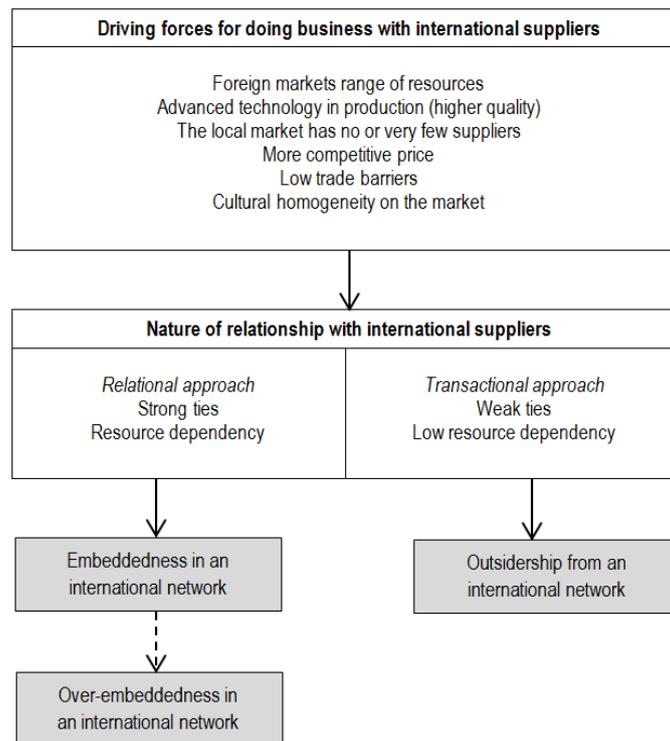


Figure 1 ► Conceptual framework connecting the central concepts presented in the literature review (own illustration)

Methodology design

A quantitative survey has been conducted through the web-based system Netigate, in order to investigate the degree of smartness of the SBR/AR companies. The survey was divided into six parts, where the questions asked in the second part (question 10-17) were connected to this specific chapter of internationalization. The questionnaire was active online for three weeks, between the 24th of April till the 15th of May, 2013, and it was e-mailed to a total of 276 companies within the SBR/AR. The following section will discuss how the questionnaire for this chapter was designed and the reasoning behind it. The whole questionnaire can be found in appendix A.

Data collection

The questionnaire was created to collect primary data about how and why companies in the SBR/AR are working with international suppliers. Primary data is, according to Stevens, Wrenn, Ruddick and Sherwood (1997, p. 117-118) “data that are collected for the first time by the researcher for the specific project in hand”. Secondary data, on the other hand, is according to Kotler and Armstrong (2008, p. 102) “information that already exists somewhere, having been collected for another purpose”. This type of data has been collected for the survey through the European Commissions webpage, in order to understand how the European Union aims to work with the concept of smart cities (see chapter 2). The theoretical concepts about international business presented in the literature review have been collected and connected with each other in the conceptual framework (figure 1), to show what previous researchers have studied in the area of driving forces for internationalization as well as the nature of different relationships. The theoretical concepts have been selected by reading scientific articles from the electronic database ABI/Inform, accessed through Mälardalen University, and Google Scholar. Keywords used when searching the databases were: internationalization, attitude towards internationalization, network theory, network embeddedness, resource dependency, transactional approach, relational approach, international suppliers and international business relationship. These keywords were used separately and jointly to maximize the search results.

The questionnaire

The survey on internationalization consisted of a total of eight questions that had 84 respondents. Table 1, in the following pages, shows the questions asked in the survey and the options that were offered. The table further describes how these have been incorporated with the collected theories and the reasoning behind asking these questions.

Question 10-13 were explorative in nature, meaning that they were asked in order to better understand how embedded the companies were in the international market by understanding how many international customers and suppliers they had, as well as how dependent the companies were on them. These questions

were based on Johanson and Vahlne's (2009) theories about internationalization through networks. Question 14 was related to the driving forces of internationalization with Chetty and Campbell-Hunt's (2004), Hallén's (1982) and Javalgi, Griddith and White's (2003) theories about the factors that make firms internationalize. The theories were chosen as the purpose of the study was to offer insights into why the SBR/AR companies were working with international suppliers and to understand what the international market had, that the domestic one did not offer. Some of the statements in this question were related to innovation, information and communication technologies (ICT) as well as corporate social responsibility (CSR), which would give the other research areas an idea of how important these topics are for the companies. Question 15 consisted of statements that were related to theories about business relationships from Håkansson and Snehota (1995), Xia (2011), Uzzi (1997), Johanson and Vahlne (2009) and Coviello et al. (2002). The purpose of this question was to analyze the nature of relationship the companies had with their international suppliers. The main idea was to understand if the relationships were strong/weak and if they were too strong (over-embedded) or too weak (outsidership). Question 16 was asked in order to understand how well the companies knew the other actors within their network in order to understand how embedded they are, with Johanson and Vahlne's (2009) theory about network approach as a base. The final question, 17, was explorative in nature, indicating the companies' strongest position, i.e. their competitive advantages. This question was based on Lamprinopoulou and Tregear (2011), Porter (2008) as well as Turnbull, Ford and Cunningham (1996) theory's about competitive strengths.

Table 1 ► Operationalization of the researched concepts (own illustration)

Questions and answers	Theories	Measured factors
Q 10: How large percentages of your customers are international?	Johanson and Vahlne (2009) Network approach	The answer indicated to what extent the company was embedded in an international network. The more international customers it had, the higher possibility of it being active in an international network.
Q 11: How much of your turnover comes from your international customers?		
Q 12: How large percentages of your suppliers are international?	Johanson and Vahlne (2009) Network approach	The answer indicated to what extent the company was working with international suppliers and how dependent it was on them. The more dependent, the closer the relationship. Furthermore, the answer indicated to what extent the company was embedded in an international network.
Q 13: How much, in percentage, of your supplies comes from international suppliers?		
Q 14: What makes you choose your international supplier?	Chetty and Campbell-Hunt (2004): New market conditions Advanced technology in production, transport and communication Cultural homogeneity on	The answer indicated what the international market had that did not exist in the local market, i.e. the companies' driving forces for choosing international suppliers. Results from this question answered research question 1.
<i>They have knowledge that does not exist in the local market</i> <i>They have resources that are not available in the local market</i>		

Questions and answers	Theories	Measured factors
<p><i>Good reputation/brand</i> <i>On time delivery</i> <i>High quality</i> <i>Innovativeness</i> <i>Prospect of long term collaboration</i> <i>Environmental concern</i> <i>The culture of their country is similar to our culture</i> <i>Their way of communicating with us</i> <i>Barriers of trade are low</i> <i>They are offering a better price (i.e. total costs are lower)</i></p>	<p>the market</p> <p>Hallén (1982): Foreign market has knowledge that does not exist in the domestic market</p> <p>Javalgi, Griffith and White (2003): Technological innovation Low trade barriers</p> <p>Håkansson and Wootz (1975): Competitive price</p>	<p>Additionally, the other researched key areas (ICT, innovation and CSR) would be able to understand how necessary their parts were for choosing international suppliers.</p>
<p>Q 15: Consider the following statements by marking the scale:</p> <p><i>We have all the resources we need in Sweden</i> <i>In the future we look forward to working with international suppliers</i> <i>It is important for us to cooperate with our international suppliers</i> <i>We are very pleased with the relations we have with the other actors in the network</i> <i>In the future we are looking forward to having stronger relationships with other actors in the international market</i> <i>We have a close relationship with most of our suppliers</i> <i>We aim to have a closer relationship with our international suppliers</i> <i>Doing business outside of Sweden is our strategy</i> <i>Investing in relationships with other international suppliers is very important to us, despite the costs.</i></p>	<p>Nell and Andersson (2011) Strong vs. weak ties</p> <p>Xia (2011): Resource dependency</p> <p>Uzzi (1997): Over-embeddedness</p> <p>Johanson and Vahlne (2009): Network approach Outsidership</p> <p>Coviello et al. (2002): Transactional approach Relationship approach</p>	<p>The answer indicated the type of relationship the company had with its international suppliers: if they were strong or weak, as well as if they were too strong or too weak. This in turn indicated the degree of embeddedness in the international network as well the nature of the relationships.</p> <p>Furthermore these answers indicated how the company viewed the future, if they were planning on increasing the relationships or not. These measured factors answered research question 2.</p>
<p>Q 16: To what extent do you know your competitors?</p>	<p>Johanson and Vahlne (2009): Network approach Outsidership</p>	<p>The answer to this question indicated the company's degree of embeddedness in their network; the more knowledge they had about their market, the better they would know who their competitors were.</p>

Questions and answers	Theories	Measured factors
<p>Q 17: To what extent do you consider the following aspects as an important competitive advantage of your company?</p> <p><i>(Innovativeness, Productivity, Price Flexibility, Environmental concern, Important relationships with other actors, Excellent customer care)</i></p>	<p>Lamprinopoulou and Tregear (2011); Porter, (2008); Turnbull, Ford and Cunningham (1996): Competitive advantage</p>	<p>This question was explorative in nature. The answer indicated what the companies believed their strongest position was which could for instance give a hint to the group innovation.</p> <p>If they regarded their relationships as vital, it showed a relational approach indicating that they might be resource dependent, which would answer research question 2.</p>

Data analysis

According to Bryman and Bell (2011), one of the most frequently used methods for analyzing quantitative researches is the bivariate analysis. This type of analysis is preferred when analyzing relationships between different variables, which have been gathered through e.g. questionnaires. A bivariate analysis is possible to conduct through the software SPSS (Statistical Package for the Social Science). As a questionnaire was conducted in order to collect primary data for this research, a bivariate analysis through SPSS was therefore chosen to analyze the gathered data. The analysis method allowed measurement by a correlation of specific statements, such as “it is important for us to cooperate with our international suppliers” and “we aim to have a closer relationship with our international suppliers”, showing a pattern of casual direction, i.e. the relationship and coefficient between them. This in turn allowed the researchers to confirm whether or not there was a bearing for these statements, which would also display the importance of the statements to the companies and the influence between them. In SPSS’ bivariate analysis, the function of Spearman’s rho allows the researcher to correlate different statements, in order to see if there is a pattern and relationship between them. This function automatically presents the statistical significance between the statement variables in a correlation matrix. If these statements show a high degree of correlation value (i.e. 0,05* or 0,01**) it means that the statements are related to each other (Bryman & Bell, 2011). The significance between the relationships can be seen through the correlation coefficient, as it ranges from -1 to +1, where the value represent a clear indication of the strength/weaknesses of the relationship between the statements (Newbold, Carlson, & Thorne, 1995).

The univariate analysis method is used when a single variable is analyzed without comparing it with others. This analysis method allows the researchers to measure the central tendencies. When using a univariate analysis method through the software SPSS, it presents a descriptive statistics with different numbers, which explain the n-value, arithmetic mean and the standard deviation. The n-value is described as the number of respondents answering to the questions and the arithmetic mean (commonly known as mean) as the adding of all the values in a distribution, divided by the number of values. The standard deviation is then “the

average amount of variation around the mean” (Bryman & Bell, 2011, p. 345). These numbers present the importance of each variable allowing ranking the statements to understand which meaning they have to the companies. A high mean, with a low number of standard deviation shows that almost all of the respondents regard the statement as equally important. A lower mean and a higher standard deviation then imply that there is a difference between how the respondents value the statement (Bryman & Bell, 2011). Furthermore, the conceptual framework assisted in analyzing the collected primary data, in order to understand what the driving forces for working with international suppliers are for the companies in SBR/AR. It also assisted in analyzing the nature of the business relationships these companies have with their international suppliers.

Reliability and validity

This study is of a quantitative nature and therefore it is necessary to discuss the reliability as this factor shows how well the research has been conducted. If conducted well, i.e. having created a consistent measurement scale, it should be possible for other researcher to use the exact same method, obtain the same result and conclusions (Bryman & Bell, 2011). Since the study was conducted as an online survey, using the research tool Netigate, it was vital that the questions were formulated in such a way that there was no room for the respondents to misinterpret or misunderstand the question. This allowed the respondents to give an answer that was as accurate as possible. In order to assure this accuracy, the questionnaire was revised several times as well as tested by multiple respondents. In the survey there were some control questions, formulated to test the respondents’ accuracy of their answers, which also increase the reliability. Examples of these are “it is important for us to cooperate with our international suppliers” and “we have a close relationship with most of our suppliers”, as the results from these questions would allow the researchers to control if the respondents had a close relationship with their international suppliers. Furthermore, using an online questionnaire allows the respondent to be completely anonymous, which in turn guarantees that the respondents will answer truthfully. Even though Netigate is a very useful tool, as it calculates and automatically produces diagrams based on the respondents’ answers, it fails to deliver diagrams where the total percentage is 100. This is due to the fact that when the answers given are converted to a percentage it does not always present an integer. Additionally, the respondents’ anonymity removed the risk of the researchers being biased towards specific respondents. Since the data obtained was analyzed through the research software SPSS, it allowed the results to be accurately analyzed, increasing the reliability since the software automatically calculates the data given in the same way every time.

The validity of a quantitative research should be discussed as it shows how well the theoretical concepts are connected to the questions asked in the survey. A valid research should also present a high degree of confirmation when correlating

data that investigates the same factors, as this will demonstrate that the concept or factors are of importance (Bryman & Bell, 2011). The questionnaire for this specific research has a high degree of validity as the operationalization was designed according to the literature review, meaning that the questionnaire incorporates the theories needed to answer the research questions, thereby excluding biases. To be able to confirm that certain factors are essential the statements were correlated with each other, e.g. the statements that “We have a close relationship with most of our international suppliers” with “It is important for us to cooperate with our international suppliers”. There is however one factor that can have a negative impact on the validity, which for this survey is the number of respondents that have stated that they “do not know” the answer to the question asked. This option could be explained due to the fact that the researchers did not include the option of “no international customers or suppliers” in the questionnaire; forcing those companies that do not have these relations to answer “do not know” instead. For the eight questions asked there was a loss of a total of seven respondents which negatively impacted the total number of respondent for these questions. Though, the total number of 70 respondents gave vital information, necessary for answering the research questions.

Results and analysis

This section starts by presenting the degree of internationalization of the SBR/AR companies, in order to understand if they are active in an international network or not. The section further presents the results of the survey and the correlation of the most important variables. This enables the analysis of SBR/AR companies' driving forces for doing business with international suppliers and the nature of these relationships.

Degree of internationalization of SBR/AR companies

In order to find out how international the SBR/AR companies are it is of importance to investigate how large percentage of their customers and suppliers that are international. According to Johanson and Vahlne (2009), a company's degree of internationalization is dependent on its international business relationships and the network it is active in. The following section (figure 2-6) therefore presents the amount of international customers and suppliers that the SBR/AR companies have, as well as the importance of these illustrated through the turnover and resource supplies received from these. To understand if these companies are embedded in an international network, it is also essential to know if they have knowledge about their competitors, which is also presented in this section.

Figure 2, on the following page, shows the amount of international customers of the SBR/AR companies. It can be seen that 40% of the companies that responded to this survey stated that between 1-10% of their customers were international. Another 9% stated that they had 21-30% international customers

and an additional 24% of the companies stated that they had 51% or more international customers. This figure indicates that almost all of the SBR/AR companies have international customers. Though, it is also interesting to investigate the turnover the companies receive from their international customers in comparison to their total turnover in order to see how essential these international customers are for the companies (see figure 3).

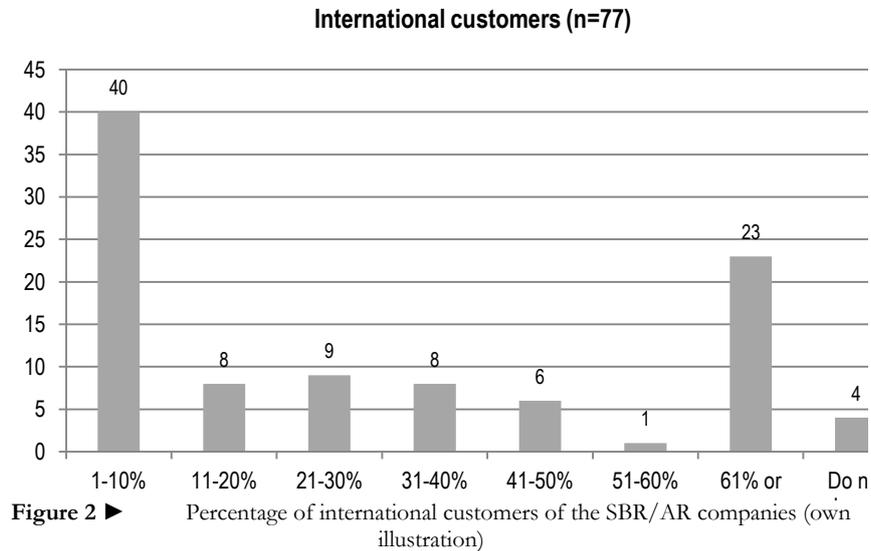


Figure 3, on the following page, illustrates the turnover the SBR/AR companies receive from their international customers. The figure shows that 37% of the responding companies stated that the turnover from their international customers was between 1-10% of their total turnover. Another 13% stated that the turnover from these customers was 21-30% and an additional 20% of the companies received 51% or more revenue from their international customers. This figure indicates that the international customers are of importance to the SBR/AR companies, since the turnover is representative for the amount of international customers. Seeing that international customers are of importance to these companies, what amount of international suppliers they have needs to be examined as well.

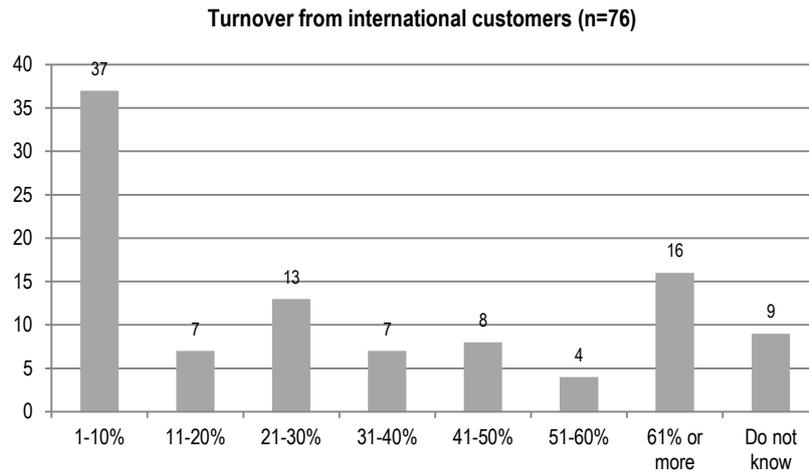


Figure 3 ► SBR/AR companies' turnover from international customers (own illustration)

Figure 4, on the next page, presents to what extent the SBR/AR companies are working with international suppliers, since it is vital to investigate this factor in order to understand the degree of the companies' internationalization. Of the SBR/AR companies that responded to this survey, 42% stated that 51% or more of their suppliers were international. Another 23% of these stated that they had 1-10% international suppliers, while 12% of the companies had 11-20% suppliers that were international. This figure indicates that the SBR/AR companies have a substantial amount of international suppliers. Though, it is also interesting to investigate the amount of supplies received from these international suppliers in order to understand how important they are for the company (see figure 5).

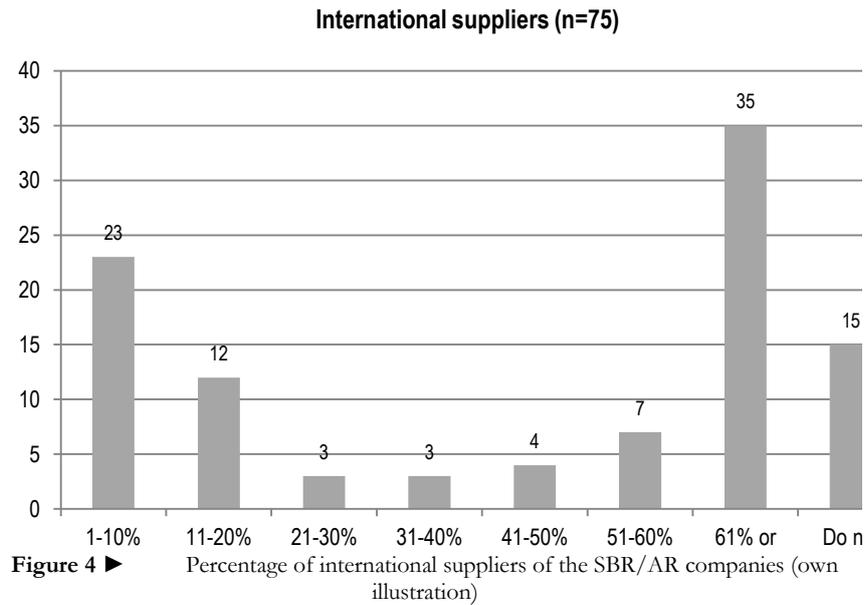


Figure 5, on the next page, presents the resource supplies the SBR/AR companies receive from their international suppliers. The figure shows that 41% of the companies that responded to the survey had 51% or more of their total supplies deriving from international suppliers and that 19% of these companies received 1-10% of their supplies from the international market. Another 11% stated that 11-20% of their supplies were based on international suppliers. This figure indicates that the SBR/AR companies are dependent on the resources from their international suppliers, i.e. the international suppliers are of importance to these companies. It can therefore be stated that these companies are internationally active and are part of a network. Furthermore, it is essential to understand if the SBR/AR companies are aware of their competitors, as this indicates the degree of knowledge they have of the market.

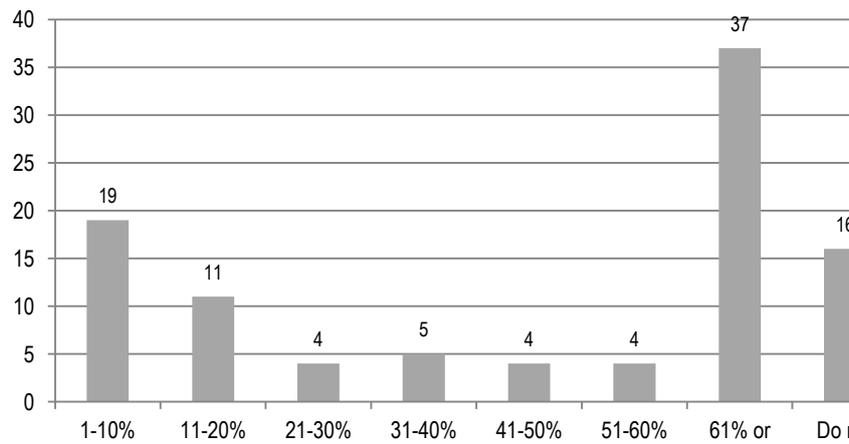
Supplies from international suppliers (n=75)**Figure 5 ►** SBR/AR companies' supplies from international suppliers (own illustration)

Figure 6 below illustrates the SBR/AR companies' perceived knowledge about their competitors. It can be seen that 76% (alternative 5-7) of the companies that responded to the survey knew their competitors well. Of these, 18% stated that they knew their competitors very well. This indicates that they have knowledge about their competitors and thereby are well aware of the competition on the market.

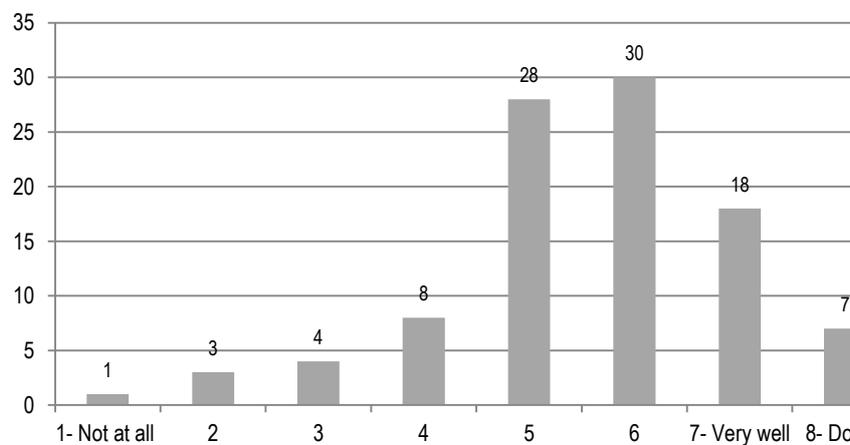
Knowledge of competitors (n=71)**Figure 6 ►** SBR/AR companies' knowledge of competitors (own illustration)

Figure 2-6 have shown that the SBR/AR companies are international to a high degree based on the percentage of both international customers and suppliers. The data points out the essentialness of relationships to these companies as they not only receive a significant amount of turnover from their international customers, but also depend on the recourses acquired from their international suppliers. The results further indicate that these companies have knowledge about their competitors and are aware of them. Hence, the SBR/AR companies are active in an international network. Moreover, it is of interest to investigate *why* these companies are doing business abroad, which will be presented in the following section.

Driving forces for choosing international suppliers

Researchers argue that there are many different reasons for companies to choose international suppliers (Chetty & Campbell-Hunt, 2004; Javalgi, Griffith & White, 2003; Hallén, 1982; Håkansson & Wootz, 1975). In order to better understand the SBR/AR companies' reasons for choosing their international suppliers it was vital to examine the driving forces behind their choices. The table below presents the different forces and the degree of their importance for these companies.

Table 2 ► Descriptive statistics of SBR/AR companies' reasons for choose international suppliers (data retrieved from SPSS)

	n	Mean	Rank	Std. Deviation
Knowledge	51	4,16	8	1,974
Resources	53	4,53	6	1,750
Reputation	54	4,85	3	1,406
Delivery on time	55	4,27	7	1,433
High quality	54	5,02	2	1,498
Long-term cooperation	53	4,81	4	1,494
Similar culture	51	3,51	9	1,447
Low trade barriers	53	4,64	5	1,630
Better price	52	5,23	1	1,423
Valid n (listwise)	45			

Table 2 shows that when SBR/AR companies choose international suppliers, price is the most important driving force. It can clearly be seen that the companies consider this being the major factor as it had a mean of 5,23; giving it not only the highest ranking, but also the lowest standard deviation. This indicates that these companies seem to have a transactional approach towards their international suppliers, as the economical transaction is in focus. The second most important factor with a mean of 5,02 was high quality. This factor can both a transactional or relational approach as high quality does not indicate the nature of the relationship a company aims to have, rather the reason for choosing a specific supplier over another. Reputation and long-term cooperation were the third and fourth most important factors with a mean of 4,85 and 4,81. This in turn can indicate a relational approach, as cooperation with the supplier is in focus. Additionally, low trade barriers had a mean of 4,64; giving it rank 5 out of 12, which again can be an indication for a transactional approach, due to the economical. Since the statement that the international supplier had resources that are not available in the domestic market got a rather high mean (4,53) with ranking 6 out of 12, it seems that there are not enough resources in the region, forcing the companies to seek international suppliers. However, the high standard deviation (1,750) demonstrates that this is a factor that has different importance amongst the companies. The least important reason for the SBR/AR companies, when choosing international suppliers, was the factor of similar culture, receiving the lowest mean (3,51) and ranking (9), indicating that the cultural homogeneity between the countries is less essential.

The main driving force for the SBR/AR companies when choosing international suppliers is therefore price, which can be an indication for these companies having an economical focus. This focus describes a transactional approach as the companies are seeking the international suppliers due to their competitive price. To confirm the companies' approach the following section will discuss the nature of the relationships with the international suppliers.

The nature of relationships with international suppliers

The relationship a company has with its international suppliers can either be transactional or relational (Coviello et al., 2002). This is necessary to investigate as it would show the companies' degree of embeddedness in an international network (Nell & Andersson, 2011; Xia, 2011; Johanson & Vahlne, 2009; Uzzi, 1997). The following section therefore analyzes the SBR/AR companies' nature of relationships with their international suppliers. Table 3, in the section below, presents different statements regarding the companies' relationships with their international suppliers. The table also includes statements concerning the amount of resources available in the domestic market and if doing business outside of Sweden is a part of the business strategy or not.

In the table, it can be seen that the SBR/AR companies seem to be very pleased with the relations they have with the other actor in their network as this statement has the highest mean of 4,93 and thereby also highest ranking. The companies consider working with international supplier in the future as important as well as this statement received a mean of 4,90; giving it rank 2 out of 10. The statement that got the third highest ranking, with a mean of 4,88, was that the companies in the future look forward to having even stronger relationships with the other actors on the international market. The fact that the SBR/AR companies not only have strong existing relationships but that they also want to have even stronger ties to these suppliers in the future, could be an indication of a clear relational approach. The statement that cooperation with international suppliers is important received a mean of 4,85; giving it rank 4 out of 10. This data confirms the indication above that these companies seem to have a relational approach. However these companies display an interest for increasing their ties to their international suppliers with a mean of 4,72; giving it rank 5 out of 10. This in turn could indicate that these companies risk reaching over-embeddedness in their relational approach. The statement “investing in relationships with other international supplier is very important to us, despite the cost” has the lowest ranking with a mean of 3,53. This in turn confirms that SBR/AR companies consider price being the leading factor when choosing international suppliers as seen in table 2.

The second lowest mean (3,65) was for the statement that “doing business outside of Sweden is our strategy”. This statement had the highest standard deviation of them all, indicating that this is something that the SBR/AR companies have different opinions about. The statement that the companies have all the resources that they need in Sweden has the rank 8 out of 10 and also a rather high standard deviation (1,962), indicating that this too is something that the SBR/AR companies have different opinions about. This is confirmed by data presented in table 2 showing that resources as a reason for choosing international suppliers has a standard deviation of 1,750.

Table 3 confirms that price is the major factor for the SBR/AR companies and that they therefore have an economical focus (as seen in table 2). Interestingly, table 3 shows that despite the economic focus these companies have they seem to have a relational approach towards their international suppliers. This therefore contradicts the assumption that price as a major driving force for internationalization would indicate a transactional approach.

Table 3 ► Descriptive statistics of statements regarding actors/partners in the market (data retrieved from SPSS)

	n	Mean	Rank	Std. Deviation
We have all the resources we need in Sweden	65	3,85	8	1,962
In the future we look forward to working with international suppliers	58	4,90	2	1,662
It is important for us to cooperate with our international suppliers	62	4,85	4	1,854
We are very pleased with the relations we have with the other actors in the network	54	4,93	1	1,242
In the future we look forward to having stronger relations with other actors in the international market	57	4,88	3	1,862
We have a close relationship with most of our international suppliers	58	4,64	6	1,784
We aim to have a closer relationship with our international suppliers	58	4,72	5	1,981
Doing business outside of Sweden is our strategy	63	3,65	9	2,201
Investing in relationships with other international suppliers is very important to us, despite the cost	59	3,53	10	1,860
We communicate a lot with our international suppliers	60	4,38	7	1,984
Valid n (listwise)	47			

SBR/AR companies' competitive advantages

Investigating a company's competitive advantage indicates how they can use this advantage to differentiate themselves (Lamprinopoulou & Tregear, 2011; Porter, 2008; Turnbull, Ford, & Cunningham, 1996). The following section presents a table with the four factors that were essential for internationalization for SBR/AR companies. Factors that did not relate to this topic were excluded (innovativeness, environmental concern and productivity).

Table 4 shows that customer care was the highest ranked competitive advantage for the SBR/AR companies with a mean of 6,36. The table also shows that flexibility and important relationships were ranked second and third, with the mean of 5,99 and 5,90. This points out that these companies regard adaption to other actors an essential competitive advantage, since flexibility is a factor that allows adaption to other actors. Together with the important relationships that they have, this could display a relational approach amongst the SBR/AR companies. As earlier demonstrated, the SBR/AR companies seem to have a relational approach towards their international supplier, which confirms that these

companies are focusing on having relationships with the other actors in their network. The lowest ranked competitive advantage, out of these four, was price despite a mean of 5,05, indicating that SBR/AR companies still consider price as an important factor (which was seen in table 2 and 3). This in turn points out that despite the companies' price focus, which can indicate a transactional approach; the companies still display a clear relational approach towards their international suppliers.

Table 4 ► Descriptive statistics of the importance of the perceived competitive advantages for the SBR/AR companies (data retrieved from SPSS)

	n	Mean	Rank	Std. Deviation
Price	66	5,05	4	1,440
Flexibility	67	5,99	2	,961
Important relationships	65	5,09	3	1,465
Customer care	67	6,36	1	,883
Valid n (listwise)	64			

SBR/AR companies' experience influencing their business relationships

Following the fact that a company's relationships both take time to establish and are dependent on prior knowledge, a firm's experience therefore affects the relational approach (Johanson & Vahlne, 2009). Hence, the following sections present figures of international suppliers of the SBR/AR companies divided into three different age groups. These age groups are the old ones (established prior to 1949), the mature ones (1950-1999) and the young ones (2000-). When receiving the results it could clearly be seen that there were few old and young companies that took part in the survey. The highest amount of the companies participating in the survey consisted of the mature ones. It was therefore of interest to examine whether or not the companies' experience had an effect on the relationships they had formed with their existing international suppliers. This would indicate if companies from certain age groups risk being outsiders, embedded or over-embedded in the relationships with their international suppliers. In addition, the SBR/AR companies' intentions of future relationships with international suppliers are correlated, to show if they need to increase/decrease the degree of their relationships. Hence, this section presents matrix of correlations from these three different age groups. The matrixes display the coefficient between five indicators that describe the nature of business relationships that the old, mature and young SBR/AR companies form with their international suppliers.

Old SBR/AR companies

The international suppliers of the old SBR/AR companies, established prior to 1949, are presented in figure 7 below. It can clearly be seen that 42% had 51% or more international suppliers. Another 42% of these companies had 1-20% international suppliers, indicating that the old companies to a large extent are doing business with suppliers that are based in the foreign market.

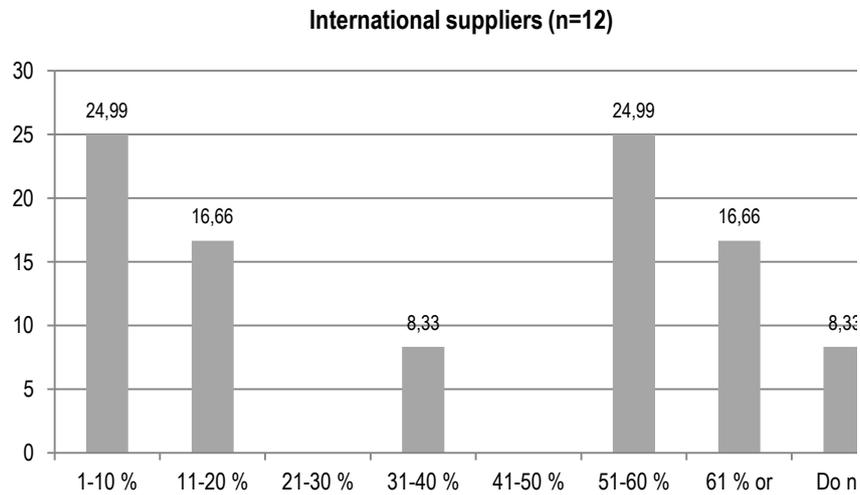


Figure 7 ► Percentage of international suppliers of the old SBR/AR companies (own illustration)

Considering the vast amount of international suppliers of these companies, it is further essential to understand what kind of relationships that are formed between these parties. The following section therefore presents the nature of relationships with international suppliers from the old SBR/AR companies' point of view.

Table 5 ► Correlation matrix of old SBR/AR companies (data retrieved from SPSS)

Indicator	1.	2.	3.	4.	n
1. In the future we look forward to working with international suppliers					10
2. It is important for us to cooperate with our international suppliers	,371				11
3. We have a close relationship with most of our international suppliers	-,020	,505			10
4. We aim to have a closer relationship with our international suppliers	,148	,459	,402		9
5. We communicate a lot with all of our international suppliers	,251	,334	,284	,823**	10

** . Correlation is significant at the 0.01 level (2-tailed), Spearman's Rho

Table 5 presents a correlation between the old companies, established prior to 1949, and the statements about their international suppliers. Data shows that there is a correlation coefficient (.823**) between current communication and the aim to have closer relationships with existing international suppliers. This indicates that the old SBR/AR companies have relationships with their international suppliers, with whom they want to have even closer relationships with in the future. The indication could therefore suggest that these companies have a relational approach towards their international suppliers and that they seem to be embedded in an international network. Though, as the correlation shows, these companies display a want to increase the strength of relationships with their existing international suppliers, which in turn indicates that they might reach over-embeddedness in the international network in the future. Furthermore, data shows that there is a negative correlation coefficient (-,020) between a close existing relationship and doing business with international suppliers in the future. This indicates that the old companies might only be interested in doing business with their existing international suppliers and not with new ones. Seeing that they only show an interest in increasing existing relationships, it might suggest that the old companies are becoming too connected to a specific international network. Additionally, this may imply that these companies risk reaching over-embeddedness, which seems to be likely seeing the indications above.

Mature SBR/AR companies

The international suppliers of the mature SBR/AR companies, established between years 1950-1999, are presented in figure 8 below. It can clearly be seen that 47% had 51% or more international suppliers. Another 29% of these had between 1-20% international suppliers, indicating that the mature SBR/AR companies have a high degree of international suppliers. When comparing these

companies with the older ones it can be seen that the mature companies have a larger amount of international suppliers than the old SBR/AR companies.

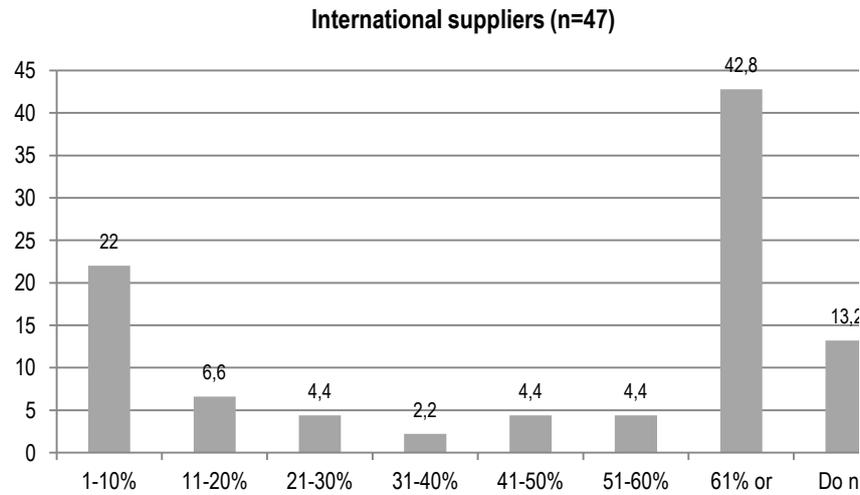


Figure 8 ▶ Percentage of international suppliers of mature SBR/AR companies (own illustration)

Considering the fact that the mature companies, just as the old ones, have a large amount of international suppliers, it is further essential to understand the kind of relationships that are formed between these parties. The following section therefore presents the nature of relationships with international suppliers from the mature SBR/AR companies' point of view.

Table 6 ▶ Correlation matrix of mature SBR/AR companies (data retrieved from SPSS)

Indicator	1.	2.	3.	4.	n
1. In the future we look forward to working with international suppliers					36
2. It is important for us to cooperate with our international suppliers	,856**				39
3. We have a close relationship with most of our international suppliers	,157	-,024			37
4. We aim to have a closer relationship with our international suppliers	,239	,166	,843**		37
5. We communicate a lot with all of our international suppliers	,295	,188	,871**	,818**	39

** Correlation is significant at the 0.01 level (2-tailed), Spearman's Rho

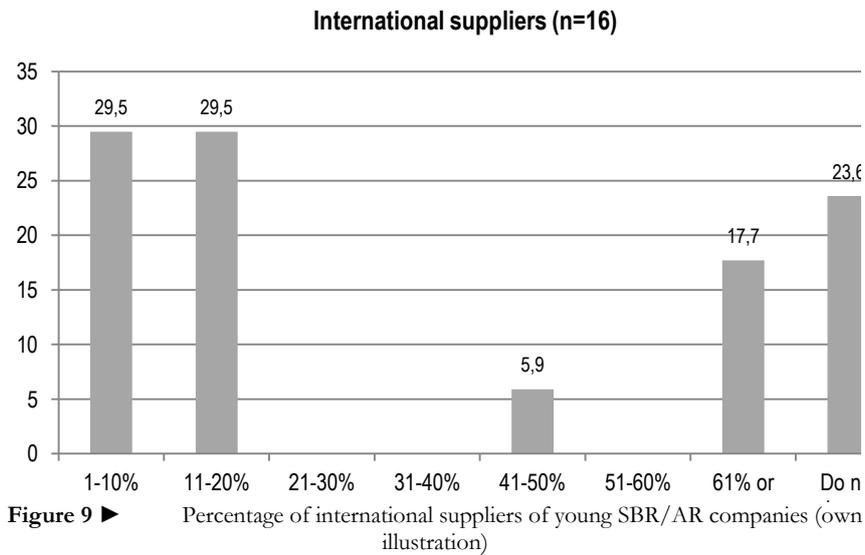
Table 6 presents a correlation between the mature companies, established between the years 1950-1999, and the statements about their international suppliers. Data shows that there is a correlation coefficient (.871**) between current communication and having a close relationship. There is also a correlation coefficient (.818**) between current communication and the aim to have an even closer relationship. Further, data shows that there is a correlation coefficient (.843**) between having a close relationship and the aim to have an even closer relationship with existing international suppliers. These data indicates that the mature companies have a relational approach towards their international suppliers, since they show a sign of having a close relationship with them. This further indicates that these companies seem to be embedded in an international network. Moreover, these data can imply that the mature companies might reach over-embeddedness in their relational approach, since they aim to have a closer relationship with their international suppliers in the future. However, there is a negative correlation coefficient (-.024) between having a close relationship and the want to cooperate with existing international suppliers. This can instead indicate that these relationships are not as close as the mature companies might think that they are, since a close relationship requires cooperation between two parties. It could however also indicate that the mature companies might have the intention to terminate some relationships in order to gain new ones and are therefore consciously decreasing the level of cooperation. Furthermore, there is a correlation coefficient (.856**) between cooperation with existing international suppliers and the want to do business with other international suppliers in the future. This indicates that the mature companies display a sign of wanting to create new relationships with other international suppliers. This could further confirm the indication above that these companies might seek other international suppliers in order to not become over-embedded in their existing international network. Seeking other international suppliers in the future could be a way of not becoming too connected to a specific network, since this could decrease the level of new knowledge reaching the company.

When comparing the old SBR/AR companies with the mature ones, both show an interest in increasing the strength of relationships with their existing international suppliers. However, it seems that the mature companies are more interested in doing business with other international suppliers than the old ones, which could be an indication that the mature companies are interested in broadening their international network. The comparison further indicates that the old SBR/AR companies are more focused on keeping relationships within their existing international network, i.e. retaining their existing position. Additionally, this can indicate that the old companies have a strong position, which they are not willing to give up in the future. Furthermore when comparing the willingness to cooperate with existing international suppliers it seem that the that the old companies have understood what a close relationship entails since they show

signs of both cooperation and communication with their existing suppliers. This is a factor that for the mature companies has a negative correlation coefficient.

Young SBR/AR companies

The international suppliers of the young SBR/AR companies, established year 2000 and later, are presented in figure 9 below. It can clearly be seen that 18% had 61% or more international suppliers, indicating that young SBR/AR companies are doing business with international suppliers. However, when comparing these companies with the old and mature ones, it can clearly be seen that the young SBR/AR companies have the least amount of international suppliers.



Even though the young companies have the least amount of international suppliers, it is still essential to understand what kind of relationship they form with the ones that they do have. The following section therefore presents the nature of relationships with international suppliers from the young SBR/AR companies' point of view.

Table 7 ► Correlation matrix of young SBR/AR companies (data retrieved from SPSS)

Indicator	1.	2.	3.	4.	n
1. In the future we look forward to working with international suppliers					12
2. It is important for us to cooperate with our international suppliers	,556				12
3. We have a close relationship with most of our international suppliers	,847**	,188			11
4. We aim to have a closer relationship with our international suppliers	,827*	,383	,852**		12
5. We communicate a lot with all of our international suppliers	,518	-,084	,873**	,733*	11

*. Correlation is significant at the 0.05 level (2-tailed), Spearman's Rho

** . Correlation is significant at the 0.01 level (2-tailed), Spearman's Rho

Table 7 presents a correlation between the young companies, established year 2000 and later, and the statements about their international suppliers. Data shows that there is a correlation coefficient ($,873^{**}$) between current communication and having a close relationship. There is also a correlation coefficient ($,733^{*}$) between current communication and the aim to have a closer relationship. Further, data shows that there is a correlation coefficient ($,852^{**}$) between having a close relationship and the aim to have an even closer relationship with existing international suppliers. These data indicates that the young companies have a relational approach towards their international suppliers, since they show a sign of having a close relationship with them. This further indicates that these companies seem to be embedded in an international network. Moreover, these data can imply that the young companies might reach over-embeddedness in their relational approach, since they aim to have a closer relationship with their international suppliers in the future. However, there is a negative correlation coefficient ($-,084$) between current communication and the want to cooperate with existing international suppliers. This can instead indicate that these relationships are not as close as the young companies might think that they are, since a close relationship requires communication and cooperation between two parties. It could however also indicate that the young companies might have the intention to terminate some relationships in order to gain new ones and are therefore consciously decreasing the level of cooperation. Furthermore, there is a correlation coefficient ($,847^{**}$) between doing business with international suppliers in the future and having a close relationship with existing international suppliers. Additionally there is a correlation coefficient ($,827^{**}$) between doing business with international suppliers in the future and the aim to have an even closer relationships with the existing suppliers. This indicates that the young companies display a sign of wanting to create new relationships with other international suppliers. This could further confirm the indication above that these

companies might seek other international suppliers in order to not become over-embedded in their existing international network. Seeking other international suppliers in the future could be a way of not becoming too connected to a specific network, since this could decrease the level of new knowledge reaching the company.

When comparing the old, mature and the young SBR/AR companies it can be seen that the young and mature ones show similar tendencies towards their international suppliers. They show similarities as both of them seem willing to have relationships with their existing international suppliers and are also willing to form relationships with other suppliers in the future. Furthermore they display similar patterns for communication and cooperation, as they seem to be less willing to incorporate these parts into their relationships. As mentioned before, the old SBR/AR companies are different from the other two age groups as they seem to be willing to cooperate and communicate with their existing international suppliers. However, they do not seem to be willing to form relationships with new international suppliers.

Conclusion

The following section presents the conclusions drawn in accordance with the analysis answering the two research questions, thus determining if the purpose of the study has been reached.

The research reveals that the SBR/AR companies overall have a high percentage of international suppliers, as well as them being active in an international network. Therefore it can be stated that Stockholm region can be considered as economically smart since the companies in the region are internationally embedded in networks. The knowledge gained from the international networks can have a positive impact on the domestic region's level of smartness, i.e. the more international business relationships the domestic companies have, the smarter the region becomes. A close relationship entails that the companies are sharing knowledge, resources and experience, through communication and cooperation that are of importance to the domestic market. These factors can be of value for the region as they provide new opportunities for the domestic companies can either take advantage of on all of the markets that they are active on. Thus, it can be stated that it is fundamental for companies to be internationally embedded if a city strives to become smart.

The study shows that the major driving forces behind the SBR/AR companies' internationalization are due to the fact that the international suppliers offer a more competitive price with a higher quality than the domestic suppliers. The resource availability is a driving force that the companies have different opinions about. This reveals that the domestic market fails to deliver the resources required from all companies, which the majority of these companies agree with. Additionally, the low trade barriers make it possible for the companies to reach

the long-term economic goal, as they gain a more competitive price. However, as results display, resources partly exist on the domestic market, it can be stated that the region's suppliers need to be more price competitive as this was the driving force for the SBR/AR companies when seeking international suppliers. The study also reveals that the SBR/AR companies consider their price offering as a competitive advantage, which could be possible through relationships with their international suppliers.

The results show that SBR/AR companies have a high percentage of international suppliers, with whom they have a relational approach and a strong resource dependency. However, the results point out that there is a difference in the degree of embeddedness amongst the SBR/AR companies. The old companies, established prior to 1949, have a relational approach with their international suppliers, since they communicate with them and want to increase the relationship with their existing ones. It can therefore be stated that these companies are embedded in an international network and that they have strong ties to their suppliers, whom they are resource dependent on. These companies furthermore seem to be less willing to seek new international suppliers to form relationships with, an indication for over-embeddedness. A reason for purely investing in existing relationships could be due to the power position within the network that they could have established throughout the years. Such a position is of interest to retain since it allows control over the mutual resources that exist within the network. The mature companies, established 1950-1999, and young companies, established 2000 and later, show similar patterns for forming relationships with international suppliers. Both of them have a relational approach towards their international suppliers, as they communicate with them. These companies therefore seem to be embedded in an international network in which they have strong ties and a resource dependency. Furthermore, these companies display a want for broadening their existing network in the future by seeking new international suppliers to form relationships with. However they do not seem willing to cooperate with their existing suppliers, which could indicate that the relationships they have might not be as strong as they believe them to be. Another reason could be that they are trying to terminate some of the existing relationships in favor for new ones. Termination of relationships in an established international network could have implications for these companies' position. The other actors in the network could interpret their decreasing commitment negatively, which could impact the mature and young companies' relationships, resulting in them being outside the international network.

The results from the study show that the majority of the SBR/AR companies do not consider the home market to have all the necessary resources, which is in line with previous research in the field. Despite the lack of resources, price has shown to be the leading factor for doing business with international suppliers. Furthermore, companies' focus on price usually indicates a transactional

approach, which is not the case with the SBR/AR companies. This study clearly reveals that despite price being the major driving force for doing business with international suppliers, the nature of the SBR/AR companies' relationships is of a relational approach. The approach could be a way to secure a competitive price for the resources that the companies need. Forming relationships enables trust and commitment leading to long-term cooperation, which is a reason that could lead to the supplier reducing their price. This in turn shows that a company's economical focus does not directly imply that it is not interested in forming relationships with suppliers, as research in the field of international business relationship has earlier presented. Moreover, the results have pointed out that the importance of cultural homogeneity on the market amongst the SBR/AR companies was less essential when choosing international suppliers. Earlier studies show that this factor is many times the major driving force for doing business outside the domestic market, which this study shows no sign of. Additionally, the study reveals that the strengths of the relationship to the international suppliers depend on the age of the companies, where the old ones have a broader understanding of the importance of communication and cooperation in a network. This indicates that establishing international relationships with suppliers takes time and that companies that do not have strong relations to their international suppliers have a higher risk of being outside from an international network. Due to the weak position, these companies are restricted from the mutual resources that a network is in control of. This in turn confirms that companies need time to commit to their international suppliers, i.e. the age and experience are two vital factors for companies when forming successful long-term relationships with their international suppliers.

Managerial implications

The research shows that the SBR/AR companies are seeking international suppliers due to the competitive price and that they interested in forming relationships with these suppliers. The research further shows that these companies have different opinions about the existence of resources in the region. Therefore, it can be stated that the domestic market does not offer all the resources the companies need, and that they offer them to a less competitive price. Since SBR's mission is to attract both domestic and foreign businesses to the region, it is of interest for them to reduce the prices in order to be more competitive. Though, the main reason for the Swedish market to offer the resources for a higher price could be the high level of the country's business taxations, which is a topic that is being discussed on a general government level in Sweden. It is therefore of interest for the SBR/AR companies to join other organizations that support Swedish domestic suppliers as these together can illustrate to the government how the region can benefit from foreign and domestic investments. This could then have an impact on the government's decisions regarding the level of tax for the domestic suppliers. Furthermore, it is of interest to SBR/AR to attract foreign businesses with resources that might be

difficult to find in other countries, since this may be the country's competitive advantage which they can utilize to differentiate themselves from other countries.

To increase the attractiveness of the region even more, it is a recommendation that the SBR/AR create collaborations with similar foreign organizations and the Swedish Chamber of Commerce. It is suggested that international networks are created through this type of collaboration. Creating international networks would facilitate the process for the domestic companies to do business abroad, which would also increase their international embeddedness of the companies in the region. These specific networks would additionally facilitate the process for the foreign companies to enter the Swedish market, enabling them to do business with the domestic suppliers as networks provide knowledge opportunities enabling market entry. The international networks would also enhance AR's mission to promote the domestic suppliers as world leading within the automation and production industry, since a network enhances communication with other parties. Moreover, as a network consists of several different actors it would enable AR to reach their goal of further strengthening their position by collaborating with international companies and universities within these specific areas. The creation of international networks would not only create opportunities for SBR/AR, but also increase the region's level of smartness from the inside-out.

Seeing that the nature of the SBR/AR companies' relationships differs according to the experience that the company have it is also a recommendation for SBR/AR to create a national network, in which the companies can exchange experiences. The managers for the mature and young SBR/AR companies have shown to be interested in creating relationships with not only their existing international suppliers, but also other suppliers in the future. These companies would benefit from understanding how the old companies maintain their existing position within a network. The old companies have shown a strong interest for retaining their position within the network, by increasing the communication with their existing international suppliers. Seeing that they lack of interest for extending their network, the old companies would benefit from understanding how the mature and young companies broaden their international network. Therefore, the national network could create added value for all SBR/AR companies as they would have greater opportunity to learn from each other's experience of a foreign market and their way of doing business with international suppliers.

Following the recommendations of creating national and international networks could increase the attractiveness of the region as a business center. This would increase the possibility for SBR to reach their aim of becoming the leading region of growth in the northern part of Europe.

Future research

Future research would benefit from a deeper investigation of the SBR/AR companies' international business relationships based on the different industries that they are active in. An industry based research would increase the understanding of the similarities and differences between companies that are operating within different industries. Furthermore it would be of interest to investigate if the companies' industry type affects the driving forces for doing business with international suppliers, as it could indicate if internationalization is a chosen strategy or not and also if there are factors that are industry specific.

Moreover, it would be valuable to examine whether or not the driving forces for internationalization are the same for companies outside the SBR/AR region and if they share the relational approach that the SBR/AR companies seem to have. Doing a follow-up on this survey would be useful as it would show if time and experience has changed all of the companies' degree of international suppliers and their relationships with them. This would give indications for if following the recommendations has had an impact on the SBR/AR companies' way of doing business with international suppliers. Furthermore, a follow-up would also show if the level of Stockholm regions smartness has evolved. Comparing the results with the data received from this research, would reconfirm if experience has an impact on the nature of the relationship with international suppliers. Additionally, it would also be of interest to investigate the companies' nature of relationships towards customers in an international context. Since this study has examined one side of the customers-supplier relationships, it would be of interest to conduct a research that would show the international suppliers view of their relationships with the Swedish SBR/AR companies. This specific research could provide a broader understanding of the nature of the international relationships, viewed from both a supplier and a customer focus.

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