Make business great, in a great market

Swedish companies evolvement and internationalization on the U.S market

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Term: VT19  
Subject: International Business  
Level: Degree of Bachelor  
Course code: 2FE51E
Abstract

The purpose of this thesis was to create a deeper understanding on the way in which Swedish companies internationalize their business activities in the U.S market and the impact that the business environment has on their further evolvement in the market. To create a deeper understanding of the area, a qualitative research has been conducted. The primary data has been collected through case studies with Swedish business-to-business (B2B) companies who have established their business in the U.S market. In order to gain a basis for further examination of the subject a theoretical framework has been established. The theoretical framework is based on existing theories related to internationalization, barriers and networks and is formulated through a model in order to illustrate how these theories are connected. The empirical chapter gives a presentation of the primary data with a focus on the areas internationalization, uncertainty and barriers. The collected empirical data is further discussed in the analysis chapter where the aim is to analyze the information from the participants in the cases and identify common patterns as well as explaining the choices with the theories. Based on the analysis made, several conclusions could be drawn. Swedish B2B companies internationalize in incremental steps and evolved in accordance with the establishment chain in the U.S market. One of the factors to the successful evolvement is the network they entered or created in the U.S market. The business environment, more specifically the political environment, is a barrier for the companies evolvement and at the same time is uncertain.

Keywords

Internationalization, B2B, Swedish companies, business environment, network, establishment, operation mode.
Acknowledgments

We would like to thank everyone who gave contribution and support for the conduction of this thesis. Firstly, we would like to thank the participants in the interviews; Christian Vickle (Norden machinery), Per Elfgren and Per-Olof Stark (SSAB), Mattias Johnsson (Lackeby) and Harald Castler (Getinge). We would like to show our gratefulness for their participation in our thesis with their willingness to help during the whole process and the knowledge and information they contributed with for the study.

Furthermore, we would like to thank our supervisor Selcen Öztürkcan for contributing to the study through feedback and guidance. We are also thankful for the contribution from our examiner Susanne Sandberg and opponents for contributing to further development of the thesis during the whole process though feedback and suggestions.

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Kalmar, May 29, 2019
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1 Introduction

In the introduction chapter, a concise introduction to the internationalization of a firm will be presented. Following by background and a problem discussion. At the end of the chapter, two research questions, purpose of the thesis and delimitations on the area examined will be presented.

1.1 Background

1.1.1 Internationalization of a firm

Globalization is a way for companies, regardless of size, to transfer their knowledge and offerings abroad. The phenomenon globalization brings, among other things, job opportunities and competitive advantage (Hollensen, 2017). This study will examine companies who work business-to-business (B2B) who internationalized and work across national borders. Johanson and Vahlne (2009) define internationalization of a firm as a process where companies progressively expand or increase current business activities and commitments to international markets. After the entry to the market, the arrangement is later called foreign operation mode (Welch and Luostarinen, 1988).

1.1.2 Sweden and the U.S business relationship

The diplomatic relationship between Sweden and the U.S turned 200 years and was celebrated in 2018. Besides the fact that the U.S is Sweden’s biggest trading partner outside Europe, the trade flow is significant as Sweden is considered to be one of U.S biggest investors per capita. Swedish companies being active in the U.S have created more than 360 000 jobs in the country excluding infrastructure, subcontractors and services that are similar. With those parties taken into account, Swedish companies in the country have generated up to one million jobs in the U.S. With the economy constantly changing, Sweden and the U.S having similar aims in regarding the creation of jobs and view of importance on innovation, the investment and trade ties strongly connecting them is an opportunity for companies from each country to collaborate. (Olofsdotter, 2018)
1.1.3 Business Environment in Sweden

In Sweden, there is something called ‘Regional export cooperation' and is a center for companies in Sweden who facilitates small and medium-sized enterprises (SME) when doing business with or in other countries in the world. They aim to support companies regionally on exports and several regional export centers have been established across the country. Business Sweden and Enterprise Europe Network are two of the actors involved in export cooperation (Tillväxtverket.se, 2019).

The economic growth in Sweden is dependent on exports. In comparison to the rest of the world, the strength of Sweden's export has decreased and in 2014 the export trade accounted for 45 percent of the country's GDP. To strengthen the SMEs in Sweden, the Swedish government introduced an export strategy with the intention to create opportunities to increase the number of SMEs exporting to foreign markets and internationalizing. Export opportunities for SMEs are crucial in view of the number of jobs created as a result of more export activities and expansion. To strengthen Sweden's economy and business activities, the Swedish companies must export to emerging markets considering the growth that will take place in those markets by 2020. It is a necessity that the exported goods and services from Sweden attain a higher place in the value chain, as well as the global trade, maintain open. In order to achieve goals that are set, it is vital that companies in Sweden want to expand and reach the global market. The export strategy that the Swedish government presented is asserted to lead to the goals; increased export activities, maintain the attractiveness that Sweden has, enhance the number of companies exporting and engaged in the global economy. (Damberg, 2015)

Sweden is a part of the European Union and the organization encourages internationalization and export activities outside the EU, more specifically for SMEs (Internal Market, Industry, Entrepreneurship and SMEs - European Commission, n.d.). Companies that internationalize and trade with other countries or regions outside the EU contribute to, among other things, economic growth and development. To advance the competitive advantage and opportunities for SMEs, the EU provides them with policy initiatives and analysis (Internal Market, Industry, Entrepreneurship and SMEs - European Commission, n.d.). The EU has a certain role in bringing the export activities forward. Companies that export to countries outside the EU may encounter
barriers such as tariffs and quotas. EU works to ensure that these barriers are reduced or disappear completely for the countries that are members of the EU, which is a part of their strategy to achieve and expand the number of jobs in Europe (Ec.europa.eu, 2013,).

1.1.4 Business environment in the United States

The United States is today a world-leading economy where most of the successful companies are based. In addition to a broad industry sector, the United States has increased its stake in IT where companies such as Microsoft, Amazon and Apple, have achieved success worldwide. The position as a world-leading economy was threatened in the late 2000s in connection with the financial crisis. The crisis required immediate action from the state to control the situation and it resulted in regained economic stability. (Lindahl, 2018)

Since 2010 the annual economic growth has been 2 percent. The free-trade policy that the U.S historically has pursued, reached a drastic change in connection with Donald Trump’s accession as the country’s president. The President has stated that the domestic market needs protection and this is best done by re-considering the trade agreements concluded in previous terms of office. One year after access, the president stated that tariffs would be introduced for steel and aluminum, the rate would be 25 percent with a temporary exception for Mexico, Canada and the EU. However, the exception for these countries lasted only until June 2018, after which the same requirements apply to all countries, this to support domestic production. (Lindahl, 2018)

For many multinational companies in Europe, the U.S is the most important market for making profits. European affiliate sales in the U.S amounted to about $ 2.4 billion in 2015 and the total turnover of companies operating in the U.S was estimated at $ 570 billion. The transatlantic economy has enormous significance for the global economy, the EU and U.S production in total accounted for over 31 percent of world GDP in purchasing power parity in 2016. The partnership between America and Europe is what drives global trade, investment and capital flows. Europe currently has the largest presence in the U.S market, followed by Canada and Japan. (Hamilton and Quinlan, 2017)
1.2 Problem discussion

The external factors that the company itself cannot control are the socio-cultural, government and legal, economic and demographic factors. All of these external factors have a significant impact on the business environment, and changes in the business environment would mean that the company cannot control them. What is often determined by the political environment in a market is the business and economic policies, such as restraints on trade and operation mode are two examples. (Cherunilam, 2010)

The tariffs that Trump introduced had a negative effect on business, both on import and export. Swedish companies were mainly affected by the tariffs that were put on steel and this resulted in higher prices on both steel and aluminum. The problem here is the expensive costs that the companies face. The results and impact this has on business and the general business environment in the U.S and for exporting companies may affect the evolution of companies on the U.S market and its attractiveness. (Bloomberg.com, 2017)

When Johanson and Vahlne (1977) developed the Uppsala model in 1977, their research indicated that Swedish companies often began their exporting activities with an ad-hoc approach. Their entries would subsequently be through intermediaries such as sales agents that progressively were replaced in order to physically come closer to the market in order to overcome possible barriers. Johanson and Vahlne (2009) called this the 'establishment chain'. According to Johanson and Vahlne (2009), their research and internationalization model has received critique. Reported by other scholars, since Johanson and Vahlne developed their model, there has been a significant change in companies’ behavior (Johanson & Vahlne, 2009). The theoretical research gap on this subject is partly done by Johanson and Vahlne (1977), however, this thesis is niched and focused on a specific market and with current aspects such as the business environment in mind.

Given the economic growth that takes place in countries such as China, it is understandable that emerging markets have been the focus of many researchers (Damberg, 2015). This indicates that the interest is shifted from the largest economies, such as the U.S, to emerging markets. Thus, the interest arose and the authors of this thesis identified an opportunity of finding an area that lacks scientific research and is relevant for Swedish companies evolving on the world’s biggest market (focus-economics, 2018). There is previous
research on how Swedish companies generally enter and operate in foreign markets and Johanson and Vahlne (1977) highlight this in their study on the Uppsala model. There are suggested operation modes for Swedish companies that want to operate in U.S market, however, these articles are not scientific research and that is the gap this thesis wishes to fill and contribute to. The research on how Swedish companies have evolved in the U.S market and how the current business environment affect further development on the market, is thin. Previous research on internationalization, entry modes and evolvement of operation mode is mainly focused on companies in emerging markets internationalizing and expanding to other markets and vice versa. researched made by Pedersen, Petersen and Benito (2002), Angels Niñerola, Maria-Victoria Sánchez-Rebull, Ana-Beatriz Hernandez-Lara (2017) and Susanne Sandberg (2012) examined companies taking off to or from emerging markets choice of entry mode and evolvement of foreign operation mode. These are two of the previous researches done on emerging markets and internationalization process of a firm.

1.2.1 Problem definition

This study is based on primary data collected from four Swedish companies that operate in the U.S market and has evolved the operation mode on the market. It can be of importance to other companies who lack sufficient knowledge to identify opportunities and barriers as well as future barriers. This study can be helpful for Swedish companies that want to enter the U.S market and by getting a deeper understanding of how the evolvement of other Swedish companies have been, due to what and how the U.S business environment affect further development regarding the company's business. With the findings, other companies can identify risks and opportunities as well as barriers that exist on the market. Through more recent research, current changes in the global business environment and export being Sweden's most contributing factor to economic growth, this thesis will fill the narrow research there is on this specific subject. The previously mentioned changes in the business environment and the world, bring uncertainty and barriers for exporting companies.

1.3 Research questions

*How has the internationalization process and operation mode for Swedish companies evolved since they entered the U.S market?*
How does the business environment affect the Swedish companies business operations in the U.S market?

1.4 Purpose and aim

The purpose of the thesis is to acquire a deeper perception of and explore how the chosen Swedish companies’ operation mode has evolved over time and how the business environment in the U.S affect the business operations. Thereby, contributing to an upgraded awareness. Further aims with the research are to examine how the companies have evolved and what made it possible for them to further develop from the initial arrangement on the U.S market. By displaying findings of what enabled the companies examined further development of operation mode, it can be of importance for companies who want to initially make strategic choices regarding arrangements on the U.S market.

1.5 Delimitations

This thesis is limited to only examine B2B operations. It should not be expected that the thesis will cover the market expansion strategy. The United States is an important part of the thesis, however, the country will be analyzed in its entirety without further analysis of the various states. Furthermore, there will not be any limitations on the size of the companies examined.

1.6 Outline

Figure 1: Outline of the thesis – Own illustration
2 Literature review

In this chapter, the theoretical framework and literature review will be presented. Important concepts, operation modes and relevant theories will be presented. At the end, the theoretical synthesis will be illustrated in order to explain the connection between the theories and concepts.

2.1 Foreign operation mode

The definition and meaning of foreign operation mode is the way the company operate in a foreign market. Initially, it is called entry mode and after they have established themselves, it is called foreign operation mode. It will further be referred to only as operation mode. (Welch and Luostarinen, 1988)

2.2 Export modes

Export modes mainly aim at companies manufacturing products in the home market and transporting them to the host market. It is usually this method that is used initially when companies want to establish themselves in a new market. Exports are used at the first entry into the market and can, over time, develop into something else, such as more local activities. (Root, 1998; Hollensen, 2017)

Indirect export means that the company is not directly involved in the export activities. When the company manufactures the products, the export activities are outsourced to external parties on the domestic market and sales abroad are included. The opposite of this export method is the direct export where the manufacturing company itself is involved in all activities and is in contact with the customer in the foreign market. In other words, the producer is responsible for all activities from the manufacture of the product, pricing and delivery. (Hollensen, 2017; Root, 1998)

2.2.1 Indirect export

In the case of indirect exports, the manufacturer is dependent on other organizations for transport and other functions on the domestic market. The approach is adapted to companies with limitations on international experience and resources. Indirect exports can also be considered a way for companies to try the international market. Depending on the outcome, the company can
gradually transfer more functions internally and move parts of the value chain to the foreign market. Even though indirect exports can provide good opportunities for preparing for future expansion, it also entails some risks that companies should consider. This arrangement does not give the company the same control as other arrangements. (Root, 1998)

For SMEs who lack international experience and have limited resources, indirect export arrangements are an opportunity to get familiar with the targeted market. The indirect exports have several arrangements such as export purchase agent, broker, export management company, trading company and piggyback. (Root, 1998; Hollensen, 2017)

2.2.2 Direct export

Direct exports, unlike indirect exports, imply that the company itself carries out all activities against the buyer on the foreign market. The direct export gives companies the opportunity to maintain control over production, transport, marketing, sales and other activities. Direct export mode aims to allow the producer to export goods through a distributor or agent in the foreign market. A distributor acts as an importer and representative of the company in the host market. Agents act as representatives of the company on the international market, however, does not perform the same activities as the distributor. Unlike the distributor, agents and their sub-agents work on commission. Agents are people who have knowledge and experience of the current market, thus being an important resource when companies want to establish themselves in a foreign market. (Hollensen, 2017; Root, 1998)

2.3 Contractual modes

The contractual modes differ from the other two modes, export mode and hierarchical mode, in the sense that there is no full ownership in this choice of operation mode. The ownership can be shared between the firms involved, therefore, the parent company does not have full control over the activities in the host-market. All arrangements in this mode concern transfer of resources such as human skills and technological knowledge. (Root, 1998)

The contractual modes consist of a range of various arrangements being contract manufacturing, licensing, joint venture, management contracting and franchising (Root, 1998). Further, each arrangement will be presented.
2.3.1 Contract manufacturing

Contract manufacturing implies that a company chooses to outsource production to another company in a foreign country. This implies that the firm is not bound to anything in the foreign country and can focus on the parts of the value chain that they have the resources and knowledge enough to master. Some companies that want to outsource certain parts of their value chain usually have a lack of resources, such as knowledge and capital. The contractual mode allows the company to commit less capital and management resources. Contract manufacturing gives the opportunity to still get their products produced in the country they want to sell them in. Local production enables the firms to be closer to customers and it facilitates the process of design, delivery, and services in those cases where the product is customized after the customer's requirements. Depending on the targeted market, the labor force may be lower in comparison to the home-market production costs. By outsourcing the production activity to an external partner, the possible tariff or quotas- barriers can be overcome. (Hollensen, 2017; Root, 1998)

2.3.2 Licensing

Licensing is a way for companies to produce locally without committing any financial assets. What distinguishes contract manufacturing and licensing is that the company gives the national firm on the host market more responsibility and freedom. This indicates that the company has less control over more parts of the value chain (Hollensen, 2017). The licensing arrangement gives the licensee the right to use the licensor’s inventions (Davis, 2008). It is a pass on of intangible property rights from one company to another. When the tariffs on products exported to a foreign country increase, the company license the rights of producing the products in a foreign country. By licensing, the company can reduce the high transportation costs of the products (Root, 1998).

2.3.3 Franchising

The franchising arrangement implies that the franchisor gives the franchise rights to use the entire company name and business concept when doing business. By franchising, the franchisor obtains royalties and other benefits. It is a way for companies to expand promptly in and the political risks are minimal (Root, 1998; Young, Hamill, Wheeler and Davies, 1989). There are
two types of franchising, *product and trade name* and *business-format* (Young et al., 1989). Product and trade name is when there is a contract between the supplier and a dealer who agrees on selling or buying the supplier's products and are given the right to, among other things, use the trademark and product line. The business-format differs from the first type by having the right to use more than the trademark and product line. The dealer who has a contract with the supplier has the right to marketing strategies, quality control and operating procedures. (Root, 1998; Young et al., 1989)

2.3.4 Joint venture

A joint venture is an arrangement where companies share ownership and are partners in the operation. It is usually two companies that create a company together in a foreign market, normally a local company and a foreign company due to needed country-specific knowledge. This is done in many cases due to lack of international experience or liquid funds to make the entire operation themselves. Through a joint venture, the parties can complement each other with technical knowledge and resources that each of the companies possesses with minimum investment. (Hennart, 1988; Root, 1998)

2.3.5 Management contracting

Management contracting takes place when a locally based company supplies management know-how to a foreign company who lack sufficient knowledge and experience to set up production or service operation. This specific arrangement can in the future be a disadvantage for the company who supply the know-how. What the contracting company does is to train employees and sharing the management know-how's, by doing that it can result in future competition in world markets. Management contracting can occur if the company, by political or commercial reasons, believes that it is too risky with direct investment or export to the foreign market (Luostarinen and Welch, 1990; Hollensen, 2017). Disadvantages with management contracting are that the company does not get the time to stabilize the products position on the market and the time-consuming process when negotiating with the other party (Root, 1998).

2.4 Hierarchical modes
The hierarchical modes imply that the company has full control when operating in the foreign market (Hollensen, 2017). By, for instance, investing in production facilities in the targeted foreign market, the company can utilize the raw materials, low labor force and manufactures at a reduced cost. At the same time, they physically come closer to the local market (Root, 1998).

2.4.1 Domestic-based sales representative

The domestic-based sales representative is someone who is employed by the company and travels between the home country and the foreign market. The sales representative represent the company and sell their products to customers in the foreign market which gives the company more control over the sales process in comparison when using intermediaries. This particular operation mode is often in B2B. By having someone employed by the company traveling to the host-market, it shows the customer that they cherish their business-relationship. (Hollensen, 2017)

2.4.2 Foreign sales and production subsidiary

For companies who regard that their products have potential on the market for a long time and that the country is stable in all aspects, including the political environment, can get full control of the sales and production through sales subsidiaries. Foreign sales and production subsidiary demand money, commitment and management time for it to work. (Hollensen, 2017)

2.5 Foreign direct investment

Foreign direct investment (FDI) involves a large financial commitment where the establishment of a new company abroad takes place. Companies transfer resources and knowledge to the foreign market such as manufacturing, technology and marketing. It is common for companies to carry out such an investment to produce products to sell on the foreign market. FDI enables companies to satisfy distributors and customers largely by adapting the products to local conditions. Other factors that affect companies’ decisions for foreign direct investment are those that are less linked to their own will, rather to the business environment. FDI can be a result of companies wanting to strengthen their position in the foreign market against their local competitors. The establishment of local production also contributes to lower costs for production and distribution, which enables companies to achieve competitive
advantages on the market. Companies can also make decisions about FDI because of governmental policies and trade barriers that make exports unprofitable. Companies can have trouble controlling their business through joint ventures or licensing, which leads to the establishment of their own company in the market. This enables more efficient utilization and control of the company's technology and greater profits. (Bradley, 2005)

The most common reasons why companies decide on FDI are operational efficiency, market development, minimize risks and government policy on the host market. It is common for companies to implement FDI to strengthen their position on the market and to overcome trade barriers such as tariffs. (Bradley, 2005)

2.6 Barriers

Barriers are not only barriers to entering a foreign market. Companies can experience or come across barriers and hinder after the entrance. Such as when attempting to develop or maintain the current business operations on the foreign market. (Leonidou, 2004)

Barriers related to knowledge is linked to the capabilities of the decision-maker and manager in a company, which are vital when it comes to barriers in international business. If the manager is incompetent and has no sense for risk-management, the situation becomes more complex and the barriers are more difficult to face. A manager who is able to manage risks and is comfortable with doing business overseas manages to handle obstacles largely. (Leonidou, 1995)

A vital aspect of barriers are the barriers linked to the market. Barriers when transferring activities to a foreign country can be barriers regulated by the government regarding trade. Lacking knowledge or understanding for the host market’s laws, way of doing business and language can as well be classified as barriers related to the market (Oviatt and McDougall, 2004). Leonidou (2004) emphasizes market-related barriers such as delays in the transportation of goods overseas and unanticipated situations that may occur, which can affect the company's credibility on the host-market and is classified as a barrier. Further, Leonidou (2004) explains how high-risk markets or markets with less access to transportation means usually require additional insurance in export activities. It would negatively affect the company’s competitiveness
on the market since additional costs for the company results in a more expensive product. Lastly, Leonidou (2004) argues that the external barriers, again market-related barriers, in international business can be divided into four groups of barriers: Procedural barriers, governmental barriers, task barriers and environmental barriers. Procedural barriers can be difficulties when communicating with customers in the host-market and delayed collection of payments. Governmental barriers can be that the government does not encourage companies in export activities by having regulations that are adverse for exporting companies. The task barriers can mainly involve competitors on the host-market, which can be regarded as a substantial barrier. Lastly, environmental barriers can be economic, socio-cultural and political in the host-market (Leonidou, 2004).

2.7 PEST

Companies use the concept of PEST to analyze the business environment they are active in. It is a tool to understand the external factors that may or may not be of importance when operating in a foreign market. PEST stands for political, economic, social, technological. The P entails the political and legal policies that regulate the trade tariffs, tax policies, trading partner policy changes and laws. These things can influence the opportunities and the business environment on the foreign market, which in turn can affect the company. The E stands for economic and the factors included in this aspect is inflation rate, economic growth and depending on which industry is in focus, it affects the FDI. The S regards changes in the socio-cultural environment such as population growth rate and purchase power. The T stands for technology and is of importance when it comes to technological innovations and its impact on the company’s operations. (PESTLE Analysis, 2019; Warner, 2010)

2.8 The Uppsala Internationalization model

Johanson and Vahlne (1977) developed a model with the aim of explaining the way in which companies undergo an internationalization process and the factors that influence the decision-making. The model that they developed is known as the Uppsala model and is based on empirical observations of Swedish companies. (Johanson and Vahlne, 1977)
What emerges from the study is that Swedish companies are less likely to make large investments when they want to establish themselves in a new market. The result of the empirical observation from Johanson and Vahlne’s (1977) research shows that the companies choose a stepwise internationalization process. The incremental process is usually described by companies starting their establishment through export via an agent on the foreign market. Later in the process, it can be developed into the establishment of a sales subsidiary and finally, companies can also start their own production in the foreign market (Johanson and Vahlne, 1977). The steps previously described are what Johanson and Vahlne (2009) call the establishment chain and is one of the dimensions of the Uppsala internationalization model. In none of the cases that Johanson and Vahlne studied did companies start production in a country without initially having sold through an agent or sales subsidiary (Johanson and Vahlne, 1977). In general, the observation of corporate internationalization process has confirmed the Uppsala model.

Although companies’ desire is to invest more in a market, exports are a way of acquiring knowledge and considering the size of the market. Establishing a sales subsidiary has generally shown a positive impact on reducing the risks involved in establishing production in the foreign market. Companies do not necessarily start all production in a new market at the same time, initially; it may be about less complex parts of production to later transfer more complex production. (Johanson and Vahlne, 1977)

2.8.1 Internationalization model

The model below clarifies the steps taken in an internationalization process. The state aspects are linked to resource involvement and market knowledge. The change aspects aim at deciding to commit resources in a foreign market and the execution of current business activities. (Johanson and Vahlne, 1977)
2.8.2 Market knowledge

Johanson and Vahlne (1977) point out market knowledge as an important factor to consider. This is aimed at the amount of information the company has about a particular market. Knowledge can generally be generated in two ways, knowledge through teaching and knowledge gathered through personal experience. The personal experience is strongly associated with the activities of the staff of a company. Market knowledge is something that is generated while the business is developing in a country. The experience-based knowledge is of greater importance in the relationship created with individuals, especially when companies offer complex products (Johanson and Vahlne, 1977). Knowledge can be discussed based on two further perspectives, general knowledge and market-specific knowledge. General knowledge can be briefly described as common characteristics of an industry, group of customers or product type without regard to geographical location. Market-specific knowledge specifically refers to the market that the company wishes to operate in, here it takes significantly greater consideration of culture, business environment, corporate culture, laws and regulations. Knowledge is an important resource for companies and the larger this resource is, the higher the company's commitment to a market. (Johanson and Vahlne, 1977)

2.8.3 Market commitment

Market commitment is explained by two factors, the degree of commitment and the number of resources committed. When a company places resources on a market, it is considered a commitment to that market. Generally, more resources mean increased opportunities for higher involvement. If a company has greater access to resources, the likelihood is that more investments are made in that market. The amount of resource involvement is aimed at investments made on the market, these can include staff, marketing activities, production and many other areas. (Johanson and Vahlne, 1977)

2.8.4 Current activities

It often takes time before companies fully establish themselves in a market and can generate profits. This time delay can be large, which contributes to higher involvement. The collection of experience can be done by hiring experienced representatives either through employment or through counseling with
individuals who have experience in the market. Johanson and Vahlne (1977) have chosen to clarify this by making a breakdown between firm experience and market experience. People who work in the company and who are responsible for a particular market should interpret information internally within the company and externally on the market. For a business to work, a combination of both firm experience and market experience is required. There is the possibility for companies to hire staff who only have market experience for a certain period or for a longer period. Depending on whether this staff has been in contact with the company in the past, the process moves faster than in cases where staff need to be trained. What is best suited for the rapid use of market experience is the use of sales representatives. (Johanson and Vahlne, 1977)

2.8.5 Commitment decision

Another change aspect as Johanson and Vahlne (1977) discusses, is the decision to commit resources to a foreign market. The decisions are assumed to be a result of the problems or opportunities that companies identify on the market. These problems or opportunities are strongly linked to both firm experience and market experience, most often it is the people who are responsible for a certain market that discovers this. The opportunities perceived by the representatives of the specific market lead to development and increased commitment. (Johanson and Vahlne, 1977)

2.8.6 Uppsala model revised

Johanson and Vahlne (2017), 40 years after the development of the Uppsala model, have once again considered it to take into account the developments that have taken place in a modern enterprise. The model is mostly the same, however, it has been expanded with regard to more aspects of the multinational business enterprise (MBE) evolution. The purpose of the model is to act as an alternative to the eclectic paradigm. MBE aims to provide an explanation for changed business relations rather than production structure. Johanson and Vahlne (2017), argue that the eclectic paradigm is aimed at macroeconomic perspectives rather than individual companies; hence the Uppsala model is considered an alternative that gives an explanation at a micro level. According to Johanson and Vahlne (2017), the main purpose of the model is to serve as a tool for micro-level analysis for the evolution of MBE. The revised Uppsala
model discusses knowledge as a result of processes in a network internally and externally. Relationships are also considered to be of great importance for a successful internationalization process at companies. Johanson and Vahlne (2017) argue that events within a company also reflect events in the network that it is part of. It is much more difficult to undergo internationalization processes as an individual company outside the network, as it requires much more time and resources to succeed. (Johanson and Vahlne, 2017),

Furthermore, uncertainty is discussed as an important dimension in managers' work internationally. Managers work under uncertainty and ignorance because they cannot predict future changes in the business environment. Johanson and Vahlne (2017) include risk and uncertainty in the model, this is associated with the resources that are made during expansion. As is also apparent from the initial Uppsala model from 1977, an incremental expansion is considered appropriate to minimize losses. According to the model, companies react to changes in the environment by trying to influence it instead of just adapting. This is done, among other things, by streamlining the value chain, changing partnerships and relationships, and through technological innovations. (Johanson and Vahlne, 2017),

2.9 Eclectic paradigm / theory

The eclectic paradigm was developed by Dunning (1988) in order to give a holistic explanation and identify a pattern for international production. Like Johanson and Vahlne (2017), Dunning (1988) explains that the paradigm is not intended to act as a theory where the focus is placed on specific types of international production or as an analysis of corporate behavior. According to Dunning (1988), there are three different sets of advantages that affect international production, owner advantages, local advantages and internalization advantages. This set of advantages is also referred to as the OLI framework (Alexander and Doherty, 2009).

Dunning (1988) argues that all OLI advantages should be available at a company in order to perform a successful FDI. The first paradigm relates to ownership advantage, which is aimed at the company's holding of a special resource that differs widely from the competitors and thus contributes to competitive advantages in a new foreign market. The assessment that companies must make is whether there is a competitive advantage that can be transferred to a foreign market. (Dunning, 1988)
The second aspect deals with location advantages, which aim at the geographical location of a new market. This can be a strategic choice as a market's geographical location can, for example, contribute to greater opportunities to do business in neighboring countries. Another advantage may be the availability of cheap resources, reduced production costs, labor force, and more. Companies should assess whether the geographical location provides benefits to the business. If it is not considered to be positive, it is preferred that production be kept on the home market and exported to the foreign market instead. (Dunning, 1988)

The final step in the eclectic paradigm discusses internalization advantages. This focuses on the companies' dilemma about performing the value chain activities internally or engaging external parties to perform some of the activities. There may be different reasons why companies choose to outsource some of their activities such as lack of market knowledge, low costs and more. Companies should consider, for example, licensing product design or hiring other companies for manufacturing, or maintaining full control over their activities through FDI. This can be done, for example, through the acquisition of local companies, or joint ventures. If companies make the assessment that all three aspects of the OLI paradigm give a positive result, it indicates that FDI can be implemented and in this way, full control of the business can be guaranteed. (Dunning, 1988)

The criticism made against the eclectic paradigm is that it does not give a deeper understanding and thereby gives it a lower value. Dunning (1988) has, as mentioned earlier, made it clear that the paradigm is limited precisely because of its generalization and does not aim to focus on specific companies or their behavior (Dunning, 1988; Alexander and Doherty, 2009).

![OLI-framework](image)

Figure 3: OLI-framework illustrated by: Business-to-you (2016)
2.10 Network approach/theory

Firms in industrial markets establish and develop relationships with other organizations. In international markets, companies are engaged in networks of business relationships. These networks usually include different actors such as agents, distributors, customers on a foreign market and other individual or organizations that are involved in the different activities of the company. The relationships within a network build on interaction through trust and knowledge. (Albaum, Duerr and Josaissen, 2016)

The network approach presented by Johanson and Mattson (1988) has been developed by researchers within the area of internationalization processes of industrial firms and marketing behavior. The industrial system is described as relationships between firms, which emphasize that the firm's activities have to be coordinated since they are dependent on each other. The coordination is maintained through the interaction of the firms within the network. Relationships with other firms have to be established in order to gain external resources and sell products on a market. Relationships can change over time, new actors can become part of the network and other relations can break over time due to changed conditions and operations. When firms expand to a new market it also means that they have to create new relationships and thus establishing a new network. By working within a network, the firm can strengthen its position on the market by gaining access to important resources, which are almost impossible to obtain when operating outside the network. (Johanson and Mattson, 1988)

2.11 Theoretical synthesis

The theories and concepts presented in the literature review are connected to each other and constitutes the foundation for the interview guide and the analysis. The Uppsala internationalization model explains the choices and behavior of a firm’s internationalization process, which is built on the establishment chain. Each step of the establishment chain entails more commitment and investments to the foreign market, which is why the eclectic paradigm/theory is presented. It is a tool companies can use to evaluate the need for further investment in the foreign market. The network theory is essential for evolving on the foreign market and gaining competitive advantage. During the internationalization process and development of foreign
operation mode, the companies might face barriers and experience uncertainty, which can be determinant for further operations and evolvement on the market. FDI is the step where the company decides to commit resources.

Figure 4: Theoretical synthesis – Own illustration
3 Methodology

In this chapter, the methodology the researchers used will be presented and the choices will be discussed and explained. The case table will be presented as well as the operationalization. The methods used when analyzing the data and criteria’s on the cases will be presented.

3.1 Research approach

There are mainly two approaches within the academic world that differ in terms of research, deductive and inductive approach (Saunders, Lewis and Thornhill, 2016).

There is also a third approach to theory development that has not been mentioned earlier, which is an abductive research approach. The abductive reasoning is special because the conclusion is a prerequisite for the research. Depending on the conclusion drawn by the researchers, the choice of the premises considered appropriate is given to explain the conclusion. (Saunders et al., 2016)

3.1.1 Deduction

The process in deduction begins with a set of premises, hypotheses or assumptions. The premises are examined and compared with the help of the literature and existing theories. However, some form of data collection is required so that the variables can be measured and analyzed. Depending on the result generated by the analysis, the theory can be confirmed or rejected. If the analysis result shows a positive connection to the premises, the theory can be confirmed, if the opposite result, the theory is considered false and must be rejected. There are different properties in a deductive research method. The first feature is about causal relationships between the concepts or variables that have been established. Based on the population studied, then a generalization takes place, an important part when consideration should be given to the specific group's conditions and that it is not representative of all groups. (Saunders et al., 2016)

3.1.2 Abduction

It is quite common for researchers to choose to commute between deduction and induction rather than to separate them. When researchers use this method,
it is referred to as abductive research. To avoid the limitations that occur when researchers choose between either induction or deduction, the abduction acts as a third approach in order to be able to draw logical conclusions and generate theories. Abduction is characterized by the identification of a problem that needs to be explained. During the research process, researchers can discover phenomena from empirical evidence that have not been explained in the previously presented theory, a problem or surprise. (Bryman and Bell, 2017)

3.1.3 Induction

Unlike a deduction strategy, induction has another approach where theory is generated by empirical evidence. The inductive approach process begins with for instance interviews with people who are connected to the research area to create insight and understanding of how they perceive the subject. (Saunders et al., 2016)

The inductive process aims to generate a conclusion that can be generalized with the help of the researchers’ observations. When mentioning inductive research strategy, founded theory should be part of the discussion as it is about generating a theory supported by the data collected. The inductive approach is usually connected to a qualitative research method. (Saunders et al., 2016)

This thesis has an inductive research approach, which means that the researchers have no or little knowledge of the area examined (Bryman and Bell, 2017). The interviews later generate theories that explain the main findings displayed in the empirical chapter (Bryman and Bell, 2017). The inductive research approach is most suitable for this thesis since the researchers already have an idea of the key concept in mind during the creation of the interview guide and base for the literature review, however not in the same extent as a deductive research approach where all theories are determined before the collection of data. It is unusual to do a research project with no knowledge of the area that is going to be investigated (Bryman and Bell, 2017). If this thesis would have an abductive approach, it would mean that theories would be decided before the data collection and based on what the interviews resulted in and generated, the theoretical framework would be edited in relation to the findings (Bryman and Bell, 2017). This is another reason why this thesis has an inductive research approach. No theories are decided prior to the interviews considering the inductive research approach is when the empirical data generates theories.
3.2 Research design

The design of the research is dependent on the purpose of the current study. This may vary between explanatory, descriptive, explanatory or evaluative. What the researchers want to generate from their research question governs the way in which the questions are asked in an interview or questionnaire. Depending on the way these questions are asked, it indicates which form of design the research is focusing on. However, it is not uncommon for a research question to change during the process, which can provide scope for using another form of design, and thus it develops into a kind of combination. (Saunders et al., 2016)

The main purpose of a descriptive type of study is to provide a description of the research area from different perspectives. A descriptive research design is best suited for quantitative studies and therefore not applicable for our study. (Olsson and Sörensen, 2011)

The second form of research design is explanatory, which is implemented where the aim of the study is to examine the relationship between different variables. Questions asked for explaining why or how a phenomenon occurs or how it is linked to another are described as explanatory. It is usually linked to quantitative studies where researchers wish to identify any correlation between variables. However, this category of questions can in some cases also be suitable in qualitative studies where the researchers try to create an understanding of why individuals or organizations act in a certain way. (Saunders et al., 2016)

There is a third form of examination design, the evaluative, whose purpose is to investigate how well something works. When evaluating design is used in business and management, it is often about measuring the effectiveness of something, such as sales, marketing, costs, politics or any other part of an organization. In studies with an evaluative purpose, research questions usually begin with What, How or Why. (Saunders et. al, 2016)

Another method for research design is the exploratory which is suitable in cases where the purpose of the study is to create a clear understanding of the area that has been problematized. The way in which the data collection takes place may include searching for literature, individual or group interviews, and interviews with people who are specialized in the area that is desired to be
examined. (Saunders et al., 2016) Exploratory research is appropriate when there is room for the research question to change due to, for example, data collection that gives a different viewpoint in the research area. Interviews of exploratory nature are most likely to be unstructured due to the importance of gathering qualitative information from the interviewees since this gives the contribution in answering the research question (Saunders et al., 2016).

The exploratory research design is the most applicable to this study since the aim of the design is the same as the aim and purpose of this thesis. The aim of the thesis is to acquire a deeper perception of and explore how the companies operation mode has evolved over time and how the business environment in the U.S affect the business operations.

3.3 Case study

Case studies are commonplace in research within business and management, precisely because it enables a broader understanding of the phenomenon being studied and its context. The criticism that has been made against this form of data collection is that it does not give any generalizability and reliability because of the small number of samples and that it is about interpretation. However, these claims have been disproved by the number of studies based on case studies and which have shown the quality of deepening in a research area (Flyvbjerg, 2011). Yin (2014) argues that case studies can be used both in studies with a deductive and inductive research approach.

Case studies will constitute empirical evidence that contributes to answering the research questions (Ridder, Hoon and McCandless Baluch, 2012). This form of data collection is appropriate since the purpose of this thesis is to generate a deeper understanding of how the cases/companies have evolved on the U.S market and how the business environment affect the development of operation mode.

There are mainly two types of cases that can be discussed, single-case and multi-cases (Saunders et al., 2016). For this study, several cases have been chosen to be able to get as many perspectives as possible from participants who have knowledge in the area that will be investigated. A multi-case design allows the conclusion that will be drawn to be more generalizable and reliable than a single-case design. The single case-design would only give one view
and aspect of the area examined, which would not contribute to what the research wish to fulfill.

3.3.1 Cases

The table below is a presentation of the cases and companies who participated in the study. In the empirical chapter the interviews will have code names since the focus is on company level. The code names have no underlying motives. The structure of the code names was chosen by the researchers. The interviewees did not want to be anonymous in the research. As mentioned, it was the researchers’ decision to encode the interviewees to present the findings at company level in the empirical chapter.

<table>
<thead>
<tr>
<th>Company</th>
<th>Case Interviewee</th>
<th>Title</th>
<th>Interview duration</th>
<th>Format of interview</th>
<th>Code name in the empirical chapter</th>
<th>Other secondary sources</th>
<th>Smarter working at the companies this year</th>
<th>Year the company entered the U.S. market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norden Machinery</td>
<td>Christian Vicke</td>
<td>Area Sales Manager - North America</td>
<td>36 minutes</td>
<td>In person at their office</td>
<td>A1</td>
<td>-</td>
<td>3 years</td>
<td>1960</td>
</tr>
<tr>
<td>SSAB</td>
<td>Per-Erik Elbing</td>
<td>Head of market development</td>
<td>36 minutes</td>
<td>Telephone</td>
<td>A2</td>
<td>-</td>
<td>20 years</td>
<td>Early 1990s</td>
</tr>
<tr>
<td>SSAB</td>
<td>Per-Olof Stark</td>
<td>Former division manager Special Steel</td>
<td>22 minutes</td>
<td>Telephone</td>
<td>A2B</td>
<td>-</td>
<td>36 years</td>
<td>Early 1980s</td>
</tr>
<tr>
<td>Roto-Sieve (Today - Lucktaby Products)</td>
<td>Mats Lindh</td>
<td>Area Sales Manager - North America</td>
<td>50 minutes</td>
<td>Skype</td>
<td>A3</td>
<td>-</td>
<td>21 years</td>
<td>1970</td>
</tr>
<tr>
<td>Getinge</td>
<td>Harald Castler</td>
<td>Head of a business area: Life Science</td>
<td>39 minutes</td>
<td>Telephone</td>
<td>A4</td>
<td>Annual reports</td>
<td>30 years</td>
<td>1970</td>
</tr>
</tbody>
</table>

Figure 5: Cases – Own illustration

3.4 Research Method

Qualitative data is often advocated as the strategy that is best suited for exploration. This method of collecting data is directed in observing natural events and clarify complex phenomenon (Miles, Huberman and Saldaña, 2014).

A qualitative research method and the gathering of the empirical data can be executed through observations and interviews. A qualitative method has both advantages and disadvantages. The advantages of a qualitative method, in relation to the research question and the purpose of this thesis, is that the reader can get a deeper understanding of the phenomenon that is examined. Interviews give the possibility to analyze much more than just the answer the
interviewee gives. It facilitates the analysis of the body language and tone, behavior and facial expressions. This can contribute to more in-depth analysis and conclusion, which in turn can fulfill the aims of the thesis. A disadvantage of a qualitative method is that the conclusion in many cases is difficult to generalize. Although the research area is limited and has a niche, it is easier to generalize in a quantitative research method. Quantitative research can be done in several ways. The most common method is to make a survey and send out a questionnaire. This method allows for a more generalized conclusion. Quantitative methods also bring disadvantages. The method does not give a deeper understanding of the interviewee a chance to deepen and develop their answers. Thus, this study will use a qualitative research method by interviewing four Swedish companies to gain a deeper understanding of the evolvement of operation mode as well as the business environment’s impact on development. (Davies, 2007)

3.5 Data collection

In order to answer the research questions and present the subject examined, the researchers collect essential data. There are two types of data which is used in research: Primary and secondary data (Creswell, 2005). Both types of data will be used in this thesis and the empirical chapter will be based on the primary and secondary data collected by the researchers.

3.5.1 Primary data

The primary data is conducted by the researchers of the thesis. Depending on the research method, the primary data can be conducted in several different ways such as research articles that are legitimately published by academic journals. The primary data in studies with a qualitative method can as well be collected through interviews, which is how the primary data of this thesis will be conducted (Saunders et al, 2016; Olsson and Sörensen, 2011; Creswell, 2005). What distinguishes primary from secondary data is that the primary is more detailed than secondary sources (Creswell, 2005). Creswell (2005) explains how the accessibility of the interviewees, availability regarding time and the cost has an evident impact on the choice of interview approach. The interview approach used in this study will be one-on-one interviews and is the approach regarded as the most popular one in similar studies. The one-on-one approach is performed by the researchers holding interviews with an interviewee, one at a time (Creswell, 2005). An alternative interview approach
would be the focus group interviews. This interview approach is done in groups, where all interviewees are interviewed at the same time (Creswell, 2005). It allows the researchers to both get the groups understanding and the individual understanding and interpretation of the phenomenon examined. Due to the geographical distance between all interviewees participating in this study, the possibility of doing the focus group interviews is very low since it would require high costs among other things. Therefore, the most appropriate interview approach and collection of primary data will be done through one-on-one interviews via Skype, meetings in person and telephone.

3.5.2 Secondary data

Secondary data is an interpretation of primary data, which is what distinguish the secondary data from the primary. Secondary data can be found in encyclopedias and a number of journals where the data, as previously mentioned, is summarized and is not the researcher's own picture, it is an apprehension of the original publication (Creswell, 2005). This type of data is commonly used to explain and bring awareness to the subject examined.

3.6 Data analysis

Miles and Huberman (1994) present three elements of handling and structuring the conducted data in qualitative studies: data reduction, data display and draw a conclusion. The aspects can be of help to structure the great and complex data in order to carry out a clear empirical and analytical chapter. The data reduction process is a part of the analysis and the researchers, both consciously and unconsciously, reduce data considered less usable. When the transcription of the interviews is completed, the reduction of data starts. The reduction of data ensures that the focus is clear in the empirical chapter and the structure thus becomes clear. Data collected in qualitative studies can be reduced through a predetermined pattern, selection and summary. The data display is as well a part of the analysis. Miles and Huberman (1994) emphasize that data display is a tool for the researchers to understand the collected data, either to continue the analysis or based on the understanding of the data, take action. They also emphasize that a valid qualitative analysis derives from sophisticated displays. The key findings should, therefore, be displayed and when all previous steps are done, the next one is to draw factual conclusions of the material that is displayed. (Miles and Huberman, 1994)
The interview questions are asked in a predetermined order that follows a timeline of the companies evolvement on the U.S market. The reason for the placement of the question is due to how the collected data will be presented in the empirical chapter. There are different ways of displaying and presenting the findings. The researchers displayed the main findings from the transcription and illustrated the results as if it was a story in order for the reader to get a deeper understanding. The displayed data in the empirical chapter thereafter was analyzed in relation to concepts that were already decided and theories that arose from the displayed data. The empirical findings could then be explained in relation to the chosen. Thereafter, an accurate and relevant conclusion in accordance with the research questions could be drawn.

3.7 Selection in qualitative research

Depending on what the researchers want to emphasize in their study, the size of the selection is adjusted. This applies in particular to this study as it is a qualitative data collection with semi-structured interviews. A qualitative study does not aim at a large population to generalize from, however, it is important to make sure that the interviews performed are sufficient. What is defined as sufficient numbers when it comes to interviews is not specified, as this depends on the research question and the area that is studied. (Patton, 2002)

When discussing a selection from a quantitative research design, the probability selection is the focus, while a qualitative research method focuses on target driven selection, also referred to as purposive selection. Purposive selection can be explained briefly as the form in which selection is made, for example, by people or organizations to answer the research question formulated by the researchers. Depending on the nature of the research area, the choice of the units (people, organizations, etc.) is also made. Research questions can act as navigators to select the individuals who will be at the center of the investigation. Probability selection is usually discussed in quantitative research; however, it may also be relevant in a qualitative study if the purpose is to generalize to a larger population. It is seldom that probability selection is applied to a qualitative study, mainly because, in qualitative interviews, the researchers strive to get in touch with different individuals who have some connection with the research questions. (Bryman and Bell, 2017)
In research generally and for this thesis, a probability sample is not appropriate for being able to answer the research questions. The focus will be on a smaller number of cases. Purposive selection is what the focus of this study will be, as the cases (companies) have been chosen strategically to suit what the research question aims to answer. Purposive sampling is most suitable where the purpose is to choose smaller cases that are rich in information (Saunders et al., 2016). The researchers decided to contact Swedish companies that are established on the U.S market and that would be of relevance to answering the research questions as well as gaining a deeper understanding. The alternative selection strategy is probability selection (Saunders et al., 2016). As mentioned earlier, it is possible to apply that way of selecting cases on qualitative studies. The reason for the exclusion of that selection strategy is because it is less applicable to qualitative studies and this thesis in particular.

3.8 Criteria

The selection of participants can be done in two different ways, heterogeneous or homogeneous sampling. The heterogeneous sampling is used when researchers wish to select participants who differ in characteristics in order to succeed in creating a variation in the data collection. Patton (2002) argues that this can be beneficial, as it may appear information that gives a new angle to consider the research question from. The homogeneous sampling, on the other hand, provides support for the choice of participants with similar characteristics, this to the advantage of deepening in the area being investigated. The similarities may, for example, include the professions and the areas for which the participants are responsible for in the company. (Patton, 2002)

The criteria for the participants in the cases have in this thesis been formulated as follows:

- The company work B2B
- Swedish company
- The company operates in the U.S market
- The company has evolved its operation mode since they entered the market
- Involved in other export activities to other markets
- The interviewee has experience of working internationally
- The interviewee has or had the U.S market as area of responsibility
With the criteria above, the following companies have been selected to provide support in answering the research questions:

- Norden machinery
- SSAB
- Roto- Sieve Ab (Today -Lackeby products AB)
- Getinge

The reason why these companies, in particular, were chosen is due to that they have evolved their operation mode in several steps and are all operating in different industries. All of the interviewees who represent the companies above, are all or have been involved in the business operations on the U.S market. Further information about the companies and the interviewees will be presented in the empirical chapter.

3.9 Interview structure and preparation

During the process of creating interview questions, the researchers had the purpose of the thesis and research questions in mind, in order to keep the red thread constantly in the interview questions. The questions were formulated in a way that allows the interviewee to have a discussion and easily comprehend what is asked. The reason why the questions are not straightforward and very precise is to facilitate the analysis. If the questions are formulated very straightforward, the researchers may misunderstand or have to interpret the answers themselves which may not be in accordance with the reality. In order to formulate suitable interview questions, the researchers used the interview guide in Bryman and Bell (2017). This is to ensure that the questions later generate material enough to answer the research questions. The interview guide in Bryman and Bell (2017) suggest several points to have in mind when formulating the questions, such as:

- Wording: It is important to use words that the interviewee understand,
- When formulating the questions and then placing them in a certain order, remember that they may be replaced during the interview, which should not cause any problems,
- Ask general questions about the interviewee’s background at the company, experience in the field of study.

As an interviewer, it is also important to be professional in order to appear credible. As an interviewer, one must be aware of the subject discussed, clear,
open, critical and guiding in order to be successful. This, in turn, can generate exactly what the research questions asks for. Being active and criticizing the interviewee's answer can result in continued discussion and later in a deeper analysis. (Bryman and Bell, 2017; Denscombe, 2014)

The interview guide is semi-structured and the questions are placed in a certain order to follow a red thread (Bryman and Bell, 2017; Denscombe, 2014). There are themes behind every section of questions. Initially, general questions are asked, which then lead to questions regarding the expansion to the U.S market. The first questions aim to give a description of the company, its activities, employees and information about the participant in the study. Furthermore, the questions have been formulated to give a clear picture of the company's initial activities against the U.S market and their further operations on the market. The placement of questions is asked as if they would follow a timeline, which the researchers thought would make it easier for the interviewees to follow. All interviews in this study have been conducted in Swedish since all interviewees spoke the Swedish language. The questions that were initially formulated in Swedish have been translated and are available in English on the appendix chapter.

3.10 Operationalization

There is a logical explanation behind every question and every section of questions in the interview guide. The concepts the sections represent originates from the theoretical framework and literature in chapter 2 of this thesis. The table below illustrates the logic behind the operationalization and show through concepts how they are linked to the literature review. The interview guide can be found in the appendix of this thesis. The timeline below is divided into different sections that ask about different periods regarding the expansion and establishment in the U.S.
Since the research questions are about how the chosen Swedish companies internationalization process has evolved over time, it is of importance to have companies with a history in the U.S market. Companies who have been active in the U.S market for a longer time will serve this thesis its aims due to more experience and presence on the market. If the study would have been based on companies which recently entered the U.S market, it would not give a contribution in answering the research question and fulfill the purpose of examining how they have evolved and due to what. It is most likely that the companies who have entered the U.S market recently do not have the same evolvement steps as companies who have been active in the U.S market for decades. Even if some of the representatives of the companies were not personally involved in the internationalization and expansion to the U.S market, they do have North America (the U.S) as area of responsibility. The collected empirical data is for the research primary data. The conclusion drawn on that matter is that they are well enlightened and aware of how the expansion and entry to the U.S market took place and has evolved. The researchers are aware of the weakness of parts of the primary data regarding the initial contact with the U.S market. The researchers have made efforts to find sources that confirm the indications entry mode and internationalization towards the U.S market.
3.11.1 Internal and external reliability

External reliability addresses the issue of to what extent it is possible to replicate a qualitative study. In order to replicate a qualitative study, the social environment in which the study is initially performed must be frozen. Freezing a social environment may be challenging, which makes it very difficult to reproduce the same study as another researcher on the same basis (Bryman and Bell, 2017).

According to Saunders et al (2016), a study can be considered reliable if it is possible for a researcher to obtain the same findings as to the previous researcher. The odds of someone else having the same basis, the same informants and social environment as the researchers of this thesis is very low, therefore, this study can be considered to have a low rate of external reliability. This is not infrequent, as qualitative studies are usually characterized by it. (Saunders et al, 2016)

Internal reliability has to do with the researchers in the research group and how they have decided to interpret the primary data. By being two researchers while conducting the interviews for this study, the reliability is strengthened and the study stays consistent when analyzing the collected data (Saunders et al., 2016). The researchers in this study have come to terms with certain vital points regarding the analysis and interpretation of the primary data, which strengthens the internal reliability (Bryman and Bell, 2017).

3.11.2 External validity/transferability

External validity indicates to what extent it is possible to generalize the study's conclusion and whether it is transferable to other contexts (Miles et al., 2014). In order for this study to be generalized, there would have to be fewer delimitations and more resources (Bryman and Bell, 2017). Qualitative studies of this size are usually difficult to generalize. However, it is possible to generalize a qualitative study although not to the same extent as a quantitative study, which the researchers were aware of when choosing a research method and formulating the research questions.

Saunders et al (2016) explain that in order for the study to be generalizable, the conclusion needs to be possible to transfer to other companies in reality.
The purpose of this thesis is earlier explained and if a pattern can be identified, whether it is resources, strategy or networks that are essential for the Swedish companies evolvement on the U.S market, the researchers wish that the conclusion of this study contributes to increased awareness. Increased awareness can, in turn, lead to companies changing or further develop their foreign operation mode, identifying barriers and opportunities by having an understanding of choices made by other Swedish companies who are established on the U.S market. Considering that this thesis has chosen companies from different industries with different products, the chance is substantial that the study will be of significance for other Swedish companies that will, want or have entered the U.S market. (Saunders et al, 2016)

3.11.3 Credibility in qualitative studies

In order to draw a credible conclusion, the empirical chapter, in relation to the theory, needs to be in accordance with the interviewee's reality to the greatest extent. Through respondent validation, which means that the interviewee receives the transcription or the part of the empirical chapter where they have participated, sent to him or her to approve and confirm the statement. This means that the conclusion and analysis are based on a correct interpretation of the interviewee's reality and truth. All the interviewees in this study have reviewed their part of the empirical chapter and the researchers have been transparent with what is going to be included from the interview. Therefore, this study can be considered credible. (Bryman and Bell, 2017)

It is important to point out that none of the participating interviewees in this study have been present in the companies when the expansion to the U.S market has taken place. The information given regarding the entry mode chosen is based on information that has been available at the companies. Except for an interviewee, everyone has extensive experience of working both in the company and internationally.

3.12 Ethical and societal considerations

It is of importance that a research study is built in an ethical manner. When deciding on investigating an area of interest, it is important that the researchers receive some form of approval of the design in which the study will be built. This is made to guarantee the protection of participants who become part of the study. (Denscombe, 2014)
The first principle aims at the fact that no one should suffer for being a part of the study. The researchers' obligation is to ensure that the participants do not harm either physically or mentally because of their contribution to the research. Physical damage may include that the environment in which the meeting takes place does not pose a threat to the interviewees. Furthermore, it is important that the information given afterward does not risk having a negative impact on the participant psychologically. The information collected must also not pose any threat to the participant when the research is published. (Denscombe, 2014)

All interviews that are part of the study have been conducted in three ways, video conversation via Skype, personal meetings and telephone conversation. To ensure that the participants are in no way affected negatively by participating in this study, they will be able to take part in transcription and also at the end of the process to ensure that the information can be used in the manner that has been formulated.

The second principle emphasizes the importance of participation in a study taking place voluntarily. Researchers should be clear about what the research intends to investigate and how the study will be conducted, this to enable the participants to assess whether they want to be part of the study. It is important to maintain clear and honest information and to respect the decision taken by the participants for processing the information provided. (Denscombe, 2014)

For this thesis, the authors have communicated with all the participants in the interviews about which area is to be investigated, the purpose of the thesis and the work process. The informants have been asked for permission to publish their and the company's name as well. Furthermore, the interviewers were asked for consent for an audio recording of video and telephone conversations.

The third principle focuses on the researchers 'responsibility to treat the participants' information in a safe and ethical manner. There must be no hidden agenda when contacting the participants in the study or any form of abuse of the information provided. Communication between researchers and participants should be open and reliable, it should be clear what is expected to be achieved with the study, who takes part of the thesis and what role the interviewee has in this process. The researchers should constantly maintain an objective position on the information and not be influenced by others’ or their own interpretations. (Denscombe, 2014)
Before each interview, the authors have clarified the purpose of the thesis and informed that the study will be published publicly. The participants have been informed early on that the purpose of the thesis is to collect data to answer the research questions.

The final principle that Denscombe (2014) highlights is that research must comply with the country's laws. Research must not in any way stand above the laws of the country or exceed them. However, the fact that a researcher operates in accordance with the laws of the country does not mean that they act ethically correctly. (Denscombe, 2014)

For this study, no activities have been performed that in any way violate the country's laws. The secondary data used in the thesis can be found publicly while the primary data linked to the companies' operations on the U.S. has been approved by all participants in the study. The authors have been assured that the data used for the study will be allowed to be published.

Research can be of benefit to society in cases where the results can come to practical use in the form of the development of e.g. medicines, tools or services. More government organizations in the world are investing a certain percentage of their GDP in research and development. In recent 1990s, politicians have realized to a greater extent that public investment in research has a positive impact on society in different ways. Research has contributed to the development of many areas in the life of people such as food, clothing, transport, communication, quality of life and much more. (Bornmann, 2012)

This study provides a social contribution by contributing with additional knowledge of corporate behavior in the U.S market. Companies that choose to internationalize their operations contribute to the country's economic growth.

3.13 Authors contributions to the thesis

Both of the authors of this thesis have done equally much in the research process and with the finalizing of the thesis. The most important parts such as the empirical chapter and the analysis was written together due to the importance of interpretation. The other parts of the thesis were initially divided and then re-written together.
4 Empirical findings

In this chapter, the empirical findings will be presented. The cases are presented individually and cover the themes: Internationalization, evolvement, uncertainty and barriers.

4.1 Norden Machinery

The Swedish company Norden machinery are world leaders in the tube-filling system industry. They built their first tube-filling machine in 1934. In 1980, Norden became their own company and before 1980 they were a part of a company called Arenco. They have been working independently for 40 years and have approximately 5000 tube-filling machines actively working around the world. They have 300 employees and the production is located in Kalmar. The interviewee's name is Christian Vickle and will be referred to as “A1”. He is an area sales manager for North America and responsible for that the company sell machines as well as the availability of tools on sale. Vickle have been working at Norden for three years and have nine years of experience of working internationally.

Internationalization evolvement

Norden sold their first machine in the U.S in 1960 and by 1970 they set up their own office. In larger markets, such as the U.S, the company works with agents. The agents that Norden work with on the U.S market have experience and represent several other companies on the market. If the number of projects on the targeted market requires an office then the next step would be establishing an office, under their own name or under the Coesia flag, which is their parent company. A1 explained that this is how they work all around the world.

A1 explained how Norden has a principle that it is important for Norden when entering a new market, to have after sales service, sales agents and local service technicians available. Establishing a production facility is not an option for Norden due to several reasons. Even when establishing an office- foreign sales subsidiary in the U.S, all that is needed is an office and employees. “With
the money that one could have spent on production and other investments in the host country the company could spend on educating the employees and cover travel expenses to other markets” (A1, 2019). In Norden's case, when working with agents, it is important that the agent can find projects in an early stage so that Norden can be involved in the whole buying process considering that they sell premium products. It can take two years from the moment where Norden search for an agent in the U.S until they find a customer and that a machine is running.

A1 was asked about how they have developed their operation mode and what the next step would be on the U.S market. If a change or further development were necessary, then it would be that Norden could place additional service technicians in the U.S and more cold calls to potential customers. The discussion on setting up a production facility continues and A1 reveals that by placing production in the U.S would not be profitable for either party, not for Norden nor the customer. If they would have produced some parts of the machine in the U.S compared to in Sweden, they would save approximately one day, therefore local production is not profitable.

Uncertainty and barriers

Norden does not see any reasons why the way they do business in the U.S would change in the future with the current business environment in the U.S in mind. However, if the U.S would put tariffs on tube-filling machines, it could result in that they lose the projects to the local producers in the same industry. Even if the U.S would insert tariffs, Norden will not change how they work. Although, the hit-rate would decrease and the customers may turn to other service technicians after the purchase instead of Norden.

The figure below is a timeline to show how the operation mode has evolved over time.
4.2 SSAB

SSAB produces and sells steel globally. SSAB is divided into three divisions. SSAB Europe produces mainly commercial steel which is mainly sold in northern Europe. SSAB Americas, which is the second unit in SSAB, also produce commercial steel intended for the North American market. Which is also where it is sold, a home-market strategy. The last unit is called Special steels, which produce more high-quality products and a little more expensive steel. This type of steel is exported all around the world. It is produced in Sweden, the U.S and Finland, however, shipped globally. All of the units combined have 16 000 employees. Two interviews were carried out with two different employees at SSAB. The first interviewee's name is Per Elfgren, who is head of market development in the unit Special Steels, and will be referred to as "A2". He started working at SSAB in 1996 and worked there until 2009 when he took another job as sales manager for three years. In 2012, he went back to SSAB, is today, as previously mentioned, head of market development, and works as a support function for the sales organization. Besides the break 2009-2012, he has worked at SSAB for 20 years and has 23 years’ experience of working internationally. The second interviewee is Per-Olof Stark and he has worked at SSAB since 1983. He will be referred to as "A2B".

Internationalization evolvement

SSAB’s first activity in the U.S market was in the early 1980s. A2 explained how SSAB has a principle regarding how they do business. They want to sell their steel themselves, which A2 points out is very rare in the steel-business since many steel producers prefer to sell through a distributor. A2B explained that in order to get to know the market and learn how it works in the U.S, SSAB entered the market by working with small distributors who they worked very closely with. They also hired local agents who were supervised by a Swedish manager or someone who had been working for SSAB a long time. A2B points out how there are pros and cons by working with distributors. It can be very difficult to contact and convince buyers to buy your product initially without a distributor, however, to teach a distributor everything about your product can be very time-consuming. SSAB were not convinced that they would be able to manage a sales subsidiary or other arrangements that involved more commitment to the U.S market initially, hence the choice to enter with
small distributors. Over time, SSAB bought the distributors and made them a part of SSAB or they terminated the contracts. The same process applied to the sales agents that SSAB worked with. A2B revealed that the sales agents and the distributors that they worked with on the U.S market had a different vision in comparison to SSAB. They had different views on customer approach which lead to that SSAB bought one of the sales agent organizations in 1992 and incorporated them to their own operation. A2B explained that the acquisition was used as a base for building their own sales subsidiary.

A2 explained that it is always important to have in mind what the goal is. SSAB wanted and even today, want to create a pull-effect. The end-user of the product has to know the quality and value of the steel they buy. It takes a lot of convincing to make someone buy your product when what they currently are using is working fine. Therefore, it is important that there is no big distributor between SSAB and the buyer. Distributors usually buy large volumes of steel and sell it to a buyer without any considerations on the quality and the end-user.

According to A2B, it is very important with a network in the U.S. SSAB turned to small local distributors to create trust between themselves and the buyer. A2B explains that the network available in the market is very vital when it comes to convincing a buyer to buy your product. A2B further emphasize that the sales agents that they worked with gave them access to the network initially and later, SSAB developed the networks and relationships themselves.

According to A2, there are no risks in working as they do. The risks begin when the production facility in for instance Sweden, hit the ceiling on production capacity and SSAB has to set up a new production facility. It is expensive and risky to do so.

SSAB opened three production facilities in the U.S, one in 1997 and the second in 2001. The purpose of those two was plate processing. The third production facility opened in 2007 and is used for plate production. A2B explained that producing in the U.S reduce risks and in order to grow to the potential they knew they had, producing in the U.S was a necessity.

A2 explained how the company has evolved the operation mode in the U.S market. Since they entered, they have more sales representatives. From doing
business through distributors to their own sales agents and production facilities. A2 revealed that the next step for SSAB on the U.S market and the rest of the markets they operate in are to increase the added value. SSAB is trying to take a step forward in the value chain and elaborate their business worldwide. A2 said: "In order to capitalize less, we acquire companies that we then develop".

**Uncertainty and barriers**

A2 points out how the tariffs on steel are a huge problem. "Tariffs are a huge problem. We have production facilities in the U.S which makes everything easier, however, there is a trade war between the U.S and Canada regarding tariffs. We have to pay tariffs for exporting our products from the U.S to Canada" (A2, 2019). Another barrier, applied more to the U.S than any other country SSAB are operating in, is the problem of protectionism which has led to tariffs. Steel that is produced in the U.S is classified as American steel, which is as well a reason why SSAB set up production facilities in the U.S. Before SSAB had production there, the tariffs were very expensive for them. A barrier today and in the future is the tariffs on steel and some of the material used to produce the products in the U.S are shipped from Sweden. If the tariffs increase, A2 view the membership in the EU as beneficial since they can work as a lever on behalf of European steel producers in negotiations.

*The figure below is a timeline to show how the operation mode has evolved over time.*
4.3 Roto-Sieve / Lackey Products

Roto-Sieve AB was a company that used to manufacture and sell drum screens. In 2003, a Swedish company named Lackey Products bought Roto-Sieve and incorporated them into their own company. In 2003, Lackey (then named Lackey water) bought the right to design, manufacture and market a central product of the company, Roto-Sieve drum screen. Through the acquisition, Roto-Sieve became part of Lackey. Lackey worked and do today as well, work with designing and manufacturing products for sewage treatment for industries and municipalities. The interviewee’s name is Mattias Johnsson who will be referred to as “A3”. His title in the company is Area sales manager and is responsible for North and South America, Africa and Norway. A3 has been part of the company for 21 years and has 20 years of experience working internationally. He was initially employed at the company Roto-Sieve with offices in Kungälv (Sweden) and when Lackey bought Roto-Sieve, the head-office in Kungälv followed and it is the place where he works today as well for Lackey.

Lackey was founded in 1935 as a plumbing company by the Axelsson family, which today is the owner of the company. The company's head office is located in Kalmar (Sweden), where all production takes place. Lackey Products has over the years developed its operations and in 1970 succeeded in establishing itself internationally through the construction of sewage treatment plants. The company currently has about 45 employees. In the presentation below, the internationalization of Roto-Sieve and entry the to U.S market will be the focus.

**Internationalization evolvement**

The company's internationalization process starts with the company Roto-Sieve and continues under the name Lackey in connection with the acquisition in 2003. In the presentation of the empirical data, Roto-Sieve will, therefore, have a central role in order to continue under the Lackey name. A3 explained how important networks are when operating in a foreign market. It is revealed how it is nearly impossible and costly to build a company from the ground in the U.S without possessing a lot of resources. The right people with the right network in each country is important according to him.
The process for Roto-Sieve started in 1970 by working through a distributor. From 1990, Roto-Sieve worked through agents in the market. A short period thereafter, the company collaborated with a company called Waste-tech which acted as a distributor for Roto-Sieve on the U.S market. The collaboration with Waste-tech continued until 2009, during which time Roto-Sieve has become part of Lackeby and operates only under the name Lackeby Products. The upcoming event in the process was what became crucial for Lackeby's continued position in the market and further development. After the collaboration interruption with Waste-tech, Lackeby received a request from a newly started two-man company named CleanTek. The owner of this company had previously been a supplier to Waste-tech and showed great interest in cooperating with Lackeby and selling the company's products in the American market.

A3 states that at this time, the company had two options to choose from. One option was the offer from CleanTek to be part of a partnership, the other was an offer from another American company by the name WesTech which showed great interest in Lackeby's products. During the period that the company had two offers for cooperation, a market analysis was also carried out. This was done in order to identify strengths, weaknesses and assess what market shares the company could obtain. The offer from WesTech was that Lackeby's products would become part of their assortment and serve as a complement to their already existing products. A3 says that this could mean great potential for Lackeby initially considering WesTech's size, however, Lackeby believed that this would pose a threat in the future. “The risk with becoming a part of Westech was that our brand would have disappeared in such a large organization” (A3, 2019). The final choice fell on CleanTek because it enabled Lackeby to gain greater control over its products.

A3 emphasizes the importance of working with sales representatives in the U.S market and the development of a network. The collaboration with CleanTek means that there is an agreement that binds Lackeby to only sell the products via CleanTek in the U.S market while CleanTek cannot sell other products that compete with those from Lackeby. A3 further claims that sales representatives are the ones who receive the greatest benefits in the industry as they gain a certain percentage of the sales price of a product.

The ambitions for Lackeby are to continue to increase the business, however, according to A3, there are no plans to change the way of running the business.
The company is constantly working to find new representatives in different states that can sell the company's products. To achieve this, fairs are carried out, where together with sales representatives discuss how to develop sales and examine whether they have an interest in including more of Lackeby's products in their portfolio. Lackeby has all of its production placed on the home market. The reason behind the decision to keep production on the domestic market according to A3 is that there is a long process to receive a payback when investing in foreign production. Another reason according to A3 is that the company cannot maintain full control over production in this way and thus they cannot guarantee the customer the high quality. Lackeby possesses two exceptional products and those two products and its functions, are Lackeby alone with on the market.

**Uncertainty and barriers**

According to A3, it is important to take into account are differences in language and culture and to be aware of how to work in the market. A3 emphasizes the importance of working through representatives in the U.S market. According to A3, competitors in the market constitute a further obstacle to running the business. Although the company offers unique products, there are competitors who offer similar products at a lower price.

Other factors emerging are those that may possibly be a barrier in the future. A3 explained that U.S President Donald Trump's actions could pose a threat in the form of customs duties. The contract negotiations that have previously taken place between the EU and the U.S were interrupted by Trump and he believes there is a risk of changes in the future. Something that A3 also believes may be important in the future is the requirement for American steel in products. Before Trump's access, a requirement was introduced that all products must be made with American steel. This made Lackeby, at several times, forced to import American steel to carry out production in Sweden and then to re-send it to the United States. There are only two states where this rule still applies, however, A3 points out that there may be a risk that this will be applied again in the future. If this were to happen, it would entail high costs for the company, which is a difficulty in competing in the U.S market.

*The figure below is a timeline to show how the operation mode has evolved over time.*
Getinge is a company that produces medical equipment for hospitals and pharmaceuticals. The company is currently active in 150 markets worldwide through sales, of which 40 countries where their own operations are run. The company, which was founded in 1904 and currently has over 10,000 employees. The interviewee who participated in the study is Harald Castler who will be referred to as “A4”. He is today the head of a business area under the name of Life Science. A4 is responsible for what is manufactured, developed and sold to the pharmaceutical industry. A3 has been employed at the company for 30 years and has worked internationally for 35 years.

**Internationalization evolvement**

Getinge started in the U.S with selling through a distributor network in the 1970s. However, it was only in 1995 that the company really established itself.

The advantage of working through distributors is low costs while at the same time it means a lower margin as the distributor requires a certain percentage of sales. The disadvantage that A4 points out is that the company has very little opportunity to control the resources that are put for sale of products. By running their own business in the market, the company has full control and can regulate how much resources are spent on production, sales and other activities. The size of the market and the demand for a certain type of product are of importance for how much a company wants to invest. A4 explained that even if the market is large but the product the company is offering is small in comparison to the size of the market, the company could not set up their own business. Getinge became a player in the U.S market after the acquisition of the company Arjo, which had a strong position in the market since the early
1960s. Through the acquisition of Arjo, Getinge expanded its product assortment and formed the basis for Getinge's business area Extended care (Arjo, 2019). The acquisition was officially confirmed in 1995 since it was judged that the companies developed while the competition on the market was increasing (Getinge, 1996).

Initially, the company worked with distributors and have gradually evolved into more activities that have led them to finally set up their own production facilities in the market. Changing the way of doing business from distributor to own production and sales might risk relationships and costs that are related to breaking the contracts with the old distributor network. In order to maintain contacts, networks and reduce uncertainty, Getinge has bought up distributors so that they instead become part of the company. This has also been important in order to maintain key people who make sales continue to grow.

A4 states that further changes have been made in the way the business is run. Earlier, the business was divided into different divisions where each business area acted as a separate organization. There were three separate organizations in the U.S market, these had different names and were all owned by Getinge. These three organizations had their own legal structures and their own sales forces. Three years ago, all the divisions that functioned in this way merged and now operate under the name Getinge with common management and the same legal structure. A4 believes that this gives a greater impact and makes the company more attractive to global stakeholders.

Getinge currently has four production units in the U.S and there are currently no plans to set up more facilities. Production in the U.S accounts for about 30 percent of the total portfolio and the rest is produced in Europe. The U.S market is susceptible for the advanced medical equipment, that Getinge is producing.

**Uncertainty and barriers**

Risks that A4 points out are the political ones that are difficult to predict. Something that may affect Getinge's business is changed tariffs, which would bring benefits to domestic companies. The parts of the portfolio that are produced in the U.S will not be affected as these are regarded as of American origin, but other parts of the assortment can be affected. A4 does not perceive that there are any obstacles at present and believes that Getinge will be able to continue to develop its operations in the U.S even in the
future, as the company has succeeded in establishing itself so well in the market.

*The figure below is a timeline to show how the operation mode has evolved over time.*
5 Analysis

In this chapter, the empirical findings and the theories presented in chapter two will be juxtaposed and analyzed. The differences and similarities between the theories and the empirical findings will be presented, discussed and examined. As in the previous chapters, the analysis chapter is divided into themes.

5.1 Internationalization process

5.1.1 Uppsala internationalization model

What emerges from Johanson and Vahlne’s (1977) observation is that Swedish companies generally tend to make smaller investments initially upon expansion into new markets. Based on the observations, the Uppsala model was designed to describe how and why the companies make smaller investments initially and which factors contribute to the expansion developing gradually. It is made clear by the participants in this thesis is that the expansion begins by engaging agents in the U.S market and selling through distributors and sales representatives. Some of the companies have not made extensive changes in the way of running the business, while others have undergone a change process.

According to Johanson and Vahlne (1977), resources are what control the commitment in a new market, which is also clarified by the collected empirical data. If the availability of resources is high, it contributes to increased opportunities to make more investments in a market. Resources are not only aimed at the material and financial, the company's staff can also be a resource for a market because they can be involved in activities for the specific market. A1 explains that the company has established its own office and works with agents in the American market. A2B stated that the initial step for SSAB was to work through distributors and agents, something that they no longer do. However, SSAB has developed their way of operating and currently has its own production in the U.S market. Thus, it began initially with little commitment because of low costs and fewer risks that A2B explains to carrying out extensive investment by constructing own production in the U.S. Furthermore, A2 also describes that more commitment will take place since the company's goal is to increase the added value on the American market.
Johanson and Vahlne (1977) further discuss current activities as part of the internationalization process. The reasoning is that it takes time for a company to fully establish itself in a market and that experience is gathered through the activities that companies perform in the specific market. They argue that both firm experience and market experience are required for the business to work well. The experience can be gathered by hiring outside persons for the execution or persons within the company responsible for a market. Experience can be gathered in different ways, as Johanson and Vahlne (1977) describe, this is also apparent from the empirical data collected. (Johanson and Vahlne, 1977)

A1 explains that the company uses agents when they operate in the U.S market. The reason for this according to A1 is that the agents have greater experience of working in the market. If the business then develops further and the number of projects increases, the company can make the assessment to establish an office in that market. As mentioned earlier, SSAB began its establishment process through collaboration with distributors to gather experience and knowledge of the market. The company also hired local agents with the assistance of Swedish managers who had long experience of working at SSAB. This shows that the company used firm experience (Swedish managers) and market experience (agents) to run the business. A2B clearly states that it is difficult to persuade customers in a new market about the products' quality without the support of distributors, while it is time-consuming to teach the distributors about the product, hence the combination of personnel who have experience of the company and people who have experience of the U.S market. After a period, the decision was made to buy the distributors and a sales agent organization.

A3 emphasizes how important it is to work through sales representatives in the U.S market and the importance of networking. Today, Lackeby operates via CleanTek, which is their American partner. It is made clear that Lackeby also employs internal staff who visit the market and works together with the American partner and sales representatives to run a good business. Market managers for the U.S market receive firm experience while CleanTek colleagues and sales representatives receive market experience. The claim that the establishment process takes a long time fits well with the company Getinge. According to A4, the company has undergone a development process from distributors to the establishment of its own production. In other words, Getinge has undergone a gradual establishment by increasing its activities in the U.S market.
5.1.2 Establishment chain

Johanson and Vahlne’s study in 1977 indicated that the Swedish companies that were observed were initially less likely to make large investments when they wanted to establish themselves in a new market. The empirical observations in Johanson and Vahlne’s (1977) study resulted in that the companies prefer and chose to internationalize stepwise and in incremental steps. The incremental internationalization process starts by establishing through export via an agent on the new and foreign market. The next step in the process can be that the company develops the operation mode by establishing a sales subsidiary and the step after that could be to set up their own production facility. These steps are the incremental internationalization process and the establishment chain, which is one of the dimensions of the Uppsala internationalization process. (Johanson and Vahlne, 1977)

What also emerged from Johanson and Vahlne’s (1977) study is that none of the companies observed started producing in a foreign country without initially having sold through external parties such as agents or their own sales subsidiary. This applies to the cases in this thesis as well.

Norden entered the U.S market with sales agents and from there, established their own office. According to the establishment chain and the incremental internationalization process, they started as Johanson and Vahlne (1977) described the initial step. However, A1 explained that Norden is satisfied with the arrangements in the U.S today and further developing the operation mode to production facility is not an option and nothing they plan on doing. SSAB initial step was as well in accordance with the establishment chain. They worked through small distributors initially and further developed the operation mode by buying the distributors and a sales agent organization and made them a part of SSAB. They continued selling through sales agents and today SSAB has three production facilities in the U.S. By getting to know the market and create a network as well as getting a customer base, it incrementally resulted in more commitment and investments on the U.S market. Roto-Sieve started their internationalization process by working through a distributor, later changing to sales agents and then back to work through a distributor. In 2009, they changed operation mode again and became a part of a company called CleanTek. During this time, Roto-Sieve were bought by Lackeby Products and are today still working with CleanTek. CleanTek distributes their products and
the products are sold through sales representative all over the U.S. This process could be explained by the establishment chain, in spite of the fact that they have no full control and ownership. They started in accordance with the establishment chain and have not developed further. Getinge, as Roto-Sieve and SSAB, entered the market by working through a distributor network. Later in the process, they bought the distributors they worked with and established foreign sales subsidiaries to finally establish own production facilities, where 30% of the total portfolio is produced. Getinge’s internationalization process is typically in accordance with the establishment chain and the incremental-step process.

All of the cases displayed above followed the incremental internationalization process and took steps when establishing themselves on the U.S market. They all followed the establishment chain design and started with low commitment and external parties.

5.2 Network approach/theory

The relationships that companies establish and develop in connection with their operation on a market constitute a network. The network can include agents, distributors, customers and other individuals/organizations that companies interact to perform all the activities required from production to sales (Albaum et al., 2016). Johanson and Mattson (1988) emphasize the importance of working within a network to enable the utilization of external resources and to strengthen the company’s position in a market. They also mention that relationships can change over time. This means that old relationships can be interrupted, and new players can become part of the network (Johanson and Mattson, 1988).

The collected empirical data for this study has shown that all companies act on the basis of networks and emphasize its importance when entering a foreign market and the development of the business. A1 explained that the company initially came in contact with sales agents on the U.S market who acted as a bridge between Norden and the customer. A good agent has a good portfolio of clients according to A1. The sooner Norden is a part of the buying process, the better. For this to happen, an agent with a solid network is a necessity. Both A2 and A2B implied that in order to convince and appear credible to the customer, it is of importance according to them to initially on a foreign market, work through distributors and/or sales agents. Therefore, the network available
on the market is vital in the process of convincing a buyer to change what they are currently using. Further, A2B emphasized that the sales agents introduced them to the network that was new for them on the U.S market. The importance of becoming part of a network when expanding to a new market is also explained by A3. For Roto-Sieve, it was important to work with sales representatives in the U.S market due to the impact on the development of a network. In order to maintain key people of importance for Getinges sales growth, they acquired the distributors they worked with and thus retained the contacts, networks and at the same time reduced uncertainty.

This is what Albaum et al. (2016) implies as well, that agents and distributors are included in a network. The networks all cases have worked with and today have developed, is as Johanson and Mattson (1988) mention, of importance in order to strengthen the company's position on the market and further mention that relationships can be interrupted, which happened in Getinges case. In some cases, they terminated the contracts with distributors and in other cases, where the key people were vital for further business operations, they acquired them and incorporated them to their company.

The importance of networks on a foreign market is well emphasized. The Uppsala model has been reconsidered 40 years later after it was published, by Johanson and Vahlne to take into account the business environment in which companies act in the present. The foundation is the same as 1977, however, some aspects have been further considered. Relationships are considered to be of great importance for companies to be able to undergo a successful internationalization process. It is important to create relationships and build a network as it is time and resource saving while generating more knowledge. (Johanson and Vahlne, 2017)

All of the cases have benefited from their relationships in the U.S market. Those relationships that did not work in favor of the company have been terminated, as well as the contracts. What is also well emphasized by all companies are the customers their network has brought them and for those who have not continued working with middle-men, explains that it is a good base to develop their own network from.
5.3 Eclectic paradigm/theory

![OLI-framework diagram]

Figure 3: OLI-framework illustrated by: Business-to-you (2016)

**Norden:** They possess the ownership advantage and should not remain domestic with the sale since they offer premium products and are world leading in tube-filling systems. According to the OLI-framework, the next criteria/advantage they should possess is the location advantage. As A1 as well mentioned in the empirical data, the company would not benefit from locating production in the U.S considering that the time they save on producing abroad, is one day maximum. Therefore, they do not possess the location advantage in accordance with the OLI-framework and should, therefore, produce at the home market and export their products to the U.S market. Which is what Norden does today. They have invested in foreign sales subsidiary/office, however, the eclectic paradigm concerns the justification regarding FDI and production.

**SSAB:** SSAB possesses the ownership advantage and should not remain domestic with their product and sale, considering that their offerings are of high quality. The next advantage in the OLI-framework that the company should possess in order to justify more investments in the host country is the location advantage. As emerged from the empirical data, in order to gain competitive advantage and work accordingly to the changes in the business environment, the company would benefit from investing more in the U.S market. The next step and advantage in the OLI-framework are that the company possess the internalization advantage. As mentioned in the empirical data, the company want to have full control over the sales and marketing activities. However, when the U.S market was new for them, they entered by working with small distributors. After several years of knowing exactly how they want to work and finally acquired the advantages necessary to carry out an FDI, they did. Therefore, the company underwent an FDI and today have three production facilities located in the U.S, which they have control over.
**Roto-Sieve/Lackeby:** Roto-Sieve does possess the ownership advantage and does carry out sales in the host-market. They have a competitive advantage in the sense that they have products in their assortment with functions that are not offered by any other competitors. The next step in the OLI-framework is the location advantage, which Roto-Sieve/Lackeby do not possess. Due to the long process of receiving payback from own investments such as production in a foreign country, the company only work through a distributor-network. A3 revealed that the production of the company’s product only takes place in Sweden. This is due to the company’s urge to have full control all the time and assure that the quality is as they wish, which they do not believe is possible if producing in other countries besides the home-market. Therefore, according to the OLI-framework, the company should produce at home and then export the products to the U.S.

**Getinge:** Getinge possess the first advantage that is required from the OLI-framework and therefore should carry out the sales activities abroad. A3 points out that the U.S market is susceptible for the advanced medical equipment, that Getinge is producing. This indicates that there is a market for them and potential. The second advantage that the company should possess in order to justify further investments is the location advantage. A4 points out is that the company has very little opportunity to control the resources that are put for sale of products. By running their own business in the market, the company has full control and can regulate how much resources are spent on production, sales and other activities. Therefore, they possess the location advantage. The last advantage that is necessary in order for the company to carry out FDI, is internalization advantage. As mentioned, with the acquisitions they made, they gained more resources and could have their own sales representatives and control over other parts of the value chain. Therefore, they possess all the advantages that the OLI-framework present and therefore the FDI is justified.

### 5.4 Barriers, uncertainty and PEST

Oviatt and McDougall (2004) emphasize the fact that lack of knowledge or understanding for the host markets laws, way of doing business and language can be barriers that companies encounter. These are barriers linked to the market when transferring activities overseas. Leonidou (2004) states that the external market-related barriers such as governmental barriers, competitors on the host-market, economic and socio-cultural as well as political barriers, are what companies can face when operating in and expanding to a foreign market.
Leonidou (1995) further discusses the importance of managers and decision-makers knowledge, which are linked to capabilities. Managers who can manage risks tend to handle barriers or obstacles in foreign markets to a greater extent in comparison to someone who does not possess that attribute. It is evident that these statements can be supported by empirical data.

As emerged from the empirical data, by externalizing, working through external parties, the company can overcome the barriers related to knowledge and understanding of the business environment on the host-market. The political barriers are external barriers which the companies cannot control, only adapt to. As A4 explained, the political barriers are difficult to predict.

Johanson and Vahlne (2017) argue that uncertainty is a vital dimension in the managers’ work in international business since they have a hard time predicting the future and therefore work under uncertainty and ignorance. Leonidou (2004) adds that barriers are not only related to barriers in the initial step towards a foreign market. The barriers and hinders can occur in the future as well when for instance companies attempt to develop or maintain the current operations on the foreign market. The part of the PEST-framework that is most applicable and relevant in accordance to the empirical findings, is the P. The P stands for political and entails the policies that the political and legal environment regulate (PESTLE Analysis, 2019; Warner, 2010). The governmental and political barriers are something all the interviewees emphasized. All the interviewees believed that the tariffs are and may become a problem in the future. A4 pointed out that the political risks are difficult to predict and that something that may affect Getinge’s business in the U.S is changed tariffs. Changed tariffs, not in favor of Getinge, can result in that they lose business to the domestic competitors, which is something A1 mentioned as well. Since some of SSAB’s portfolio is produced elsewhere in the world and not in the U.S, a barrier today and the uncertainty in the future are the tariffs on steel and material shipped from Sweden to the U.S that is needed for producing the products in the U.S. A3 explained how he believes that it may be a requirement for American steel in all products in the U.S. Before Trump’s access, a requirement was introduced that all products must be made with American steel and A3 explained how this is a risk and a barrier for the future since it may apply again the future which would mean high costs for Lackeby.

Besides the tariffs and political barriers as well as the uncertainty regarding future changes and policies regarding customs and tariffs, none of the
interviewees believe they will encounter other barriers in the future and have difficulties in developing their business.
6 Conclusion

In this chapter, several conclusions will be drawn. The research questions will be answered, practical and theoretical implications will be made. Limitations on the research will be presented and suggestion for future research will be made.

6.1 The research questions

The two research questions are:

How has the internationalization process and operation mode for Swedish companies evolved since they entered the U.S market?

How does the business environment affect the Swedish companies business operations in the U.S market?

The findings in the empirical chapter regarding how the operation mode has evolved over time imply that over time, the more resources and knowledge the company acquired, the more investments on the U.S market. The changes in the business environment such as the political policies regarding trade and tariffs are barriers that the companies identified. They all manage the uncertainty differently depending on how affected they are or will be. By producing locally, two of the companies can overcome the barriers to some extent. A key factor in the evolvement of the operation mode is identified and that would be the network they are a part of or have created themselves on the market.

Several patterns could be identified by juxtaposing the empirical findings and the literature review. Depending on what kind of product it is and how often it is re-purchased by a customer, affects the extent of investment on the U.S market. All of the companies operate in different industries with different products, even so, they all reflected the same regarding the importance of getting to know the market and gain knowledge by externalizing initially and later develop further. As presented in the analysis, the company's choices can be explained through the Uppsala internationalization model and that is a pattern that could be identified.

The network that the companies emphasized on during the interviews is about the network one creates on the host-market and not the network the company
is a part of on the domestic market. By working through external parties, some of the companies were able to incorporate themselves into these networks. Key persons in the network helped the majority of the companies in the thesis to develop the operation mode. The importance of networks is emphasized as very important for one of the companies that decided to acquire their distributors. This was made in order to maintain the network and keep contact with key persons in the network. Gaining knowledge and incrementally becoming more independent on the market can lead to decreased future barriers and hinders of evolving the operation mode. The companies do consider the tariffs as a future barrier, even if some things are unpredictable. The regulations regarding protectionism is as well a barrier for the companies. The possibility of a requirement that the steel used in the U.S has to be American, results in that the companies have to import American steel to Sweden and then transfer it back to the U.S in order to work in accordance to the regulations. This is something that can be considered a barrier today as well as in the future for all Swedish companies that have a product assortment that can be affected by the regulations.

Therefore, it can be concluded that when entering a foreign market by working through external parties can be beneficial for the company and lead to decreased barriers for continued development on the market. As mentioned by the cases, it is difficult to start the business from the ground in a foreign market with limited resources.

6.2 Theoretical implications

In the context of globalization, internationalization has become relevant for many companies. Previous research has considered these processes, however, there is a gap for some areas. Johanson and Vahlne (1977) have, based on their model, described how the internationalization process works for Swedish companies based on their empirical observations. The lack of research found for describing Swedish companies’ expansion and further operation on the U.S market led to the formulation of the research questions and the relevance of changes in the business environment, which was identified in the empirical chapter. The purpose of the thesis was to examine how the internationalization and operation mode for Swedish companies in the U.S market has evolved. There are some factors that have also been discussed earlier that prove to have affected the operation of the Swedish companies studied.
The theories are displayed in order to explain the process that companies undergo during internationalization and have been proved to be well adapted for the companies studied in this thesis. What we have identified is that Swedish companies tend to implement a gradual establishment in the U.S market and invest fewer resources initially. The internationalization model provides a good basis for how companies generally act on a particular market, however, no explanation is given for factors that affect the expansion into a specific market. The U.S is a market with great potential, which is confirmed by the empirical data that has been gathered.

The evolvement of the company can be explained by the Uppsala internationalization model, network theory and the eclectic paradigm/Theory. What is also essential in further development as mentioned earlier, are the changes that take place in the business environment, in the world as well as the U.S market. What is not described in the theories are how the companies manage the high costs of tariffs and transportation, which affect the competitive advantage the companies have on the U.S market. By decreasing the presence on the market, the companies would lose business to the local competitors. This would mean that they would lose market shares on the biggest market in the world.

6.3 Practical implications and recommendations

The companies that participated in this study are all operating in different industries. This is considered a strength rather than a weakness for the thesis and its findings. By including companies with different products who operate on the same market and have identified different opportunities and barriers, makes the recommendation for Swedish companies who will and want to expand or evolve the operation mode more diverse and more applicable to a variety of industries. All of the companies are still active in the U.S market and as one of the interviewees explained; they are constantly searching for more customers all around the country. A common area all of the interviewees discussed was the importance of networks on the U.S market. That is the first recommendation for a company who in the future expand to and enter the U.S market. Networking and getting to know the market and displaying the products correctly is vital. The empirical data implied that knowledge and resources are important and therefore, without the networks, the companies became a part of, they would not have been able to grow and develop as they did. Networking and convincing the customer that your product is better than what they currently are using is essential. What also emerges from the
empirical data is the importance of representatives in the U.S market. This is something that is recommended for companies who strive to establish their product on the market in the future since it can be seen as a barrier to not be familiar with the U.S way of doing business, laws and regulations.

The strategic choices, which can be described with the eclectic paradigm/theory, can be considered a contribution to the society, companies who will or want to enter the U.S market, evolve their operation mode on the U.S market as well as the literature that is thin on this subject.

6.4 Limitations

Although the empirical material provides a comprehensive contribution to the explanation of our research questions, there are certain limitations to consider. A limitation for our study is that the participants in the interviews were not themselves part of the company when the expansion to the U.S market took place, except from one of the interviewee’s. It is important to have in mind that the companies entered the U.S market a long time ago and those who were active in the expansion may not work there any longer. Something that limits the possibility of generalizing the empirical data collected is the number of interviews that have been carried out. The study only consists of five interviews with representatives from different Swedish companies who, however, provided good material for pre-reasoning and answering the research questions.

6.5 Suggestions for future research

This thesis contributes to scientific research on how the Swedish companies have evolved in the U.S market and how the further development of operation mode is affected by the changes in the business environment. This was done by examining four Swedish companies who have a history in the U.S market and evolved over time as well as active today. While this study was carried out, several interesting research areas within the subject arose. Suggestions for future research are:

- Why did Swedish companies enter the U.S market as they did? Why did they choose the entry mode? What drove the company towards the U.S market and how did they manage the competitors on the market?
- Investigate if there is a difference in choice of entry mode depending on if the company is a digital or traditional company.
- For all companies who were established in the U.S market during the global economic crisis, how did it affect the business in the U.S?
- Research why companies who have failed their internationalization and expansion to the U.S market, failed.
List of references


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Figures

Figure 1: Outline of thesis – Own illustration


Figure 4: Theoretical synthesis – Own illustration

Figure 5: Cases – Own illustration

Figure 6: Operationalization – Own illustration

APPENDIX

Interview Guide
Before the interview begins, do you want to be anonymous? Can we record this interview?
Introduction:
1. What is your name and what position or title do you have in the company? What responsibilities do you have?
2. How long have you worked in the company and how long international experience do you have?
3. Please explain briefly what the company does. How many employees are there? When was the company founded? How many markets are you active
4. We know that you are active in the U.S market. When did you enter the market?
5. Why did you expand to the U.S? What triggered the expansion? What factors influenced the decision?
6. There are a number of different entry modes depending on how much the company is willing to invest. Did you make a selection and saw any potential entry modes to choose among?
7. Which entry mode did you choose and why?
8. Did your product have any impact on the choice of entry mode?
9. How important is a network and contacts during expansion to a foreign market, such as the U.S were for you?
10. How long did it take from the decision to expand to the U.S market until that you were active in the US market?
11. Did you encounter any obstacles from the moment after you decided which entry mode to use? If yes, what obstacles and how did you handle them?
12. Did you have any doubts regarding the choice of entry mode? If so, which ones?
13. How much did you know about the market before you entered it? Did the company make a market analysis? What tools did you use to gain knowledge given that this was the first time you were active in that market?
14. Have you changed the way you operate since you entered the US market? If yes, what changes? If no, what is the next step and why?
15. Do you see any barriers or anything hindering the company to continuing to develop the operations in the U.S market now and in the future, if you have the current business environment in the U.S in mind?
16. As previously mentioned, we know that you have established yourself in several markets around the world. Has your choice of entry mode in the previously established markets affected the choice of entry mode in the US market? If so, how?
17. Would you say that Sweden's membership in the EU has been beneficial in the establishment of the company and choice of entry mode for you? If so, how?
18. Is there anything we have not asked, which you consider important to add?