Trust & commitment for a successful manufacturer-distributor relationship

- A qualitative study for small company's presumptive export marketing strategy

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ABSTRACT

Many companies that go global use the entry mode of having a foreign distributor instead of setting up an own intermediary in the country. This is beneficial because it is lower risk, requires lower capital investments and the manufacturer gains the distributor’s expertise in the new market. The purposes for both exporter and foreign distributor to develop this cooperation are to gain competitive advantage and economic and social benefits that the companies could not have reached by themselves. Voxit AB is one of those growing companies that are in the starting phase of exporting one of their products to Norway. Voxit is a small enterprise company and sells a variety of niched products within speech technology, and this particular product is within the area of speech recognition. Going global has many aspects to it, and the preparation for entering a new market through a foreign distributor is something Voxit is particularly interested in at the moment. A part of that is to build and keep a sustainable relationship with the foreign distributor.

With the purpose to increase my understanding about the relationship between manufacturers and foreign distributors, and to contribute with propositions to Voxit’s future international marketing strategy, six interviews with manufacturers were made. The focus is to study the factors trust, cultural differences, information exchange, commitment and opportunism that are affecting the relationship between these manufacturers and their foreign distributors and to see closer how these factors can be approached for a small company such as Voxit. The above purpose developed the research question; how should a manufacturer company such as Voxit, a SME that is starting to export a new product, develop a relationship with a foreign distributor?

The interviews resulted in data for interpretation, comparison and analysis with each other as well as with literature about the subject. Findings reveal that all factors, such as trust and commitment, are affecting the relationship between a manufacturer and a foreign distributor, which should be recognised when building a relationship. I will also discuss other factors that are affecting the relationship; what the manufacturers believe the distributors find important in the relationship, the manufacturers’ current plan for developing and maintaining the relationship with the distributor and learning that it is important to be selective when recruiting a new distributor.
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1. INTRODUCTION

This introductive chapter describes the problem background that will function as a basis for the problem statement followed by the purpose of this study. The chapter gives the reader an overall idea about the subject and how it is relevant.

1.1 Choice of topic
A company’s international marketing strategy involves many issues that are interesting to study further. I was asked by Voxit AB to further explore the relationship between a manufacturer and a foreign distributor, since Voxit is a manufacturing company about to recruit a new foreign distributor. The relationship with a distributor differs from other business relationships due to that the distributor is not employed by the manufacturing company, but still has a great responsibility to sell the manufacturer’s products. I wanted to explore further how a manufacturer must handle this distant distributor loyalty and how such a relationship should be approached in order for it to contribute to a profitable export strategy. I wanted to seize the opportunity to combine a chance to deepen my knowledge within the channel distribution management as well as contributing to Voxit’s presumptive international marketing strategy.

1.2 Problem background
Many companies that go global use the entry mode of having a foreign distributor instead of setting up an own intermediary in the country. This is beneficial because it is lower risk, requires lower capital investments and the manufacturer gains the distributor’s expertise in the new market. The exporting company’s international marketer must relate and engage with the people in the cooperative organization regardless if it is its own employees in a subsidiary or an independent middleman (Solberg, 2006, p. xvii), thus building relationships is important for successful international marketing. In this research, I will discuss how a manufacturer company can succeed to build and keep a relationship with a foreign distributor, thus increasing the chance for a sustainable and profitable export.

The purposes for both exporter and foreign distributor to develop this cooperation are to gain competitive advantage and economic and social benefits that the companies could not have reached by themselves. A company’s ability to compete does not only depend on its in-house strategic assets, but also on its capacity to cooperate with other companies (Vázquez et al., 2005, p. 126). The manufacturer must be aware of the distributor as a partner whose work is of strategic importance in acquiring market share (Vázquez et al., 2005, p. 127). For this research, a successful relationship is defined as a contributing factor to a sustainable and profitable export.

There seems to have been trends in recent years that market pressure and the need to meet customer demands have led to that manufacturers and distributors have evolved away from relationships of negotiation, and towards developing and maintain successful relationships (Vázquez et al., 2005, p. 125). However, reports also show that many manufacturers and their distributors eventually choose to break up their cooperation and partnership (Deligonul & Cavusgil, 2006, p. 49). Such a loss cannot only be measured financial, but could also hurt the brand or product reputation. Especially a smaller company such as Voxit must be cautious about these decisions where a breakup could
mean a big loss of income, and therefore be devastating. One way to prevent a breakup is to make the conditions as good as possible for a sustainable relationship. This could be done by looking at the factors affecting manufacturer-distributor relationships, and make clear strategies for how to approach these factors.

When manufacturers have their distributor in a foreign country all types of distances separates them (Cavusgil et al., 2004, p. 7). This factor increase the likelihood of the distributor acting opportunistic, which means that the exchange partner is seeking to do business in self-interest (Wang et al., 2013, p. 111). Opportunism has the potential to degrade performance, which makes effective management of foreign distributor opportunism a central task for exporting manufacturers. Furthermore, many authors on the subject discuss other factors affecting the relationship between the manufacturer and the distributor, such as the level of trust, information exchange (Fang et al., 2007; Zhang et al., 2003) and commitment (Ha et al., 2003; Skarmeas et al., 2008).

1.2.2 Voxit AB

I write this thesis on commission by Voxit AB, which is one of those growing companies that are in the starting phase of internationalizing one of their products to Norway. Voxit is a small enterprise company located in Skellefteå and sells a variety of niched software products within speech technology, and this particular one is within the area of speech recognition. Going global has many aspects to it, and the preparation for entering a new market through a foreign distributor is something Voxit is particularly interested in at the moment. A part of that is to build and keep a relationship with the foreign distributor, which is an area Voxit emphasizes and wants to learn more about. The alternative of putting up a sales office in Norway instead of using a distributor is more risky because it costs more, and would also be more difficult to close down if it would come to that. The reader is suggested to read more about Voxit in appendix A.

With this in mind, the author has looked into how Voxit and other manufacturing companies are and can be developing relationships with foreign distributors. There are several manufacturing companies that are currently or have been building relationships with foreign distributors just like Voxit located in the same city, Skellefteå. Regardless of what the companies are producing, they have in common that they are striving for good relationships with their distributors in order to successfully exploit their export markets. The relationship with a distributor differs from other business relationships due to that the distributor is not employed by the manufacturing company, and could thus be questioned when it comes to acting in what company’s best interest.

So how do they reach these relationships? And how do they handle the factors that affect the relationship such as trust, commitment and information exchange? (Fang et al., 2007; Skarmeas et al., 2008) Interviews with the companies reveals a discussion of these factors and in which ways they can affect a relationship between a manufacturer and a distributor. Furthermore, this research will be made from the manufacturer’s perspective.

1.3 Problem statement

The above problem discussion has generated the following problem statement:

How should a manufacturer company such as Voxit, a SME that is starting to export a new product, develop a successful relationship with a foreign distributor?
1.4 Purpose
From the problem statement above the purpose of this research is; from my increased understanding, to contribute with propositions to Voxit’s future international export strategy. The focus lies on looking closer how affecting factors, such as trust, cultural differences, information exchange and commitment, should be approached when building and keeping a relationship with the foreign distributor.

1.5 Limitations
The thesis is written on the behalf of Voxit and therefore also adapted and limited to their current marketing interests, which are foreign distributor relationships. The problem statement discussed in this research is about manufacturers and their relations to foreign distributors, which is why I have limited the studied companies to companies that are exporting abroad and are using a foreign distributor to do so. There are many companies in Sweden that fall within this category, but I have chosen companies only in the same city as Voxit, Skellefteå, that are exporting using a distributor. The reason for that is the limitation of time combined with lack of resources. This study does not seek to generalize the results to all companies that are exporting to a foreign distributor, the goal is rather to describe how a company such as Voxit can develop a relationship with a foreign distributor. Please view more about the data collection in chapter 4.

1.6 Definition
In order to make it easier for the reader to read and interpret, I have listed one important definition that is appearing through the whole thesis.

Opportunism: Opportunistic behaviour can arise in many forms, and describes how a company is seeking self-interest and does not make its intentions and objectives clear to its partner (Chung, 2012, p. 389).
2. METHODOLOGY

This chapter explains the theoretical methodology for this study. It describes the author’s view upon research philosophies and preconceptions as well as the research strategy and research approach. These subjects are relevant because of how they influence the selection of content and how the content is used in the study.

2.1 Preunderstanding

Bryman & Bell (2011, p. 414) refer preunderstanding to the knowledge, insight and experience that researchers have. The author has a preunderstanding about the company Voxit because of a current employment at the same company. The company is therefore not viewed by someone who is unfamiliar with the business structure of the company. This will be of relevance when I am interviewing and comparing Voxit to the five other companies that I do not know in the same way. The advantage is that my knowledge about the company is useful when understanding the complexity of the company’s export strategies. The disadvantage is that I have to be very conscious of the assumptions and preconceptions that I have. The risk with working at one of the companies I will study, is that I may act biased when it comes to the actions of the company. Furthermore, my familiarity with Voxit may keep me from asking basic questions to the company’s interviewee that I already know the answer to, hence there is a chance that I miss exploring issues that would enrich the research (Saunders et al., 2009, p. 151). This factor signifies my practical pre-understanding, and may mean that it reflects upon the study in terms of me seeing issues differently or not seeing them at all.

The theoretical preunderstanding consists of the theoretical knowledge that I have gained up to this point in time that could affect this study. The theoretical knowledge I have within the field of marketing is two international marketing courses, one at ground and one at master level. The courses discussed theories that gave me some previous knowledge about the basic concepts in distribution channels and marketing management. Though, I do not have a particularly good understanding about the specific topic of manufacturer-foreign distributor relationships. However, the concepts helped me figure out keywords for the selection of relevant theory. The risk with this preconception is that I may have looked for the articles and theories that I recognised from the courses, and therefore missed articles and sources that could have enriched the research.

2.2 Research philosophies

Saunders et al. (2009, p. 108) explain that the research philosophy the researcher adopts involves assumptions in the way the researcher views the world. Specifically, this involves how I relate to science when it comes to how I view the reality and what I perceive as acceptable knowledge. So the philosophies I adopt and thus the way I view the world are supporting the choice of research strategy and the methods used for this research. To ease for the reader when interpreting this research my views of the world are further discussed below.

2.2.1 Ontological considerations

Ontology is concerning our view of reality and raises questions of the assumptions researchers have about how the world works (Saunders et al., 2009, p. 110). The two aspects of ontology that Saunders et al. (2009, p. 110) describe are objectivism and subjectivism. The objectivistic position represents that social entities exist in reality
external to social actors (Saunders et al., 2009, p. 110). For my research, this position means that I would strive for objectiveness both from my part, but also from my interviewees. This is both very difficult, and also not essential because my purpose is to be able to make conclusions based upon the interviewees’ interpretations (as well as my own), thus I want the interviewees to be as personal and honest as possible. I ask them questions about factors, such as trust, that is affecting the interviewee’s relationship with foreign distributors, and it is my belief that it is no point in her or him being objective about a topic such as trust if the purpose is to receive the interviewees’ interpretation of trust. This also explains why this position is more represented in quantitative research, where the purpose is often to find generalisations.

Subjectivism, or constructionism, asserts that social phenomena and their meanings are continually being accomplished from the perceptions and actions of social actors (Saunders et al., 2009, p. 111). This explains how I want to perform the research. I want to explore the subjective meanings that are motivating the actions of the interviewees in order to be able to understand their actions and thoughts. The process of social interaction that I am interpreting and analysing is constantly changing, thus the reality I study is in the point in time of when the interviews take place. This means that I have only described what was accurate at that time, not what is necessary currently accurate. My view of reality has probably affected the research when it comes to method choices. I believe that the problem statement the research is discussing will best be explored by asking involved people about their interpretation and knowledge about the subject, thus a qualitative research is the natural strategy.

2.2.2 Epistemological considerations
Epistemology involves what is regarded acceptable knowledge in a field of study (Bryman & Bell, 2011, p. 15). The purpose of this research is to describe how a company such as Voxit should build a relationship with a foreign distributor, and I am therefore performing a study where I want to gather managers’ viewpoints by interviews to strive to understand this phenomenon. Since this is a qualitative research, the purpose is to increase understanding about the subject, not to generalize the findings to all export companies. I will therefore observe the interviewees’ different answers as acceptable knowledge and seek to understand the differences between humans as social actors. Saunders et al. (2009, p. 115) describe this epistemological position as interpretivism. Interpretivism suggests respecting the differences between people and the objects of the natural sciences and therefore requires the social scientist to grasp the subjective meaning of social action (Bryman & Bell, 2011, p. 17). My view of what is considered as knowledge is of importance since the research is influenced by how I interpret the empirical data and the new knowledge it generates. In summary, from this epistemological position, my research is performed out of interpreting others interpretations.

Contrasting to the interpretivistic position is the positivistic position. Bryman & Bell (2011, p. 15) describe positivism as an epistemological position that has the perspective of advocating the methods of the natural science, instead of studying the social reality. This view of knowledge means that the researcher has an objective view on reality, and can only confirm acceptable knowledge if it can be captured by the human senses (Bryman & Bell, 2011, p. 15). Because I want to receive subjective answers from the interviewees, it is not the right method for me to ask them questions that they should answer objectively to. I also believe it would be very difficult to ask every respondent
exactly the same question in exactly the same way, and to interpret all the answers in exactly the same way.

2.3 Research approach
I strive to reach conclusions through connecting theory with research. The deductive approach is a common way to do that, where theory guides and influences the collection and analysis of data (Bryman & Bell, 2011, p. 11). That is how this research is mostly built, however not quite as Bryman & Bell (2001) are explaining the deductive theory. They explain that the deductive process starts with the researcher having theory and what is known about the subject as starting point. From that knowledge, the researcher creates hypotheses that are in the end rejected or accepted depending on what the empirical data declares compared to the theory. The analysis of the findings may lead to a revision of the theory.

I have followed those steps except the one with the hypotheses. The purpose of my research is to get a deeper understanding how a successful manufacturer-foreign relationship should be built, thus handling the factors trust, commitment, information exchange etc. that affect relationships. If I were using hypotheses the research would be more controlled because the structure of the research would be hypotheses that should be accepted or rejected. There is a risk that I might miss out on interesting findings that the empirical findings show that is not concerning any of the hypotheses. Therefore, I have chosen to review previous theory and research, and from there gathered a framework to use for collecting data. This framework is concluded into one research question, which is open enough to cover unexpected, interesting topics that the empirical data might reveal.

I could have started the research process by interviewing Voxit first, and from there gained new knowledge from viewing theory after the collection and analysis of data, that is, using the inductive approach (Bryman & Bell, 2011, p. 11). This approach would also develop my understanding for the subject. However, this approach would be useful if there was not that much described about the subject. Since there is a lot research already about the subject, it is better to start from existing knowledge.

However, after I had made the data collection new information emerged. It turned out that about half of the companies also were using agents for foreign export. This made me go back to theory to view what literature says about manufacturer and foreign agent relationships, but I did not succeed in finding accurate theories in literature regarding this matter. My research approach is therefore still deductive.

2.4 Research strategy
My subjectivist and interpretivist positions have led me to a natural choice of research strategy. Bryman & Bell (2011, p. 26-27) define a research strategy as the general orientation to the conduct of business research, and mentions two types of orientations, the quantitative and the qualitative research. Now, according to Bryman & Bell (2011, p 27) the quantitative orientation entails;

- the epistemological position of positivism where the practices and norms are of the natural scientific model, and;
- a view a social reality as an objective reality
This description is the mere opposite of what I aim to achieve with my research. I aim to provide an in-depth understanding of how international marketers at Voxit can build and keep a relationship with a foreign distributor. Therefore it is essential for me to be subjective, and to interpret the ways that the interviewees interpret their social world. These factors represent the qualitative research that refers to making an in-depth research (Bryman & Bell, 2011, p. 27). The advantages for having a qualitative method are the richness of data, accuracy of recording marketplace behaviours and preliminary insights into building models. The disadvantages are the lack of generalizability, reliability and validity. However, because my purpose is to describe how a company such as Voxit can build a relationship with a foreign distributor, I do not intend to generalise the findings to all export companies. In summary, I aim to achieve a greater knowledge about manufacturer-distributor relationships through my qualitative research.

2.5 Research design
The purpose of this study is to explore and describe how manufacturers can develop a relationship with foreign distributors. In order for the author to find a deep understanding about the chosen subject, a detailed and intensive analysis of the interview objects’ relations with their distributors was implemented. This resulted in a descriptive study that portrays an accurate profile of the behaviours of manufacturer foreign distributor relationships. Robson (2002, p. 59) explains descriptive research as portraying either persons, events or situations into accurate profiles.

2.6 Choice of theory
To start with, I looked into the subject of distribution channel management in order to get a broad overview of the subject. I found that there were many different factors that could affect the relationship between a manufacturer and a foreign distributor. I wanted to analyse these in order to increase my understanding of how a manufacturer can build a successful foreign distributor relationship. Some of those authors that studied factors that might affect the relationship are Cavusgil et al. (2004), Fang et al. (2007), Skarmeas et al. (2008), and Zhang et al. (2003). Other authors on the subject are Solberg (2006) and Deligonul et al. (2006). In order to get a better overview, please view the table below that specifies which factors that each author has studied. I chose to study the factors that influential and well-cited authors used in their research such as Cavusgil et al. (2004), Fang et al. (2007). The fact that I chose to study the factor cultural distance might seem peculiar when it is well known that Sweden and Norway is very close culturally, but I believe that cultural distance should never be ignored, no matter how small the distance is. It is therefore important to study also this factor.

The other factors would also have been interesting to study because I believe that there are many more factors that are affecting the relationship between a manufacturer and a foreign distributor. For example, the factor dependence would have been interesting to study since the dependence of the companies may affect the relationship between them too. However, due to my time perspective for this research and focus on only influential and well-cited authors, I chose to study only four factors. The column at the far right shows the factors that I chose to study further.
Table 1. Gathering of authors and factors that are affecting the relationship between a manufacturer and a foreign distributor (created by the author 2013)

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<th>Author(s)</th>
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<td>Cavusgil et al.</td>
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The chosen factors that will be studied are trust, information exchange, cultural distance and commitment. Some authors on the subject (Cavusgil et al., 2004; Chung, 2012) also mention the occurrence of opportunism, which is a behaviour that may emerge from the factors affecting the relationship and can be very harmful for a manufacturer’s international business (Cavusgil et al., 2004, p. 10). I chose to study it because it is thus a factor that may affect how a manufacturer can build a successful relationship with a foreign distributor.

2.7 Literature review

The purpose of exploring the existing literature is to engage in scholarly review based on the work of others in the same field, that is, identifying what is already known in the area, what concepts and theories are relevant and if there are any unanswered research questions in the area (Bryman & Bell, 2011, p. 91-92).

The theoretical background for my research derives from reviewed articles. I used Umeå University’s search engine ALBUM in order to find interesting articles and books. I based the relevance upon which authors that had written them and how the content was corresponding to the subject. One of the books, an article collection called “Advances in international marketing”, came to be very interesting since many of the articles are concerning this subject and thereby two of the articles from this book were
used for the research. I narrowed down the literature to a few interesting theories and
found the keywords I could use for the article search. I used the database EBSCO to
search for articles with the keywords “foreign distributor”, “manufacturer” and
“relationship”. In order to get up-to-date articles I narrowed the years for publishing to
year 2000 to 2013, and then got 18 hits. Out of these 18 hits were eleven articles
interesting and six were concerning factors that are affecting the relationship between
manufacturers and foreign distributors and therefore used in the study.

I also made additional article searches when I had defined the factors that I was going to
study further. I did this in order to gain more knowledge about the factors that are
affecting the relationship between a manufacturer and a foreign distributor. I narrowed
the years for publishing to year 2000 to 2013, and searched for keywords such as
“cultural distance”, “manufacturer” and “foreign distributor”. From these searches, I
found many interesting articles but came to use five for the research.

2.8 Criticism of sources

When gathering theories from scientific articles, books and other sources, it is important
to critically view them in order to tell if the information can contribute to the study. To
narrow the scientific articles down from the possibly not trustworthy ones, I used the
factor “Peer reviewed” when doing the article search. This means that the articles are
confirmed by a third party and thus increasing the articles persuasiveness.

Furthermore, all articles are written not that long ago, which indicates up-to-date
information. The article search was narrowed to the years of 2000 to 2013. However,
there is also an article from 1994 by the authors Cavusgil and Zou who are big authors
within this field. Cavusgil is a co-author in six of the articles used, and has authored
more than a dozen books and over 180 refereed journal articles. His work is among the
most cited contributions in international business (Academy of International Business,
2008). Other great authors within the field are Deligonul and Roath that are also co-
authors in several of the articles used as references for this study.

Skarmeas is a lecturer in Marketing at the University of Piraeus, Greece. His research
has appeared in a number of journals such as the Journal of International Business
Studies, Industrial Marketing Management, and International Marketing Review
(Skarmeas et al., 2008). Skarmeas refers to Zhang, Hofstede, Cavusgil and Deligonul in
his article Curbing foreign distributor opportunism: An examination of trust, contracts,
and the legal environment in international channel relationships, which indicate that
they are also big names within this field.

Katsikeas is another well-cited author. He is an associate editor of British Journal of
Management. His main research interests focus on international marketing and
purchasing, competitive strategy, and collaborative exchange relationships. He has
published many articles in these fields that have appeared in Journal of Marketing and
Journal of International Business Studies among others (Skarmeas et al., 2008).
Cavusgil, Skarmeas and Katsikeas seem to me to be big names within this field and
have published many articles about these subjects. I therefore believe they are
trustworthy sources for my theoretical background.

Hofstede's well-known "dimensions of culture" originated mainly from his research in
the late 1970s. Although Hofstede's work is useful when it comes to understanding that
members of various societies are likely to behave in different ways in a given situation, it is important to note that his work is somewhat dated.
3. THEORETICAL FRAMEWORK

This chapter includes the theories and previous research that is the base for this study. The purpose is to let the theories describe how the factors trust, information exchange, cultural distance and commitment can affect the relationship between a manufacturer and a foreign distributor. Depending on how these factors are affecting the relationship, opportunism can emerge. This factor will therefore be described last.

3.1 Theory summary & model

Authors such as Cavusgil et al. (2004), Fang et al. (2007), Skarmeas et al. (2008) are finding different factors that are affecting the relationship between an exporter and a foreign distributor. Based on which factors authors are presenting the most, I have identified four factors that are affecting the relationship with the distributor: trust, information exchange, cultural distance and commitment. These can form a model that can be seen below. However, depending on how these factors are affecting the relationship, opportunism can emerge.

![Model of factors affecting manufacturer – foreign distributor relationship. Created by the author.](image)

3.2 Trust

3.2.1 Definition of trust

“…trust provides a signal of good faith that the other party will not act solely in its own interest, and essentially provides the foundation for an open and cooperative relationship in the pursuit of joint benefits”, - Fang Wu et al., 2007, p. 288.
Zhang et al. (2003, p. 554) define trust as the confidence that partners have for each other’s reliability and integrity. They propose that trust increases the potential of relational norms to enhance the firm performance.

3.2.2 Trust and manufacturer-foreign distributor relationships
Trust increases the potential for a relationship between a manufacturer and a foreign distributor that will strengthen firm performance. Many authors on the subject generally agree that trust has a positive effect on the relationship (Ha et al., Fang Wu et al., Skarmeas et al.). A trusting environment can indicate that both parties are ready to reach the required tasks for expanding in the market. Trust also motivates the foreign distributor to provide superior after-sale services, greater promotional and advertising activities for the product (Zhang et al., 2003, p. 554), thus the manufacturer’s competitiveness grows. A relationship that is characterized by trust increases both partners’ confidence in resolving short-term conflicts, which supports positive long-term behaviour. That is why the factor trust is important to consider when a manufacturer is building a relationship with a foreign distributor.

3.2.3 Credibility and benevolence
Vázquez et al. (2005) mentions two different types of trust between manufacturers and distributors. The first is the trust to the competence the partner has, that is, that the partner has the right know-how, skills and abilities for the job. This is also called credibility (Vázquez et al., 2005, p. 132). The second type of trust is called benevolence and involves trusting the partner’s goodwill, values and intentions. Both trust in credibility and in benevolence are factors that contribute to a smaller risk of opportunism.

In order to increase the level of trust, it is beneficial if both partners act flexibly during negotiations, demonstrate long-term vision and show themselves to be investing in the future (Vázques et al., 2005, p. 132).

3.3 Information exchange

3.3.1 Definition of information exchange
Information exchange includes the joint exchange of information and know-how between two parties, such as mutual idea and intelligence sharing and joint knowledge building (Fang Wu et al., 2007, p. 289).

3.3.2 Information exchange and manufacturer-foreign distributor relationships
Manufacturers and foreign distributors can share knowledge through periodic training sessions, workshops and technical and managerial information sharing. With the right information firms may be able to anticipate unexpected events and thereby handle them better. Katsikeas et al. (2009, p. 134) explain that when two partners are transferring high-quality information between each other, they work more productively and solve operational problems better, thus it is also beneficial for the relationship. Having a fostered information exchange with channel partners is also seen to have a positive effect on trust (Zhang et al., 2003, p. 563). Furthermore, information exchange helps the manufacturer to gain knowledge about the local market competence (Fang Wu et al., 2007, p. 289).
3.3.3 Plagiarism
However, there is a chance that the information exchange process exceeds to revealing too much information, hence the risks of opportunism increases (Fang Wu et al., 2007, p. 289). Fang Wu et al., (2007, p. 289) means that the risk is that the distributors may combine the gained knowledge with their local market knowhow and advantage to create similar competing products.

3.4 Cultural distance
Cultural distance appears when doing business with another culture. It does not have to be a particular big cultural distance for it to affect the relationship between a manufacturer and a distributor. However, Ha et al. (2003, p. 455) mean that the relational structure between a manufacturer and a foreign distributor do not seem to change whether if they are from different or similar cultures. But because cultural distance can affect the relationship itself between a manufacturer and a distributor, it is thus important for international marketers to be aware of this. Partners from the same culture have greater chance of understanding each other instantly, when it comes to for example the contents of the contract (Zhang et al., 2003, p. 554). However, partners with different cultural backgrounds are more likely to have different understandings about the contents of the contract. A misunderstanding like this can come to affect the relationship between them and also the business arrangement. In order to discuss cultural differences it is important to define what culture is. This will be done in the next section. Furthermore, in order to measure how cultures can be similar or different, cultural distance is assessed through Hofstede’s cultural dimensions theory.

3.4.1 Definition of culture
The concept culture seems to be difficult to define, where various definitions can be found in existing literature. One of the authors defining culture is the Dutch business professor Geert Hofstede (2010). He views culture as something that is being learnt and not something that is genetically inherited. Hofstede et al. (2010) describes culture as a pattern of thoughts, feelings and actions, but also things such as eating or greeting.

3.4.2 Hofstede’s Cultural Dimensions
In Hofstede’s theory (2010), he has classified culture in relation to cultural dimensions. He means that people in different countries perceive and interpret the world differently because of culture, and that it varies with these five dimensions:

- Power distance
- Individualism
- Masculinity
- Uncertainty avoidance
- Long-term orientation

From these dimensions it is possible to scale how similar or different two cultures are.

Voxit’s marketing strategy is to export to its neighbour country Norway, this means that the cultural distance and country differences are small. However, it is still important to view these small differences because they can affect the relationship. According to Hofstede’s Cultural Dimensions theory from The Hofstede Centre (2010), the differences between the Swedish and the Norwegian culture are illustrated below:
Sweden and Norway has almost the same scores for the dimensions power distance (PDI), individualism (IDV) and masculinity (MAS), but are differing in the dimensions uncertainty avoidance (UAI) and long-term orientation (LTO). This means that the possible misunderstandings due to cultural differences, which could lead to a presumably negative effect on the relationship, will probably arise from the differences in the dimensions uncertainty avoidance and long-term orientation. The fact that the scores of the three first dimensions are almost the same could indicate that the cultural differences regarding these three dimensions are almost non-existent, which means that there should not be any misunderstandings due to cultural differences regarding those dimensions.

The concept power distance refers to the interpersonal power or influence, where a high degree of power distance indicates that individuals within the culture experience that the power is distributed unequally (Hofstede et al., 2010, p. 84). Furthermore, the society accepts and expects this unequal distribution. In contrast, in countries with low power distance, power is associated with something negative and equal rights and possibilities for all members of the society are valued. Sweden and Norway both score rather low on this dimension, which means that within organizations, the Swedes and the Norwegians see power as decentralized, and managers count on the experience of their team members. Because both countries have the same interpretation of power distance, this dimension should not be generating misunderstandings between a Swedish manufacturer and a Norwegian distributor.

Individualism and the opposite collectivism, refer to the range of where the individual always acts in the interest of the group, to where the individual exists over the interest of the group (Hofstede et al., 2010, p. 119). Both Sweden and Norway score high on this dimension that indicates that both are considered individualistic societies (The Hofstede Centre, 2010). This means that both parties of the relationship will respect the other party’s personal opinions, as well as the right to privacy.
The dimension *masculinity*, with the opposite *femininity*, refers to what motivates people in a culture. This varies in the range of; wanting to be best (masculine) or liking what you do (feminine) (Hofstede et al., 2010, p. 173). Norway scores slightly higher than Sweden, but both countries still have a very low (feminine) score, actually the two lowest of all countries. This means that the Swedes and the Norwegians are valuing levelling with others, sympathy for the underdog and well-being. Furthermore, both countries do not believe that trying to be better than others is not socially rewarded (The Hofstede Centre, 2010). Because both countries seem to have the same interpretations of masculinity, this dimension should not be generating misunderstandings between a Swedish manufacturer and a Norwegian distributor.

*Uncertainty avoidance* refers to the way society handles uncertainty when it comes to the future (Hofstede et al., 2010, p. 234). Sweden and Norway differ much more in this dimension than in the previous ones. Norway has a score of 50, which indicates that the Norwegians want more control to predict the future. The focus is on planning, but they can also alter plans in short notice. The Swedes has a lower score, 29, which indicates a society that maintain a more relaxed attitude where people believe there should be no more rules more than necessary (The Hofstede Centre, 2010). This cultural difference indicates that misunderstandings could emerge when a Swedish manufacturer and a Norwegian distributor are planning for future marketing activities and communications strategies between the two of them. This misunderstanding could affect the relationship in a negative way and therefore also the exploitation of the market opportunity.

The dimension *long-term orientation* refers to the way individuals of a culture present a future-oriented perspective or a historic or short-term point of view (Hofstede et al., 2010, p. 294). Sweden scores 20, which makes it a short term oriented society. These societies often have great respect for traditions and impatience to achieve quick results. However, Norway has a score of 44, which also makes them more of a short term orientation culture, even though the Swedes have more focus on short term than the Norwegians. The Norwegians believe that leisure time is important, absolute truths are needed and they also believe that quick results are expected. People of this society have also a concern for stability and could also be less protecting of the “face” than the Swedes (The Hofstede Centre, 2010). So how can this cultural difference affect a manufacturer – distributor relationship? Well, a Norwegian distributor could tend to be more focused on persistence and thrift than the Swedish manufacturer. Therefore they could have different priorities when it comes to money, investments and planning for the future. This could turn to affect the relationship badly and thus the market opportunity.

According to Zhang et al., (2003, pp. 550-551), cultural distance and country differences may limit the development of trust and the use and effectiveness of the existing market incentives. Cultural distance can also hinder the manufacturer from local market knowledge gathering as well as strengthen the possibility of opportunism (Fang Wu et al., 2007, p. 286). Skarmeas et al. (2008, p. 26) also mentions that language differences make it more difficult to describe problems and detailed information, but also to interpret them. It is therefore important for a manufacturer to manage an international expansion with a partner that has a different culture.

In summary, according to Hofstede’s Cultural Dimensions (2010), Sweden and
Norway’s total differences are small, and I interpret that this theory shows a good precondition for a successful relationship between a Swedish manufacturer and a Norwegian distributor. However, there is a small cultural difference and also a language difference that should not be disregarded.

3.5 Commitment

3.5.1 Definition of commitment
For this research, I will define commitment as; strong and unselfish orientation of resources. Making a commitment involves dedicating yourself to something that also obligates you to it.

3.5.2 Commitment and manufacturer-foreign distributor relationships

“…committed partners presumably generate more value for the relationship than partners who are not committed” - Deligonul et al., 2006, p. 804.

According to Skarmeas et al., (2008, p. 25) the factor commitment has also a central role in the development of relationship and define commitment as dedication and sacrifice for something. Committed partners will reduce the likelihood of partner switching and with increasing levels of commitment, the relationship will continue to gain strength (Deligonul et al., 2006, p. 802). A relationship with commitment lowers the risk of conflict, as the partners are more willing to accept operational and strategic burdens. Commitment is also difficult to reach if there is no trust in place, thus to increase commitment from the distributors, exporters must engage cooperative working and trustworthy relationships (Ha et al., 2003, p. 456).

A manufacturer is likely to perceive a distributor’s commitment as an indication of shared values and mutual identification (Deligonul et al., 2006, p. 805). This indicates that commitment contributes to mutual satisfaction with the other partner, thus improving the relationship. Commitment in a satisfied relationship is a way to communicate mutual goals and to minimize undesirable outcomes (Deligonul et al., 2006, p. 808).

3.6 Opportunism

3.6.1 Definition of opportunism
Opportunistic behaviour can arise in many forms, and describes how a company is seeking self-interest and does not make its intentions and objectives clear to its partner (Chung, 2012, p. 389).

3.6.2 Opportunism and manufacturer-foreign distributor relationships
Foreign distributors can for example misrepresent their abilities when looking for suppliers, or violate the terms of the contract when reducing their responsibilities after gaining the distribution rights in the market area (Cavusgil et al., 2004, p. 10). Cavusgil
et al. (2004, p. 10) explain that both forms of opportunism can be very harmful for a manufacturer’s business in international markets. This behaviour can have negative influence on relational constructs such as trust and long-term orientation. Export manufacturers can protect themselves from foreign distributor opportunism through formal (contracts) and informal (trust) (Cavusgil et al., 2004, p. 9). Consequently, by writing very detailed contracts about which party is responsible of what, and what each party is allowed and not allowed to do, the risk of opportunism decreases.

3.7 Extended theory model

![Figure 3. Extended model of factors affecting manufacturer – foreign distributor relationship. Created by the author.](image)

The theoretical background generated sub factors to trust and information exchange, such as credibility and benevolence. These sub factors are now a part of the extended theory model. It also came clear that the factor trust is affecting the other factors too, in one way or the other.
4. PRACTICAL METHODOLOGY

This chapter describes how I have gone about to fulfil the purpose of the research. My choices of methods are to some extent explained in chapter two, where I have also already stated my philosophical positions, how I view reality and knowledge. These positions have directed me to practical methods that let me to carry out an in-depth research, and allow me (and the participants) to be subjective. In this chapter I will present the method choices I have made which eventually made it possible for me to present my interpretation of the truth. First I will present the way the interviews were conducted, then the methods used when gathering the sample, processing and analysing the data will be outlined.

4.1 Method for collecting empirical data

In order to fulfil the purpose of this research, I described through my philosophical positions that I must use a method that allows for subjectivity (for the participants as well as for myself when I interpret the information), and in-depth information. Bryman & Bell (2011, p. 467) suggests the method qualitative interview in order to get rich, detailed answers from the interviewee’s point of view. This fulfils the purpose of increasing my understanding of how a manufacturer-foreign distributor relationship can be formed.

4.2 Interview questions

In order to increase my understanding about manufacturer – foreign distributor relationships, the interview questions were formed from the concepts and theories of the subject. The questions were developed for each of the five factors that are affecting the relationship, trust, information exchange, cultural distance, commitment and opportunism. For example, question number 10 is; “How are cultural differences affecting your relationship with a distributor?” This question is formed from the theories of cultural distance in chapter 3 about cultural distance. Question number 14 is formed to interpret how the respondents experience what the distributors might find important in the relationship. Even though the manufacturers believe that they know the factors for a successful and profitable relationship, it does not mean that the distributors have the same point of view.

To encourage the respondents to talk freely about the factors the questions were made slightly broader, with more specific follow up questions. In this way, the interviews were not too structured and the interviewees could feel free to give interesting information. For this example, the follow-up question was created in order to see whether the interviewee has ever had to change her/himself because of cultural distance. The follow-up question is; “Have you ever changed your behaviour in order to not step on the distributor’s toes?”

The three last questions are not questions specifically from the theory. There are questions that I believe however, from my interpretation of the literature, also can affect the relationship between a manufacturer and the foreign distributor. They open for the interviewees to discuss the other factors from a different point of view that I believe is enriching for the research in order to fulfil the purpose. These questions are also formed due to the interviewees’ company backgrounds. For example, I thought it would be
interesting to see whether these companies have changed their strategy for handling foreign distributor relationships from when the company was smaller compared to today. There was nothing about this factor in the literature, but considering that the five companies besides Voxit, are founded from the 1920’s to the 1990’s I believe the respondents should have experience about how the respective company’s strategy has developed during time. The motive is to find strategies for Voxit of what to do, and avoid to do, when exporting as a smaller, though growing, company. Those questions include the topics; Distributors’ point of view, The manufacturers’ current plan for developing and maintaining the relationship with the distributor, and Changes in distributor strategy over time. All the questions are stated in the interview guide in Appendix B.

4.3 Sample
This descriptive study includes interviewing several objects in order to understand a phenomenon. The objects that were acquired information from for this study were interviewed in order to understand further how a manufacturer can develop a successful relationship with a foreign distributor. In order to choose respondents and companies, I looked for companies that have the features my limitations demands. Because I want to increase my understanding about manufacturers and their foreign distributors, the first criteria for the studied objects were that the company had to export. Next, since companies can export through different kinds of middlemen, the second criterion was that the company had to export through a distributor. To find people that could contribute with answering the questions I had and also with other insights, the individuals needed to have a managerial role in the company, either CEO, sales manager, sales area manager or similar.

I did not choose to limit the companies by size, due to the fact that Voxit is a small company. The difference of small and larger companies when it comes to handling distributor relationships is, from my perspective, that larger companies have the possibility to invest more resources to the relationship strategy. Maybe Voxit would not be able to invest as much resources as a larger company, but I also believe that it could be a matter of priorities, that a small company might find distributor handling as a more important issue and invests as much resources as a larger company. I also believe it is about proportions. An area manager, out of maybe ten other area managers that work for a larger company, which is responsible for five distributors can be compared to the only manager at a company handling the five distributors a company has. For this research, the focus is not on company size, due to that companies may have very different views upon how much resources invested in distributor relationships and how the structure and strategy should be performed. The way to reach a conclusion of how a manufacturer should develop a successful relationship with the distributor gets a bit more complex when companies do not follow a certain strategy for this. A significant factor for that is that companies in general produce very different products that are to be distributed in different ways.

I called Handelskammaren in Skellefteå to get a list of all exporting companies located in Skellefteå. I got a list with 23 companies. As long as the companies fell within the criteria I had, all of the companies on the list were interesting for increasing my understanding of how a manufacturer should build a successful relationship with a distributor. My plan was to call all of these companies and hopefully get to interview at least five of them. I started from the top of that list and called the companies to ask them
if they were exporting through a foreign distributor, and if the person that is most
involved with the distributor/distributors would want to participate in an interview
discussing the topic distributor relationships. Many of the people that I was going to ask
if they had the opportunity to participate in the interview were not at the office or busy,
so I just contacted the next company on the list. After two days I had called almost
every company on the list and booked interviews with four companies besides Voxit.
One of the participants also helped me identify an additional company that could be
included in the study. The method where one participant guides the researcher to the
next participant is called snowball sampling, and enables research with relevant and
interesting respondents (Bryman & Bell, 2011, p. 192-193). However, the sample is in
no sense random and is very unlikely that the sample will be representative of the
population. Since the purpose of this study is not to generalize the findings to the whole
population, this type of sampling suits the data collection method.

In summary, five companies besides Voxit were able to make the interview. The
interviewed companies besides Voxit are Valutec, SQS Security, Nordic Sport, Alimak
Hek and Martinsons. They are all manufacturing different products in a variety of
industries, and have different company size and turn over. The focus for this study is the
relationship between the manufacturer and the distributor. However, during the
interviews it turned out that three of the companies are exporting through either only
agents or through both distributors and agents. Now, both distributors and agents are
middlemen, and the similarities can be many depending on what the contracts are
saying. I believe that many people think that an agent is a type of a distributor, which
can bring confusion to the discussion. In order for the reader to follow this discussion in
an easy way the two types of middlemen are described below in section 4.3.1.

I could not conclude that the same theory can be applied to the manufacturer – foreign
agent relationships as for distributors, thus I had to go back to the literature to see what
theories existing regarding agents in this matter. I made a thorough literature review but
found that the literature and theories about agents are very few, and especially about the
relationship between the agent and a manufacturer. I conclude that the focus in this field
of literature is not on foreign agents, it is rather on foreign middlemen in general and on
foreign distributors. However, since there are some confusion about agents and
distributors, there could be a risk that I have missed literature about foreign agents
relationships that are named as something else. Due to the similarity of the two types of
middlemen, and the absence of foreign agent theories, I will assume that the theories for
distributors are applicable for agents too.

4.3.1 Difference between distributors and agents
The largest difference between a distributor and an agent is that the distributor buys the
products and becomes the owner, whereas the agent is never the owner of the products
(Garcia Berg, 2000, p. 40). The distributor sells the products to another company or to
the final customer. The distributor is an independent company that is selling products
under its own name. In contrast, the agent mediates contacts between the manufacturer
and the buyers in the area where the agent is present. However, in some cases the agent
also covers the areas of marketing, keep stock, negotiating and signing the contracts
(Garcia Berg, 2000, p. 36). In that way can the difference between an agent and
distributor be small, hence that could be the reason why there is certain unclearness
about this.
4.4 Outline of interviews
The purpose for the research led me to use the interview type that is semi-structured, which means that the interviewer has an agenda of what should be discussed during the interview and also has broader questions that will be asked (Bryman & Bell, 2011, p. 205). I had an interview guide that I followed, which worked as an agenda for the interviews. This interview type is beneficial because it allows me to ask any questions spontaneously that gives me the opportunity to direct the interview to the topics I wish to discuss. It is also possible for both the interviewer and the interviewee to get of track and discuss unexpected topics which can generate enriching data for the research (Bryman & Bell, 2011, p. 467). With this interview form there is also room for discussing other feelings and thoughts that might come to mind, both from the interviewer and the interviewee. The disadvantage with this method is that it can be difficult to distinguish small differences between the interviews and that it is time consuming. The interviews were performed face-to-face and one-on-one.

Other interview types are unstructured and structured interviews (Bryman & Bell, 2011, p. 205). The unstructured interview can be seen as a conversation that is free but not uncontrolled in the sense that the interviewer has some thoughts on which direction the discussion should take. Now, this type of interview could have been an option for me to use, but I believed that the findings would have been much more difficult to compare. The structured interview is quite the opposite where the interviewer follows an exact plan how the interview will be performed where the same questions are always asked and in the same order. This type of interview would not let the subjectivity or the in-depth information to be present to the extent that I aim for.

4.5 Data processing
All interviews were held in Swedish in order for the respondents to feel relaxed and being able to express themselves in their main language. Therefore I translated the interviews when transcribing, which means that it is a risk that some words might be lost in the process of translation. However, I am aware of this situation and have done my best to be specific and cautious of the interviewees’ main thoughts. The interviews were audio recorded which made it easier to then transcribe them. When transcribing I also tried to give an indication of how the interviewees said certain things. This is emphasized by Saunders et al. (2009, p. 485) that explain that researchers are not only interested in what was said, but also how it was said. I viewed every transcript individually in order to view the important answers within the themes. I identified the themes from the purpose of the research, as expressed through the research question. The definition of thematic analysis is either the same as coding or the build-up of coding (Bryman & Bell, 2011, p. 572).

- The five themes are: trust, cultural differences, information exchange, commitment and opportunism.
- One additional theme that emerged from the theme opportunism; the contract as a control mechanism.
- And the three additional themes are; what the manufacturers believe the distributors find important in the relationship, the manufacturers’ current plan for developing and maintaining the relationship with the distributor and learning that it is important to be selective when recruiting a new distributor.
I further believe these themes are contributing to answer to my research question: How should a manufacturer company such as Voxit, a SME that is starting to export a new product, develop a successful relationship with a foreign distributor? I put the themes together to finally analyse the entire data. As a consequence, the findings will be presented in these themes, which makes the findings easy to follow. When this was completed, I could start analyse the findings and compare with the theory. I was therefore also ensuring that the themes were connected to the theoretical framework on which I had based the interview questions. While doing this, patterns and relationships emerged from the data collection. The analysis will be made in the same chapter as the findings (empirical data) in order not to repeat unnecessary data in the analysis. The analysis will reflect upon the main thoughts the respondents have. Finally the thesis ends with a conclusion of the findings and analysis is made, followed by my recommendations to Voxit based of my analysis and conclusions.

4.6 Ethical considerations
When it comes to research, ethics refers to the appropriateness of the researcher’s behaviour in relation to those that become the subject of the research, or are affected by it (Saunders et al., 2009, p. 184). Bryman & Bell (2011, p. 128) describe four main areas of ethics in research that I have used as guidance to explain my ethical concerns;

1. *Harm to participants*: Permission has been given for data to be passed on in a form that allows the participants to be identified.
2. *Lack of informed consent*: I have given all participants information about the purpose of the research and how the information that they give will be handled.
3. *Invasion of privacy*: I have respected all participants’ privacy, where I have not intruded or shown disrespect for the individuals’ values. All questions have been asked about the respondents’ professional life, none has been asked about their personal life.
4. *Deception*: I have been very clear to state what the research is about and answered to questions the respondents had.

4.7 Access
The interviews were held from the 19th to the 29th of April. Voxit was first interviewed, in order for me to later compare Voxit to the other companies. Then, I interviewed the five other manufacturing companies located in Skellefteå. All the interviews were held at the offices of the respective companies. After getting consent from the interviewees, a tape recorder was used during the interviews. The interview time ranged from 45 minutes to 70 minutes.

<table>
<thead>
<tr>
<th>Nr.</th>
<th>Participant</th>
<th>Company</th>
<th>Interview type</th>
<th>Time</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Stefan Hälgren</td>
<td>Voxit</td>
<td>Face to face</td>
<td>45 min</td>
<td>2013-04-19</td>
</tr>
<tr>
<td>2.</td>
<td>Jon Lindberg</td>
<td>Valutec</td>
<td>Face to face</td>
<td>60 min</td>
<td>2013-04-22</td>
</tr>
</tbody>
</table>
Table 2. Interview table.

Long interviews can indicate that the participants were feeling relaxed and able to talk freely about the subjects without being stressed. Generally managers and CEOs have a lot to do and cannot answer to questions for a longer time. I had informed them about the time reference of about 45 minutes. The fact that Falkman at Martinsons answered to questions for 70 minutes could indicate that he felt genuineness from the researcher. This means that he could have felt that he was also benefitting and learning from the interview. For the research, this means that longer and enriching answers can be used to enhance the understanding of manufacturing-foreign distributor relationships.
5. EMPIRICAL DATA / ANALYSIS

This chapter presents the empirical data from the six manufacturer interviews regarding their experiences of foreign distributor relationships. The final extended model will first be presented, and then the interviewed companies will be presented shortly. The reader is suggested to view Appendix C for a more thorough background overview of the companies. The theory chapter will be used as a framework for analysing the data, following the theme order; trust, information exchange, commitment, cultural distance and opportunism. Then, the four additional themes will be presented. All the themes are also analysed in turn, and connected to theory.

5.1 Final extended model

![Figure 4. Final extended model of factors affecting manufacturer – foreign distributor relationship.](image)

The final extended model of factors that affect the manufacturer-foreign distributor relationship, specifically Voxit’s relationship with their future foreign distributor, will make it easier to get a good overview of all the factors. From the data analysis of the interviews, the themes trust, information exchange, cultural distance, commitment and opportunism were expected to emerge and be relevant to the answer of the research question. The factors with grey background are the ones that resided after the literature review. To the interview questions, I added the three themes, distributors’ point of view, manufacturers’ current plan and distributor strategy over time because I believe they can contribute to the understanding of how Voxit can build a relationship with a foreign distributor. The motive is to use the experiences the interviewees have, that can contribute to fulfil the purpose of increasing the understanding of how to develop a manufacturer – foreign distributor relationship. They are presented more thoroughly at the end of this chapter. The theme control mechanisms and the contract emerged during the data processing from the question regarding opportunism. All participants...
mentioned the contract as being very influential for opportunism but also other factors such as trust.

The themes will be presented in turn, followed with what questions that were asked, how the respondents answered and why it is of relevance for increasing knowledge about how Voxit can build a successful relationship with a foreign distributor. The answers are thereafter analysed and connected to the theories. A summarizing table with the respondents’ answers is presented for each theme, where the respondents answers are graded with from a scale of 0 to three plus, where 0 is equivalent to that the respondent does not have a say in the matter, and if the respondent answers three plus, +++, the respondent finds the matter very important. A table with the companies’ answers for all themes is presented in the end of this chapter.

5.2 Six manufacturing companies about their distributor-agent relationships
Six companies with different products and markets have been interviewed in order to shed light to how a manufacturer company such as Voxit can develop a relationship with a foreign distributor. SQS Security, Voxit and Nordic Sport use distributors for their sales abroad. As I mentioned before, three of the companies are entirely or partly working with agents. Alimak Hek and Martinsons have both agents and distributors besides their sale offices, and Valutec uses only agents for foreign sales.

The theory is focused particularly on manufacturer and foreign distributors’ relationships, however I will assume that the theory is applicable to manufacturer and foreign agents too. Please read more about the difference between distributors and agents in section 4.3.1 and 4.3.

First follows a short introduction of the respondents and their companies in order for the reader to learn what role the respondent has in the company, what products the company are selling and their current export strategy. This is important because it is beneficial to know the company’s motive for exporting and selling through a distributor or agent, when discussing the factors affecting the relationship between them. The introduction below is reviewed from interview questions 1-8.

5.2.1 Short on Voxit
Stefan Hällgren is marketing director at Voxit, which sells computer programmes for speech technology. Voxit’s vision is to make the handling of information more effective through speech technology. The planned country Voxit will start exporting this new product to is Norway. Currently, Voxit is exporting other products in a small scale via distributors.

5.2.2 Short on SQS Security
Åsa Andersson is CFO at SQS Security that produces products for safe cash handling, among those a bag with liquid dye that colours the money so that it cannot be used if someone unauthorised is trying to break into the bag. SQS sells to big parts of Europe and is striving to become market leader in cash safety handling and transport. SQS has the strategy of having mainly distributors in the countries they export to, but also a few subsidiaries that works as sales offices.
5.2.3 Short on Nordic Sport
Emma Lundkvist is CEO at Nordic Sport that manufactures and distributes track and field equipment and other sports equipment, such as ice hockey goals. Nordic Sport sells their equipment all over the world through distributors and aims to become the official supplier for an Olympic Game. Nordic Sport is planning to set up own subsidiaries in Finland and Norway in the future.

5.2.4 Short on Alimak Hek
Klas Magnusson is area manager at Alimak Hek and is in charge over the distributors in the area of the Middle East and Africa. He works with one of the two main products that Alimak Hek manufactures, industrial elevators. Alimak Hek has own subsidiaries in the larger markets, in the smaller markets they work with distributors and agents. The procedure has been that they started with distributors and agents in a country, and then, if the sales are high, it could be worth it to start a subsidiary in that country/market.

Magnusson explains that Alimak Hek’s current collaborations with distributors and agents have generally been going on for decades, thus old relationships. The ones Magnusson has contact with have been partners with Alimak Hek for 30-40 years. The distributor firms are often family businesses where the distributor position goes from generation to generation.

5.2.5 Short on Martinsons
Peter Falkman is sales manager at Martinsons for the department of sawn wood. The company processes, saws and refines the Swedish Northern wood of the spruce and pine tree. Martinsons has the vision to become market leader in technology and development in the sawmilling industry. Martinsons exports via agents, distributors and a sales office in England. They are also part owners in a sales office in Sweden.

5.2.6 Short on Valutec
Jon Lindberg is sales manager at Valutec that produces kilns that dry wood. Their largest market is Sweden, but also sells a lot abroad through agents. Their vision is to be the greatest manufacturer of kilns north of the boreal forest belt. Lindberg explains that they use agents because the sawmilling industry is very affected by the conjuncture which means that in a recession there will not be a good time to have own subsidiaries in the exporting countries. Another reason for Valutec not having own subsidiaries is that the knowledge and development of products are located in Skellefteå.

5.3 Trust
Trust is a factor all companies believe is important for the relationship with both distributors and agents. They all agree on that if there were no trust in the relationship with the middleman, it would not be possible to do business. The following data and analysis are conducted from the interviewees’ interpretations from questions 9 and 9a.

Andersson at SQS says that they are being protective about their name, brand and technology. If someone would treat those factors in an unsecure way, SQS would have to end that cooperation. It could hurt the company in many ways if the distributor damaged their reputation. Since the world is becoming more global, Andersson means
that the rumour of a partner not handling something well in one country could quickly spread to more markets.

Hällgren at Voxit means that trust affects all parts of the relationship, from bidding procedures to handling selling activities. Another factor that is important when it comes to trust for Voxit is the handling of financial transactions with the distributor.

Lunkdvist at Nordic Sport says that there is a fine line to where the trust is broken. Is it when the distributor does not pay? Or is it when the distributor does not pay in time, but pays nonetheless? It is something that needs to be settled within the company. Of course Lundkvist also agrees to that if there is no trust in the relationship, they have to change distributor. It is not sustainable to distrust a distributor.

Magnusson (Alimak Hek) explains that trust is very important, but also that in this kind of relationship there is really no other choice. He means that you have to trust your agent or distributor or else the cooperation would have to end. Lindberg (Valutec) agrees that without trust there is no relationship. He continues that they should be able to trust their agent, as well as the customers should be able to trust Valutec.

Falkman at Martinsons also believes that trust comes in different levels, where some agents even can become friends. Falkman agrees with all the other companies that if there is no trust, it will be difficult to make business. One of Martinsons’s goals is to be seen as a trustworthy company. However, due to the industry’s economy is fluctuating a lot, it is not always easy to keep a promise when unexpected turns can change the picture for everyone in the industry. This mistrust affects the relationship between them in a negative way and Falkman believes it is unfortunate, but at the same time there is nothing they can do about it.

5.3 Credibility
None of the companies mentioned concerns about the type of trust that is also called credibility, except Voxit. Credibility, which involves know-how, skills and abilities for the job (Vázquez et al., 2005, p. 132), could be less important for the other companies because they are all selling at more mature markets. They can search for experienced agents or distributors. Hällgren at Voxit explains that it is very important to be able to trust the distributor to be enough committed to learn about the technology and the product. The speech technology branch is not as developed as the other branches, Hällgren says that it is almost impossible for the distributor to have experience from similar products like the one Voxit is about to export.

5.3.2 Benevolence
All companies can however agree to that without benevolence, which involves trusting the partner’s goodwill, values and intentions (Vázquez et al., 2005, p. 132), it is not possible to start or continue doing business. All six companies believe that such circumstances cannot be accepted and would end the collaboration. However, even though Magnusson agrees to this point, Alimak Hek has one distributor that is also a competitor hence trust in this relationship does not exist. Trust is absent because the distributor is not objective about their portfolio of products and Alimak Hek cannot therefore trust that their products have the same opportunities as with another distributor. Furthermore, Alimak Hek is not allowed to get information about the
customers, let alone meet with them. Magnusson explains that the trust, communication and commitment is bad, hence it is not a good relationship with the distributor. Does this mean that it is possible to have a sustainable relationship without trust with a distributor?

Notably, this agrees with Zhang et al.’s theory (2003, p. 554) that trust motivates the foreign distributor to provide superior after-sale services, greater promotional and advertising activities for the product, which in the long-term increases the manufacturer’s competitiveness. The conclusion is that it is possible to have a profitable collaboration with a distributor where the relationship is without trust, but the manufacturer cannot expect superior after-sale services, greater promotional and advertising activities that in the long turn can increase the manufacturer’s competitiveness.

However, Magnusson continues that this is a special case, and is not the perfect collaboration they strive for. According to Vázquez et al. (2005, p. 132) both partners should instead be flexible during negotiations, demonstrate long-term vision and show themselves to be investing in the future in order to increase the level of trust.

### 5.3.3 Analysis of trust in the relationship

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Hällgren at Voxit was the only respondent that was concerned about credibility. That is why I believe that the need for trusting the know-how, skills and abilities of the distributor are more important for Voxit in their relationship with a distributor than the rest of the companies. This is also the biggest difference between Voxit and the other companies when it comes to how trust can affect the relationship between them and the distributor or agent. I interpret this as the other companies do not find a reason to be concerned about credibility due to this factor works very well in their relationships. Because all the companies believe that trust is very important, they agree to theory (Zhang et al. 2003; Vázquez et al. 2005) when it comes to the importance of trust in a relationship with a distributor. This was not unexpected but still important to confirm.

### 5.4 Information exchange

All companies agree to that information exchange is an important factor for the relationship itself, but also for being able to benefit as much as possible from the collaboration. The following data and analysis are conducted from the interviewees’ interpretations from questions 10, 10a and 10b.

Hällgren (Voxit) says that it is important with information exchange in order for them to improve and develop their products. He means that the distributor is closer than they are to the customers thus it is important that the information between the customer and the distributor reaches Voxit. It is crucial to be aware of what the customers think is good
about the product and what the improvable features are, which are then considered for software development. This is a way to get to know the customers better. This agrees with Fang Wu et al. (2007, p. 289) that information exchange helps the manufacturer to gain knowledge about the local market. Local knowledge about the market is especially important when introducing a new product in a new market.

Andersson explains that at SQS Security they are working a lot to be very clear about how the distributors can find the information they need from SQS. She says that they are trying to be as clear as possible, in order to avoid misunderstandings that might occur otherwise. These misunderstandings due to lack of communication are not beneficial for the relationship with the distributor. Most of the communication is made through a portal from their web site made for information sharing only. The information can involve what spare parts the distributor needs in order to serve the customers’ products. In that way they can also keep track whether or not that information has reached the distributor. The distributors can also, via this channel, present problems they are experiencing. This is the most fostered way of communicating of the six companies, and Zhang et al (2003, p. 563) explain that having a fostered information exchange with channel partners is seen to have a positive effect on trust, hence a big part of a sustainable relationship.

Lundkvist at Nordic Sport explains that information exchange is very important but also a very difficult task. If there is something that they miss to inform the distributor about, it may affect the final customer and thereby it is Nordic Sport that has to make it right and pay the price. Lundkvist continues that it is also very important that the distributors are alert and observant of news in the industry, such as if there is a new sports arena or stadium that is about to be built. Then it is the distributor’s job to forward the news to Nordic Sport. On the question of what would happen if the distributors did not forward the news, Lundkvist says that it would definitely affect the relationship, however the field track equipment industry is not that big so almost every piece of news somehow passes them.

Lindberg (Valutec) says that they are constantly informing and educating their agents about their kilns. In this way, the agents are up to date and feel that Valutec is committed to the cooperation. Lindberg does not experience that the communication the other way is a problem either, that is, that the agent consciously keeps customers or market information form Valutec. The objective for doing this could be that another company that is using the same agent could be giving the agent higher margins, which makes the agent prioritise the other company’s products. Valutec has written in the contract that the agent should give a market report every month, but Lindberg means that it is not the most important factor when it comes to information sharing. Lindberg explains that it is more important that they share the important information when it happens.

Magnusson at Alimak Hek tries to be very open about most things with his distributors and agents. He believes in telling them about why Alimak Hek is doing things the way they do. In that way the distributors get a broader understanding about Alimak Hek as a company, and also sustains the level of trust. This agrees with Katsikeas et al. (2009, p. 134), whom mean that when two partners are transferring high-quality information between each other, they work more productively and solve operational problems better,
thus it is beneficial for the relationship. Magnusson explain that his strategy is to treat the distributors as a part of the company, rather than a customer.

Falkman explains that Martinsons has a lot to work on when it comes to information exchange. They are handling information from the agents very well but does not give away too much of insight. Handling information that gives insight is very difficult Falkman explains. The trust issue is very important, both when it comes to technique of stock and to business systems. Falkman continues that it would be difficult to work with some countries’ agents with full transparency from Martinson’s part.

5.4.1 Plagiarism
Hällgren (Voxit) does not recognise the risk regarding the company’s current distributors that Fang Wu et al. (2007, p. 289) present about distributors combining the gained knowledge with their local market knowhow and advantage to create similar competing products. Hällgren, as well as Lindberg (Valutec) and Andersson (SQS Security), believe that it would be difficult for a distributor to copy the know-how and technology in order to create similar products due to their products being too niched. As mentioned in the beginning of this chapter, the products these companies produce are software for speech recognition, kilns that dry wood and security bags for money transfer with liquid dye.

Hällgren explains that the competence at Voxit is also too rare for there being a large risk of plagiarism. However, Hällgren continues that if a distributor wants to offer the same services as they do, Voxit should be as prepared as possible. A way to do that is to keep a good communication with the distributor. If Voxit knows what the distributor is up to generally, it is lower risk for the distributor turning into a competitor without Voxit knowing it. This means that plagiarism is more difficult and costly than cheaper and nontechnical products such as track and field equipment, soccer nets and ice hockey goals as Nordic Sport is manufacturing.

Lundkvist (Nordic Sport) experiences that plagiarism is for them always a risk, and it is important to be clear about the conditions for it in the contract. She says that the risk is large, especially since some of the distributors also are producing similar products and thus are competitors. She means that it is a risk that they are willing to take, and that they must reveal the information they are revealing now, even though the risk of plagiarism is then a fact. In order to prevent that from happening, they are always trying to make their products special by having great product development regarding functions, quality and design. The Nordic Sport brand is well known and established in the industry, and Lundkvist means that the competitors can never copy the brand.

Lindberg (Valutec), Falkman (Martinsons) and Magnusson (Alimak Hek) also explain that they do not recognise the risk of plagiarism. However, they believe that the risk is that the distributor or agent would want to end the contract and then bring the knowledge to a competitor and start business with them.

5.4.2 Analysis of information exchange in the relationship
All companies agree to that information exchange is an important factor for the relationship. This communication goes both ways, for example Voxit believes that the
information from the distributors is really important, while SQS has developed a portal in order to give the distributors clear and accessible information.

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Whatever kind of information exchange the companies believe is important, all of them agree to that it is crucial to have a clear and precise communication strategy. It is important that the distributor or agent knows what the manufacturer expects from them and vice versa. News and other kind of information should also be informed to the other party in a clear way. This agrees with Fang Wu et al. (2007), p. 289) that explains that with the right information firms may be able to anticipate unexpected events and thereby handle them better.

It is interesting to see that almost all companies were very focused of how their own communication with the distributor or agent was, and how that affected the relationship. I had to make a follow up question about their interpretation of the other way around, how the distributor’s communication is towards them. Hälgren (Voxit) had the opposite focus, he emphasized the importance of good communication from the distributor. There was also one respondent that focused equally on both ways. I conclude that the focus of the respondents’ lies where they experience they have to make most effort, both for the relationship and for the business in the market where the distributor or agent is active. I believe it is important not to forget about the other way of communication, that is, for Voxit it is their communication towards the distributor. For the other companies it means that they should also focus on the information that the distributors and agents should communicate to them. All companies indicate that good communication is building trust within the relationship, which agree to (Zhang et al., 2003, p. 563) that explains that good information exchange with channel partners is seen to have a positive effect on trust.

All companies believed that information exchange is important, and all companies except Voxit and Alimak Hek focused on their information towards the distributor or agent. Therefore, I conclude that the factor information exchange is affecting the relationship between a manufacturer and a foreign distributor, and should be considered when building such a relationship.

It was only one company, Nordic Sport, which experienced that plagiarism is a current risk due to the company’s products are easy to copy. Two other companies were worried that their information sharing will cause their agent to gain know-how and then bring this know-how to a competitor. Voxit tries to use information exchange to avoid plagiarism, through getting to know the distributor as good as possible and the market. So in one way is information sharing an incentive for plagiarism, as in the case of Martinsons and Alimak Hek. In the other way, information exchange could also hinder it, as in the case of Voxit.
5.5 Cultural distance

Cultural differences and distances seem to be present in all the interviewed companies’ international distribution channels. Regardless how large or small the cultural difference is, it is still important to raise awareness about it because misunderstandings due to cultural differences can affect the relationship with the foreign distributor. The following data and analysis are conducted from the interviewees’ interpretations of questions 11 and 11a.

Andersson (SQS) explained that especially at the Russian market the cultural differences are clear. In order not to act or do the wrong things, SQS has a Swedish distributor that lives in Russia. He knows the Russian business structure and the Russian culture after living there for a long time. SQS can thus trust that the distributor knows the Swedish culture and how they are thinking, which is very beneficial. So in this case it is not cultural differences between the distributor and the manufacturing company that is different, it is towards the customer. Andersson explains that the only problem with this Swedish distributor in Russia is that he does not tell them that much about his customers and thus keeping information from them. SQS wanted to be closer to the final customer but was not allowed. A situation emerged where they wanted to send these customers information but was not sure of whether it would be inappropriate, hence risking weakening the relationship with the distributor.

Lundkvist (Nordic Sports) explains that she has learnt that she cannot trust everyone. Her Indian distributor told her that she should assume that every Indian she met was lying. However, in India there is a lot of corruption and she sees that as a part of the cultural difference. This agrees to Fang Wu et al. (2007, p. 286) that explains that cultural distance can hinder local market knowledge gathering from the distributor as well as strengthen the possibility of opportunism. However, Lundkvist explains that the preconceptions about men treating women different when making business in the Middle East are wrong. She has not met any difficulties when making business in the Middle East due to the fact that she is a woman.

Falkman (Martinsons) means that it is not necessarily easier to work with languages that you know. For example, a contract that is written in Norwegian could seem clear to you, but the words could have more meanings than you are aware of. He believes that in Asia there are many rituals such as drinking tea, and in Northern Africa the tradition is to be unfriendly with the other party before settling the deal. Sometimes he believes that those business meetings could never end well. But when they have done it a couple of times, it gets more familiar and by now he knows that it is the way of doing business in the Northern African countries. It is always tradition to have dinner and maybe even go clubbing with the agent and the clients. In Egypt it is tradition that they first negotiate, the Egyptians complain about something even though there is really nothing to complain about, they drink tea and have a cigarette (even if you do not smoke), and then finally go for dinner and watch belly dancers. Falkman explains that it is how you are a good business partner in Egypt.

“They make it sound like you build a really strong relationship, but in reality it is kind of fragile if someone for example changes the price. Then it does not matter if you share 10 packets of cigarettes” – Peter Falkman, Martinsons.
This agrees to Hofstede’s theory about the dimension Individualism. This dimension refers to the range of where the individual always acts in the interest of the group, to where the individual exists over the interest of the group (Hofstede et al., 2010, p. 119). According to Hofstede’s study (2010), the Egyptian culture has a high degree of Collectivism, while the Swedish culture has a high degree of Individualism. The Swedes believe that business is made with a company, while the Egyptians believe you make business with a person. As Falkman describes, there are much speaking for misunderstandings that can affect the relationship. Falkman explains that being a seller is to sell the products in the way that the distributor wants to purchase them in the way they understand. He explains that the negotiations does not necessary have to be in the usual way Martinsons make business in Sweden.

Lindberg (Valutec) explains that cultural differences in one of their previous relationships with a distributor actually resulted in a break up. They simply had different ways of working, which made it difficult to develop a strong relationship. Lindberg describes that the cultural differences between their current agents in Norway and in Germany are large. The negotiations and sales talks are made entirely by Valutec with the Norwegian customers, the Norwegian agent only opens the contact to the customer. However the German agent holds all the negotiations and sales talks with the German customers. So even though the agents’ contracts look the same, their roles can vary. Lindberg says that it is a cultural difference that they just comply with, in order to keep a good relationship.

Magnusson (Alimak Hek) believes that the distributors he has contact with are very international and sophisticated. The distributors he works with are located in the Middle East and Africa and are generally very good at English. The cultural difference does not intervene when it comes to the relationship with about 9 out of 10 distributors. Magnusson explains that the only general example of something he must think about when meeting distributors from other cultures, is that if the distributor is very religious, Magnusson is observant not to do anything that might not be accepted in that religion such as swearing. However, this is nothing that would affect their relationship.

5.5.1 Analysis of cultural distance in the relationship

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Cultural distance is present in all the interviewed companies’ international distribution channels. However, the result seems to only be a problem if it causes the need for information exchange to increase as in the case of Nordic Sport. All companies recognise the factor, but for most companies this factor has never been the reason for misunderstandings in their distributor relationships. According to Zhang et al., (2003, pp. 550-551), cultural distance and country differences may limit the development of trust, which could be the case for any company that does not have the experience of making business with that country. The companies that have had difficulties with handling the relationship due to cultural distances do not have problems any more. My interpretation is that the companies seem to have been learning by doing, and none of
them seem to feel that cultural distance is affecting their current relationships in a negative way. However, I also interpret their answers as that all of them have great respect for cultural distances and that with greater distance comes greater risk of misunderstandings which in turn can affect the relationship with the distributor in a negative way. In order to avoid misunderstandings due to cultural distances, a study like Hofstede’s cultural dimensions can help to understand the other culture, like in the case of Falkman that was making business in Egypt.

Hällgren (Voxit) means that even though the cultural differences are not that large between Sweden and Norway, it is still important to consider this factor when building a relationship with a foreign distributor. This agrees to Hofstede’s theory (2010) which indicates that there is a small difference between the cultures in Sweden and Norway, and that this difference may cause misunderstandings that in turn can affect the relationship between Voxit and a Norwegian distributor. The dimensions where the cultures are differing are uncertainty avoidance and long-term orientation, which means that misunderstandings can emerge because they could have different priorities when it comes to money, investments and planning for the future. It could also lead to misunderstandings when a Swedish manufacturer and a Norwegian distributor are planning for future marketing activities and communications strategies between the two of them. These misunderstanding could affect the relationship in a negative way which is why I believe the dimensions uncertainty avoidance and long term behaviour are important to recognise.

5.6 Commitment
Commitment seems like an important factor for keeping a good relationship for all the interviewed companies, and something that many of them would like to develop further. Deligonul et al. (2006, p. 808) means that commitment in a satisfied relationship is a way to communicate mutual goals and to minimize undesirable outcomes. The following data and analysis are conducted from the interviewees’ interpretations of questions 12 and 12a.

Andersson at SQS Security explained that from the distributors’ point of view it is important to stay committed since it is their way of doing business. They should have an incentive for making the most out of the business since they get commission. Of course if the distributor does not sell anything, it is clearly something else higher on their priority list and thus SQS will find another distributor. Lundkvist at Nordic Sports also states that if there is no commitment, Nordic Sport cannot continue the collaboration, thus they have the wrong distributor. Andersson’s and Lundkvist’s theory about changing distributor if there is no commitment is supported by Deligonul et al. (2006, p. 802), which mean that committed partners will reduce the likelihood of partner switching.

Hällgren (Voxit) means that it is important to be aware of the activities that the distributor is planning, and what their planned budget is for these activities. In Voxit’s case for the product they will start selling to Norway, the commitment from the distributor will be extremely important due to the complex product. The distributor must have high knowledge about the product and the way of using it in order to serve the customers. Speech recognition is not only a new product and a computer programme to learn, it is also a new way of communicating which needs to be handled right.
Hällgren means that this could result in a lot of support and educations issues with the customers. The other kind of commitment is the one towards Voxit. Hällgren explains that it is beneficial if both parties are equally committed in order to get a decent flow in information exchange and maintaining a good relationship. Deligonul et al. (2006, p. 805) explain that committed partners presumably generate more value for the relationship than partners who are not committed, which supports Hällgren’s theory.

Magnusson (Alimak Hek) also believes it is very important that there is commitment from both sides. The distributor or agent must be interested in selling Alimak Hek’s products, among the other products they are selling. The elevators usually also have a long period of time of sales before the actual purchase is done, which makes commitment even more important. He also believes that it is important that Alimak Hek is committed and is able to deliver in time and supply the information that the distributors need. Lindberg (Valutec) believes that it is really important that the agents are committed enough to speak up when there is something that bothers them, in order for Valutec to do something about it.

Falkman (Martinsons) explained that commitment is really important and they have a responsibility to follow up on their agents and have a close relationship. Unfortunately they are not giving the commitment they would like to all markets. The best-selling and largest markets are getting the most attention, and the less prioritised markets do not get as much attention. He meant that a good relationship is very important for a successful business, however if the agent has too many companies he/she works with it is difficult to be as committed as they would like, hence it could lead to a slow business. Falkman meant that in order to reach commitment from the agent, it is important to provide information and education to them. Falkman explained that they probably have not a good enough plan and strategy for how they can make their agents contribute as much as possible.

5.6.1 Analysis of commitment in the relationship

<table>
<thead>
<tr>
<th>Respondents:</th>
<th>Voxit</th>
<th>SQS</th>
<th>Nordic Sport</th>
<th>Alimak Hek</th>
<th>Martinsons</th>
<th>Valutec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commitment</td>
<td>+++</td>
<td>++</td>
<td>+++</td>
<td>+++</td>
<td>++</td>
<td>++</td>
</tr>
</tbody>
</table>

The respondents’ first response to commitment in the relationship varied among the companies. Voxit, Valutec, Martinsons and Alimak Hek focused on commitment from the distributor or agent, but also how they as manufacturers are committed. Nordic Sport and SQS focused their answers on their experiences of how important they find the fact that the distributors are committed.

I interpret that this can be explained as in the case of information exchange, that the focus of the respondents lies where they experience they have to make most effort, both for the relationship and for the business in the market where the distributor or agent is active.

Hällgren indicates that the level of commitment required by Voxit from the foreign distributor is very high. He emphasises that the distributor must be committed enough to really learn the product and the way of using it. This is obviously due to the complexity
of the product. However, I believe that some of the other companies also have very complex products but focus rather on commitment of selling. Once again, I believe that the respondents are emphasising what is most important for them.

Commitment in the relationship with a distributor was overall an important factor that all companies found necessary for the relationship to continue. Thus the factor commitment is essential when it comes to building a relationship with a foreign distributor. Some of the companies meant that it is impossible to have a cooperation without commitment, and others, such as Voxit, find commitment important for the development of the relationship. This agrees to Deligonul et al. (2006, p. 808) which means that commitment in a satisfied relationship is a way to communicate mutual goals and to minimize undesirable outcomes and thus develop the relationship.

5.7 Opportunism

Only one of the companies believe that they have experienced opportunism in the way that Cavusgil et al. (2004, p.10) mentions; that the distributors misrepresent their abilities when looking for suppliers, or violate the terms of the contract when reducing their responsibilities after gaining the distribution rights in the market area. Opportunism has a negative effect on the relationship with the distributor, therefore the respondents got the question how they are avoiding opportunism. The following data and analysis are conducted from the interviewees’ interpretations from question 13 and 13a.

Hällgren (Voxit) agrees to what Cavusgil et al. (2004, p. 9) are mentioning about opportunism; the risk is that the distributor can favour the product he/she is selling that is most profitable, and thereby benefit another company that may be competitive. This would be violating the terms of the contract, assumed that the terms of the distributor being objective when selling. Hällgren also means that it is important that Voxit communicates as much as possible with the distributor and keeps strong commitment in order to prevent opportunism. He says that the longer you are working with a market, the better you get to know it; hence it is more difficult for the distributor to act only in its own interest. However, Hällgren also means that even though the sales figures are going great, it is not possible to know if the distributor still is doing the best he/she can. Once again, Hällgren emphasises that it is a matter of trust.

Andersson at SQS Security explains that since opportunism is not an issue for SQS, they do not have a strategy for avoiding opportunism. Lundkvist (Nordic Sport) explains that opportunism is difficult to avoid, but it is important to be clear from the beginning with the terms of selling their equipment, for example when it comes to favouring other products than Nordic Sport’s. This agrees to Cavusgil et al. (2004) which mentions that export manufacturers can protect themselves from foreign distributor opportunism through formal (contracts) among other measures. Lundkvist says that since the industry in track and field is so small, it is easy to discover if someone is trespassing the terms.

It is okay for Valutec if the distributor sells other products than theirs. Instead of seeing them as indirect competition, the other products can rather add value. Lindberg means that the only problem they have had with the agent’s portfolio was when the distributor was selling products that he was manufacturing himself. The result was that the agent
favoured his own products in boom years, and sold other products in the portfolio (including Valutec’s) during recession. For Valutec, that is not a sustainable solution. Lindberg believes that the only way to prevent opportunism is to build a good relationship with the agent and also to have a high level of communication.

“If you have a good relationship with the agent, you know when there is something wrong” – Jon Lindberg, Valutec.

Falkman (Martinsons) agrees to that the only way to avoid opportunism is to be very clear and ask questions. However, it is difficult to know whether they are telling the truth or not.

Magnusson at Alimak Hek explains that it is difficult to know when the distributor says that the final client cannot accept the price and that Alimak Hek has to grant a discount. Alimak Hek does not know then if the distributor just says so in order to pay Alimak Hek less. Magnusson mentioned that trust is very important in a situation like that.

“When you have worked together with a distributor for 30-40 years, it is nothing but reasonable to be able to trust him” – Klas Magnusson, Alimak Hek.

If this trust is broken there is not a future with the distributor. However, there is no logic in why they would want to cooperate with a competitor while they are doing business with Alimak Hek. Alimak Hek is a market leader in their industry and Magnusson believes that the distributors that are working for them are glad to do so.

5.7.1 Analysis of opportunism in the relationship
Communication, commitment and trust in the relationship are the factors that the companies believe are crucial when it comes to avoiding opportunism. The contract is a key part of communication that will be described in the next section. The companies’ theories are supported by Cavusgil et al. (2004, p. 10), which explains that export manufacturers can protect themselves from foreign distributor opportunism through formal (contracts) and informal (trust).

<table>
<thead>
<tr>
<th>Respondents:</th>
<th>Voxit</th>
<th>SQS</th>
<th>Nordic Sport</th>
<th>Alimak Hek</th>
<th>Martinsons</th>
<th>Valutec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunism</td>
<td>+</td>
<td>0</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>

Not all of the companies have a strategy for avoiding opportunism because they have never experienced it. All the companies mentioned that opportunism is rare, or at least something that they do not see that often. I believe it is still important for them to consider the possibility that they could be working with a distributor that may act opportunistic. I believe that some of the respondents started to consider this factor more because we discussed it during the interview. Manufacturers should consider it because of the negative effect opportunism has on the relationship with the distributor. The risk is that the companies never find out that they have been objects for opportunism. The concept of opportunism is a bit vague when it is described as when one party acts in own interest. Both companies are certainly interested in gaining a profit, but when is the
company acting only in its own interest? It must be a balance there so that both parties get the same advantages out of the cooperation.

5.8 Control mechanisms and the contract

Many of the companies said that in order to prevent opportunistism, which can affect the relationship in a negative way, it is important to be clear when writing the contract especially about what the distributor is allowed and not allowed to do. The contract that both parties sign contains the business agreement and should state what both parties expect from the other. The contract can be seen as a control mechanism for making business with a foreign distributor. Please note that not all companies brought up this topic. The following data and analysis are conducted from the interviewees’ interpretations of a spontaneous follow-up question to question 13.

Andersson (SQS) says that the most difficult thing about handling contracts and distributors in general is the price strategy. There are many aspects that need to be considered, both for making the cooperation profitable for all parts, but also to not offend the other party.

Lundkvist (Nordic Sport) says that it is not possible to entirely control the distributors. She says that they have both written contracts and verbal agreements that are pursued under the “gentlemen’s agreement”. If a distributor does break the contract in some way, Nordic Sport would not immediately press charges. She says it has all to do with how good the relationship is. If it is a good relationship, everything could be solved. Just as SQS, Nordic Sport also finds it difficult to set prices. If a conflict would arise, it could tear on the relationship.

Lindberg sees the contract as a way to present whom is doing what, and that when both parts sign the contract, it means that both parts are equally committed. He believes it is important to be extremely clear about who is responsible of what. However, he does not see the contract as a control mechanism.

“For me, the contract is not a control mechanism. Our control mechanism is the relationship itself” – Jon Lindberg, Valutec.

The relationship can be damaged if two distributors are aiming for the same customer. Then it is almost as if you are competing with yourself. Magnusson at Alimak Hek explains that they are solving this with the contract specifying that the distributor is only allowed to sell in its geographical area. That is the only way Alimak Hek can handle this problem, because the distributors are not given exclusivity.

5.8.1 Analysis of control mechanisms and the relationship

<table>
<thead>
<tr>
<th>Respondents:</th>
<th>Voxit</th>
<th>SQS</th>
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<th>Martinsons</th>
<th>Valutec</th>
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<tbody>
<tr>
<td>Control mechanism – the contract</td>
<td>++</td>
<td>++</td>
<td>++</td>
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Some of the companies mentioned that the contract could be seen as a control mechanism for making business with a foreign distributor. All companies did however experience that it is important to be very clear and specific in the contract about what both parts can expect from another. The consequences of not being clear can result in misunderstandings that would most likely affect the relationship in a negative way, hence it is important to consider this factor when a manufacturer is building a relationship with a foreign distributor. Lindberg (Valutec) disagrees with the other companies because he is the only respondent that is not using the contract as a control mechanism. It is an interesting thought that he sees the relationship itself as a control mechanism. This indicates a great belief in the power of the relationship towards the distributor or the agent. It also indicates that Lindberg believes in both parties feeling too emotionally related to the other for acting opportunistic.

5.9 Distributors’ point of view
Even though the manufacturers can list the factors for a successful and profitable relationship, it does not mean that the distributors have the same point of view. The manufactures where asked what they believed distributors find important for a good relationship with them. The following data was gathered from question 14.

Häggren at Voxit believes that the distributors are looking for a great product and continuity in their supplier. Häggren also means that there must be a margin good enough for them to also make a profit. Andersson at SQS explains that she believes that her distributors think it is important that SQS delivers on time, keeping high standards and that they have good technical support.

Lundkvist at Nordic Sport also believes that it is important to deliver on time, and to be able to give the right information. She continues that the distributor wants them to provide for education when new products or functions are leased, and also that Nordic Sport can give them the information and material they need in order to make a good sales job. She also pointed out that her own behaviour was a factor she thought the distributors would find important for a good relationship.

“It is better for the relationship to be just who you are, human, rather than being this super salesman that wants to sell at whatever price.” – Emma Lundkvist, Nordic Sport.

Lindberg (Valutec) believes it is important that the agents feel that they can trust Valutec. That Valutec can keep what they promise, and that the agent can guarantee that the customer will be pleased with a product from Valutec.

Magnusson (Alimak) believes that the distributors want a product that is easy to sell. He also explains that they are looking at the market shares, and if a company has great market share, it must also be a good supplier. Magnusson further believes that the distributors feel it is important that they have the support from Alimak Hek when it comes to support questions and other types of assistance.
5.9.1 Analysis of distributors’ point of view and the relationship

<table>
<thead>
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<th>Respondents:</th>
<th>Voxit</th>
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<th>Martinsons</th>
<th>Valutec</th>
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<tbody>
<tr>
<td>Distributors’ point of view</td>
<td>Technological and commercial competence</td>
<td>Technological and commercial competence</td>
<td>Technological and commercial competence</td>
<td>Technological and commercial competence</td>
<td>Technological and commercial competence</td>
<td>Technological and commercial competence</td>
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</table>

Nordic Sport is the only company that mentions a personal behaviour that the distributors might find important in the relationship. The other interviewees believe that their distributors find more practical factors important, such as a good product, on time deliveries and so on. The distributors’ expectations are to have their manufacturing partners to be technologically and commercially competent (Vázquez et al., 2005, p. 131). However, Skarmeas et al., (2007, p. 24) defines relationship quality as an importer's perception of higher levels of trust in, commitment to, and satisfaction with the exporter. That means that if a distributor finds more trust in a manufacturer due to that the personal behaviour is in a certain way (or is not in a certain way), the relationship has high quality. So, what distributors find important does not have to be only technologically and commercially competence. My interpretation of this is that personal behaviour such as being friendly, nice and interested in the other person, should not be forgotten even though it is not much theory about it. It is still an important factor that could very much affect the relationship in a positive way and should therefore be considered when building a relationship with a foreign distributor.

I believe the other companies have a point in that the commercial factors are important for the relationship between them too. If deliveries do not arrive in time and the distributors promise things to the customers that turns out to be false due to the manufacturers inconsistency, the distributor will not be pleased about it and it thus has a negative effect on the relationship.

5.10 Manufacturers’ current plan for developing and maintaining the relationship with the distributor

There is not much in literature about manufacturers’ plans of actions to take in order to keep a good relationship with the foreign distributor. However, the companies where asked if they had a current plan for maintaining good relationships with the distributors. The following data was gathered and analysed from questions 15 and 15a.

Andersson at SQS explains that they do not have a particular strategy for handling distributor relationships. They are trying to visit the distributors as often as they can, both at fairs and at their offices. All distributors have at some point visited the office and the fabric in Skellefteå. To bond further they have shown the distributors to tourist places such as Svansele Wilderness Area, or taking them to an ice hockey game since ice hockey is a big deal in Skellefteå. SQS is trying to make a point out of the fact that Skellefteå is located in the North of Sweden and takes the distributors to places that are “exotic” for them. However, one of the future plans for keeping high quality relationships is to have distributor days once a year at one of SQS’s offices. This will be
both relationship bonding and an opportunity to show them new products and give information. That will also be an opportunity for the distributors to express their thoughts which indicates communication that goes both ways.

Nordic Sport is trying to visit their distributors once a year depending on how far away they are located. They also have an annual meeting in Stockholm where they invite the distributors to stay a few days to view new products, visit sports arenas and have workshops. In order for Nordic Sport to keep a good relationship they also have a strategy to keep constant email contact. Other measures Lundkvist mentions for a successful relationship are to be decent, fair and play with open cards. Hållgren means that they have not been as active as preferred on this point. The distributors have been to the office in Skellefteå, and Voxit has visited the distributors, but they have not had a certain strategy for this.

Lindberg at Valutec explains that an example of a plan for maintaining the relationship is that he has weekly contact over the phone with the Norwegian agent. If it is not a business related call, it is just a friendly call to just check in on how the other is doing. They also keep regular meetings at each other’s offices in order to follow up the last period’s sales. When Valutec is meeting foreign customers the agent is also present which results in days of travelling and relationship bonding with the agent. Lindberg’s relationship with the Norwegian agent has developed over the years to a very close, personal relationship where they also spend time together on their spare time with their families. Lindberg explains that this is possible due to the fact that he does not have that many agents to keep contact with, so it is easier to keep a closer relationship with fewer agents.

Alimak Hek does not have a specific strategy for maintaining good relationships with their distributors. Occasionally they have a sales conference where they invite the distributors, and at a few fairs they have been inviting all the distributors for a meeting. However, there are no active campaigns from Alimak Hek’s part. Magnusson is not sure if it would be that beneficial. These kinds of activities are something Alimak Hek is doing towards the customer. Although, Magnusson also says that the more he goes out and visit the distributors and agents, the more active they get.

Falkman at Martinsons believes that meeting the distributors and agents regularly is important. The distributors and agents are visiting Martinsons with customers or are visiting alone. Martinsons are also visiting them. Falkman believes it is important to be clear about what support the distributors can expect from Martinsons and what Martinsons expects of them.

### 5.10.1 Analysis of manufacturers’ current plan and the relationship

<table>
<thead>
<tr>
<th>Respondents:</th>
<th>Voxit</th>
<th>SQS</th>
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<th>Alimak Hek</th>
<th>Martinsons</th>
<th>Valutec</th>
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</thead>
<tbody>
<tr>
<td>Manufacturers’ current plan</td>
<td>0</td>
<td>0</td>
<td>+</td>
<td>0</td>
<td>+</td>
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Magnusson at Alimak Hek was the only one that did not believe in a plan for maintaining the relationship with their distributors. Some of the companies did not have a plan for developing or maintaining the relationship with the foreign distributor. A
reason for this could be that most of the companies have not experienced opportunism and therefore have not had the experience of needing a strategy for preventing it. However, plans for improving the relationship will show the distributor that the manufacturer is committed and serious about their relationship, which agrees to Vázquez et al. (2005, p. 132) that states that both partners should demonstrate long-term vision and show themselves to be investing in the future in order to increase the level of trust. Even though not all respondents have an action plan of how to strengthen the relationships with their distributors, most companies agreed that it is important.

Nordic Sport and Valutec are the only companies that were saying they have a plan for maintaining and developing the relationships with their distributors. It seemed like generally this was not an obvious strategy for companies to have. I interpret the respondents’ answers as if most of them were handling the relationship with their distributors as they go, and not having a particular strategy for it. I believe that with a plan, it would be easier to plan and organise activities, but also measure the effect of the activities and the actual things the company does with the intention to benefit the relationship with the foreign distributor. Therefore I also believe that a plan for maintaining and developing the relationship with a company’s distributors is essential when building a relationship with them.

5.11 Changes in distributor strategy over time

Many of the companies that I interviewed have been active during a long time and should have a lot of experience when it comes to distributor strategies. I wanted to know what was difficult when they were smaller companies and if they did any mistakes when they started exporting. Since Voxit is a growing company but still small, this is a topic where Voxit can learn from others’ mistakes. The following data and analyse is gathered from question 16.

Hällgren at Voxit said that at the moment, they are exporting in a very small scale, hence he could not tell whether there is a difference in the way they been handling foreign distributors. Lundkvist at Nordic Sport believes that changes in distributor strategy depend on globalisation, that information, people and products now can be transported and travel much quicker and cheaper. Lundkvist recognises that since the world has become more global, the conditions for making business internationally have generally changed. For example, nowadays Nordic Sport cannot guarantee that a distributor will only sell to its geographical area. The distributor can today sell to whomever. Since the final customer can be private persons that can get shipping world-wide, the products can be bought from anywhere and shipped anywhere.

Initially, SQS Security wanted a subsidiary in every country because the security bags need service every other year. This is now reconsidered because of the high expenses of having own subsidiaries. Today, SQS is rather looking to find distributors that are competent to sell but also to accomplish the services of the bags. SQS has kept the same strategy since then. However, SQS can see that the system for their information portal towards the distributors is getting more and more important the more distributors they assign. It gets more important to be really clear and precise when it comes to information flow.
Valutec, just as SQS, used to have a strategy of being present in as many countries as possible, but has today changed strategy to a more selective approach. Lindberg (Valutec) explains that Valutec was already a quite large company when he started working for the company, but he could tell that the strategy from that time was a bit different from today. Back then, it was seen as beneficial if a company had a distributor or agent in every country. He explains that it was an attitude of “the more the merrier”. Lindberg explains that today they are much more selective in their choice of agent.

Martinsons, just as Nordic Sport, believes it depends on globalisation, that information, people and products now can be transported and travel much quicker and cheaper. Martinsons was early to develop a strategy to have an agent in each country they were making business in. The development has been that the connection with the final customer has grown closer and closer, where they are nowadays not using many middlemen. Today, Martinsons has a sales company that handles these things. The volumes are so large that it is good to have a company to negotiate about these kinds of things. The agents had a much more important role before, due to more expensive travelling costs. Falkman believes it may be due to globalisation, that Martinsons has become closer to the customer logistically.

Magnusson (Alimak Hek) cannot say exactly how the strategy for distributors and agents were when the company first started exporting. However, he believes that the strategy must be kind of the same since they have had the same distributors and agents for a very long time, some for 30-40 years.

### 5.12.1 Analysis of changes in distributor strategy over time

The conclusion of this section is that most companies seem to have seen a change in the way the company handles distributors and distributor relationships.

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<thead>
<tr>
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<th>Martinsons</th>
<th>Valutec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in distributor strategy over time</td>
<td>0</td>
<td>Gone from having the objective to have one dist. in each country to being more selective of choice of dist.</td>
<td>Cannot today give dist. exclusivity due to shipping world wide</td>
<td>Due to globalisation the customer has become closer logistically</td>
<td>0</td>
<td>Gone from having the objective to have one dist. in each country to being more selective of choice of dist.</td>
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The trend, which might occur due to globalisation, is that the companies are more selective of their choice of distributors now, compared to before. As the single distributor gets more important, the relationship also gets more important. These experiences are beneficial for Voxit to consider, and also confirms that investing in finding a foreign distributor and develop a good relationship is worth the effort.
5.13 Summary
To get a gathered overview of the themes and the respondents’ answers, please view the following table. The respondents answers are graded with from a scale of 0 to three plus, where 0 is equivalent to that the respondent does not have a say in the matter, and if the respondent answers three plus, ++++, the respondent finds the matter very important.

<table>
<thead>
<tr>
<th>Respondents:</th>
<th>Voxit</th>
<th>SQS</th>
<th>Nordic Sport</th>
<th>Almak Hek</th>
<th>Martinsons</th>
<th>Valutec</th>
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<tbody>
<tr>
<td>Trust</td>
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<tr>
<td>- Credibility</td>
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<td>- Benevolence</td>
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<td>++</td>
<td>+</td>
<td>++</td>
</tr>
<tr>
<td>- Plagiarism</td>
<td>+</td>
<td>+</td>
<td>+++</td>
<td>+</td>
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<tr>
<td>Cultural distance</td>
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<td>+++</td>
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<tr>
<td>Commitment</td>
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<td>++</td>
<td>+++</td>
<td>+++</td>
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<td>++</td>
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<tr>
<td>Opportunism</td>
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<td>0</td>
<td>+</td>
<td>+</td>
<td>+</td>
<td>+</td>
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<tr>
<td>Control mechanism – the contract</td>
<td>++</td>
<td>++</td>
<td>++</td>
<td>++</td>
<td>+</td>
<td>+</td>
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<tr>
<th>Distributors’ point of view</th>
<th>Technological and commercial competence</th>
<th>Technological and commercial competence + personal behaviour</th>
<th>Technological and commercial competence</th>
<th>Technological and commercial competence</th>
<th>Technological and commercial competence</th>
<th>Technological and commercial competence</th>
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<tbody>
<tr>
<td>Manufacturers’ current plan</td>
<td>0</td>
<td>0</td>
<td>+</td>
<td>0</td>
<td>+</td>
<td>++</td>
</tr>
<tr>
<td>Changes in distributor strategy over time</td>
<td>0</td>
<td>Gone from having the objective to have one dist. in each country to being more selective of choice of dist.</td>
<td>Cannot today give dist. exclusivity due to shipping world wide</td>
<td>Due to globalisation the customer has become closer logistically</td>
<td>0</td>
<td>Gone from having the objective to have one dist. in each country to being more selective of choice of dist.</td>
</tr>
</tbody>
</table>

Table 3. Summary of respondents’ answers.
6. CONCLUSION & RECOMMENDATIONS

This chapter begins with a conclusion in order to make it easier for the reader to make its own interpretation about the subject. Then recommendations to Voxit follow, which also give an answer to the research question according to the purpose.

With the background from the empirical data and the literature in this field of research, I will present my interpretation of how a manufacturer, such as Voxit, can build a successful relationship with a foreign distributor.

6.1 Conclusions

I have studied five factors that affect the manufacturer – foreign distributor relationship, which are gathered from the literature and theories about the subject. I have also studied three other themes that I believed were essential for answering the research question and for increasing the understanding about how a manufacturer like Voxit can build a relationship with a foreign distributor. This research shows that all of these factors are affecting almost all the six companies’ relationships with their distributors or agents. The themes will be presented in the same order as in chapter five, in order for the reader to follow the themes easier.

Trust is a factor that has huge influence on the relationship but also on the other factors affecting the relationship between a manufacturer and a foreign distributor. All respondents agree with the researchers that without trust, it would not be possible to have a relationship with the distributor at all, thus not make business. My interpretation of trust in this sense is that it is crucial that trust exists, thus it is the base for a successful relationship.

Information exchange is a factor that all respondents believe is important for their relationships with the distributor or agent. They agree with the authors on the subject on that information exchange contributes to find stronger trust in the relationship. However, all companies except Nordic Sport do not agree with the researchers that increased information exchange increases the possibility of plagiarism. Or, more correctly, companies except Nordic Sport find their products to be too complex to copy. Most companies experience that it is very important to be clear and specific in their communication. I believe that that is something the remaining companies could look into more in order to increase the level of information exchange, for example Voxit that finds the information from the distributor as very important should also look at how they are communicating towards the distributor.

Cultural distance appears when doing business with another culture. It does not have to be a particular big cultural distance for it to affect the relationship between a manufacturer and a distributor. All companies seem to have dealt with cultural distance issues, but for most companies this factor has never been the reason for misunderstandings. For the companies where misunderstandings have occurred, the relationship was not affected much negatively. However, I conclude that since cultural distance does separates people according to the literature, it is important to study the culture of the company that Voxit is doing business with even though it is with a distributor from a “close” country as Norway. So when exporting to Norway or anywhere else, an overview of Hofstede’s cultural dimensions is useful.
Commitment in a relationship is a way to communicate mutual goals and to minimize undesirable outcomes. Commitment is a factor that most companies thought they could develop further in their relationships. Commitment from the distributor is very important for Voxit, while some of the other companies believed their commitment towards the distributors were important. However, Hälgren also believed that it is beneficial if both parties are equally committed in order to generate more value for the relationship and maintaining a good relationship, which agrees with the authors on the subject. My interpretation is for Voxit to also focus on equal commitment that can be achieved through good communication.

Opportunism occurs when a company is seeking self-interest and does not make its intentions and objectives clear to its partner. This factor was not as common as I interpreted it to be from the literature. Maybe the reason for this is that the companies are not aware of when they are being subject for opportunism. So really, when companies say they have not experienced opportunism, it is difficult for them to know if it is the truth. Magnusson at Alimak Hek described that they where afraid of not knowing whether their agent told them to lower the price in order to take the difference in his own pocket. Only one of the companies believed that they have experienced opportunism. Around half of the companies had strategies for avoiding opportunism and they agreed with the researchers on the subject area that communication, commitment and trust in the relationship are the factors that are crucial when it comes to avoiding opportunism. My interpretation about opportunism is that it is something that manufacturers cannot be afraid of, and must start the cooperation with trusting the distributor. Then there are some measures to do in order to prevent opportunism, which some of the companies mentioned; through formal (contracts) and informal (trust). The contract got an own theme for this research.

When it comes to opportunism, the contract works as a sort of control mechanism. Many of the companies said that in order to prevent opportunism, which can affect the relationship in a negative way, it is important to be clear when writing the contract especially about what the distributor is allowed and not allowed to do. One company, Valutec, did however experience that they did not see the contract as a form of control mechanism. They see the relationship itself with the agent as a control mechanism. This is interesting because it indicates that trust may be even more important than I thought. However, I interpret from the literature and the respondents’ answers that a clear and specific contract is valuable because it decreases the risk of misunderstandings between different cultures, for example between Sweden and Norway.

The distributors’ point of view is an important factor because even though the manufacturers can list the factors for a successful and profitable relationship, it does not mean that the distributors have the same point of view. The manufactures where asked what they believed distributors find important for a good relationship with them. All companies listed practical measures such as the manufacturers having a good product and making on time deliveries. Nordic Sport is the only company that mentioned a personal behaviour that the distributors might find important in the relationship. There are authors on the subject that suggest both types of measures for a successful relationship. So, what distributors find important does not have to be only technological and commercial competence. My interpretation of this is that personal behaviour such as being friendly, nice and interested in the other person, should not be forgotten even
though it is not much theory about it. It is still an important factor that could very much affect the relationship in a positive way.

*Manufacturers’ current plan* for maintaining and developing the relationship were something not all of the companies had. A reason for this could be that none of the companies have experienced opportunism and therefore have not had the experience of needing a strategy for preventing it. My interpretation of plans for maintaining and developing the relationship is that companies can improve the relationship because it shows a sense of commitment, and planning activities for the future indicates a high level of trust. These activities will also show the distributor that the manufacturer is serious about their relationship.

Many of the companies that I interviewed have been active during a long time and maybe had made *changes in their distributor strategy over time*. Two of the companies used to have a strategy of being present in as many countries as possible, but has today changed strategy to a more selective approach. Back then, it was seen as beneficial if a company had a distributor or agent in every country, the thought was “the more the merrier”. The result was that the companies were not that thorough when choosing distributor, they just wanted one in each country. Nowadays, they are much more selective in their choice of distributor, which is something Voxit should think about when exporting in the future. Even though they start exporting to Norway, they might want to continue to further countries. In that case, it is not crucial to have a distributor in each country, but to be selective about distributor choice in order to achieve a good relationship, thus a better chance of successful market exploitation.

### 6.2 Recommendations

When summarizing the above conclusions, based on my interpretation of the empirical data and previous literature, the purpose of the research is fulfilled through my recommendations to Voxit.

Voxit should consider all the factors I have been study for this research since they all affect the relationship with a distributor in some way. Voxit should especially study the two factors trust and commitment that had most influence of the relationship between a manufacturer such as Voxit and a foreign distributor. I consider trust having a lot of influence due to this factor also affects the factors information exchange, cultural distance and commitment. The reason I consider commitment to be especially influential is due to consideration of Voxit’s complex product that highly requires a committed distributor. Because this study shows that all nine factors do affect the relationship between a manufacturer such as Voxit and a foreign distributor, I will present nine more specific recommendations from each factor;

- Build the level of *trust* through demonstrating long-term vision and commitment.
- Be clear and specific in the *information* you pass on, through an effective method. In order to receive information, keep a high level of giving information and show commitment.
- Study differences in *culture* specifically Norway’s culture and the cultures difference in the Hofstede’s dimensions Uncertainty Avoidance and Long Term Orientation.
- Strive for a high level of *commitment* from both parties in order to generate more value for the relationship and maintaining a good relationship.
- Prevent *opportunism* through clear and specific contracts and through trust.
- *The contract* should be clear and specific in order to work as a sort of *control mechanism*.
- Through the *distributors’ point of view* it is important to have a good product and deliver on time, but do not forget to be yourself and avoid “over the top seller” performance.
- Form plans for maintaining and developing the relationship, for example have meetings at least twice a year combined with “fun” and relational building activities.
- Choose selectively when it comes to new distributors, do not feel the need to have one distributor in every country.

Together, these recommendations present how Voxit can build a successful relationship with a foreign distributor, thus they are also contributing to enhancing Voxit’s competence to exploit a market opportunity.

### 6.3 Recommendations for further research

A recommendation for further research on relationships with foreign middlemen is to study the foreign agent and its relationship with a manufacturer because of its absence of existing theories. For this research I have assumed that the theories for manufacturers and distributors’ relationships are applicable to agents too, but it would be interesting and relevant for this research to view theories about agents too and see if they really are the same. Another recommendation for further research is to examine the distributors’ point of view of their relationship with the manufacturers. If the results between such a research and this research are differing, it is important for the other party to be aware of this instead of trying to handle the relationships with wrong resources.
7. TRUTH CRITERIA
This chapter gives the reader an understanding of the truth criteria of the research. It describes the credibility, transferability, confirmability and dependability of the research.

7.1 Criteria in business research
When evaluating the quality of a scientific research and methods used to arrive at conclusions about different phenomena from qualitative research, one can look at the trustworthiness and authenticity of the research (Bryman & Bell, 2011, p. 395). Trustworthiness can be further divided into four criteria; credibility, transferability, dependability and confirmability.

Credibility concerns how the author of a research presents that the information was collected through good practice and making sure that he/she has correctly understood the studied social world (Bryman & Bell, 2011, p. 396). In order for me to make sure that the research has a high level of credibility, I have recorded and transcribed all the interviews to make sure that I have not misunderstood the interviewees. Furthermore, I am aware of the risk that some fallout of the interviewees’ words may have occurred when translating the empirical data to English from Swedish.

Transferability refers to the degree to which the results of qualitative research can be transferred or generalized to other contexts or settings (Bryman & Bell, 2011, p. 398). This issue is often problematic for a qualitative study. Though, my purpose is not to generalize the findings from this research, but rather to increase my understanding of manufacturer – foreign distributor relationships.

Confirmability refers to confirm that the research has been conducted in good faith (Bryman & Bell, 2011, p. 398). Confirmability is, in other words, parallel with objectivity. I am not striving to be objective in this research, my view of reality is subjective. However, it is important not to let my own perception of the interviewee affect the way I interpret and analyse the answers. I have also made sure that the participants have understood the interview questions and felt secure enough to answer them. By having taken these measures, I believe that this research has a high level of confirmability.

According to Bryman and Bell (2011, p. 398), dependability concerns whether I would obtain the same results if I could observe the same thing twice. Since the people that were interviewed are in a constantly changing environment, they would probably not answer the same set of questions in the same way at another point in time. However, I have strived to provide a detailed description of the study in order for others to make interpretations about the dependability.

Authenticity refers to whether the study demonstrates different viewpoints from the members of the social world that I study (Bryman & Bell, 2011, p. 398). My sample includes individuals from different companies in different branches, and all viewpoints have been emphasized. I therefore believe that this criterion has been fulfilled.
REFERENCE LIST


**Interviews**


APPENDIX A - ABOUT VOXIT

Voxit Talteknologibolaget AB is a micro-enterprise located in Skellefteå, Sweden. The company develops applications for speech technology, specifically translation of digital text to speech and of speech to digital text. The company was formed 1997 and was at that time one of the pioneers of developing applications for speech technology. Today, Voxit develops products for immediate use by customers but also for integration with third part systems and for projects. Examples of products are programs with dictation functions, speech recognition and speech synthesis. Using speech recognition, the user can control, navigate and dictate text directly to record systems or other systems using only his or her voice. Customers within this area are Carestream, Opus Systemer, Almasoft, The General Dentistry and Swedish authorities such as the Police, the Tax Division and the Department of Immigration.

Voxit is currently in the planning phase for the internationalization process for one of its products within the area of speech recognition. Voxit is facing the decision of choosing a distributor and making a plan for building and keeping a quality relationship with this distributor.
APPENDIX B - INTERVIEW GUIDE

1. Please tell me a bit about yourself and about your role in the company.
2. When was the company founded and how many are employed?
3. What is your corporate vision?
4. Which countries do you sell to?
5. Do you have a distributor in every country?
6. Why do you not have your own sales subsidiary in those countries?
7. What has been your strategy?
8. Is the cooperation within physical distribution or marketing distribution?
9. How important is trust to your relationship with a distributor?
   a. Is it possible to cooperate without trust?
10. How important is information exchange to your relationship?
    a. How are you handling the issue of not sharing too much information? Competitiveness?
    b. Or that the distributor will not share enough? About customers for example?
11. How are cultural differences affecting your relationship with a distributor?
    a. Have you ever changed your behaviour in order to not step on the distributor’s toes?
12. How important is commitment for the relationship?
    a. Is it possible to cooperate without commitment?
13. Have you experienced opportunism in any of your foreign distributor relationships?
    a. How do you avoid opportunistic behaviour?
14. What do you think a distributor finds important in a relationship with a manufacturer such as yourself?
15. What current plans of activities do you do to keep a good relationship?
    a. What is your strategy for this?
16. Can you see a difference in how you have handled distributors if you compare with when the company was smaller?
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