Foreign market entry strategies

Evidence from a developed and an emerging market

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**Bakgrund**  
Globaliseringen och dess effekter har diskuterats flitigt under de senaste decennierna och en centralpunkt i debatten är att nationella gränser minskat i betydelse. Trots att många hävdar att vi rör oss mot en alltmer gränslös värld förbises institutionella skillnader som generer stora utmaningar.

**Syfte**  
Syftet med denna studie är att undersöka och jämföra tre svenska företags etableringsstrategier i både ett utvecklat och ett utvecklingsland med fokus på de olika institutionella förhållandena.

**Metod**  
Denna studie har använt sig av en kvalitativ metod med en abduktiv ansats och en instrumental case studiestrategi. Studien har använt sig av 3 semi-strukturerade intervjuer med 3 olika bolag, där bolagen haft erfarenhet av etablering i ett utvecklat och ett utvecklingsland.

**Slutsats**  
I ett utvecklat land där de institutionella skillnaderna är små, väljer bolagen att lägga ner mer resurser på sin etablering och känner ett mindre behov av att ha en lokal partner. I ett utvecklingsland med större institutionella skillnader väljer bolag en mindre resurskrävande och mer kostnadseffektiv etablering, där behovet av att ha en lokal partner med lokal känndom är stort.

**Nyckelord**  
Internationalisering, internationaliseringsstrategier, etablering, etableringsstrategier, institutioner, formella institutioner, informella institutioner, nätverk, tillit, förtroende.
Abstract

Title                      Foreign market entry strategies  
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Background                The positive impacts of globalization have been widely discussed, whereas many researchers argue that national borders are of less importance. However, as national borders are argued to be of less importance, some researchers miss to point out that the institutional differences remain and they are challenging to change.

Purpose                   The purpose of this study is to examine and compare the entry strategies of three Swedish firms entering both a developed and an emerging market with a focus on the different institutional contexts.

Method                    This study has applied a qualitative method with an abductive approach and an instrumental case study strategy, whereas 3 semi-structured interviews with 3 different firms having experience from both a developed and an emerging country were conducted.

Conclusion                When firms enter a developed country with few institutional differences, they commit more resources and do not feel the urge to use a local partner. Entering an emerging country, the firms choose a more cost-efficient entry with less resource commitment and prefer to use a local partner with local knowledge.

Keywords                  Internationalization, internationalization strategies, entry strategies, institutions, formal institutions, informal institutions, network, trust.
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1. Introduction

The following chapter presents a short background and a problem discussion about the studied subject. This then, leads to the study’s purpose, research questions, and limitations. Finally, the chapter ends with a disposition presentation of the thesis.

1.1. Background

“In Globalization 1.0, which began around 1492, the world went from size large to size medium. In Globalization 2.0, the era that introduced us to multinational companies, it went from size medium to size small. And then around 2000 came Globalization 3.0, in which the world went from being small to tiny”

- Thomas Friedman, Journalist & Author

In the past two decades, the world has gone through radical changes which have formed a more interlaced and integrated world economy. World trade, and especially trade in-between different countries has increased dramatically – with new technology, information sharing tools, capital flows, traveling and migration as fundamental causes (Eklund, 2014). Globalization is a concept explaining the trends in the development that we encounter today. Its affection is spread to all continents and its rapid increase is argued to results in less importance of national and traditional borders between countries and markets (Johanson et al., 2007). The revolution in the information technology sector after the dot-com bubble has played a big role in the development of globalization. Innovations such as mobile phones, internet, and televisions in the late 90s fueled the growth of globalization (Carpenter, 2013). Furthermore, Feenstra and Taylor (2013) mentioned diminishing costs of transport and communication, liberalization, and deregulation of planned economies and investments - as important causes that made it possible to access almost an unlimited load of information.

Companies have been acting across national borders for over hundreds of years, but globalization has enabled more companies to engage in cross-border trade and business (Lazarus, 2001). Statistics show that a total of 7 276 companies could be classified as a multinational corporation (MNC) in 1970 (Grazia letto-Gillies, 2013). Today, the same number lands on 60 000 parent companies with more than 500 000 branches around the world (Kordos & Vojtovic, 2016). However, recent events with migration problems, Brexit in the UK and the election of Donald Trump as US president - demonstrates new challenges for globalization and the MNCs. Donald Trump has, for instance, acknowledged criticism towards American companies on twitter for production outside of the domestic area “Our country is stagnant. We’ve lost jobs and business. We do not make things anymore”.

Furthermore, some globalization critics have recognized and endorsed more protectionist forms to reduce the MNCs’ power and profit-seeking hunger in foreign markets (America Vera-Zavala, 2003; Baines & Fill, 2014).

Nonetheless, with some of the critics mentioned - the MNCs still accounts for two-thirds of the total world trade and the MNCs are often not only more productive and pays higher wages but also has a wider access to technology and marketing in comparison to companies who do not engage in business outside domestic borders (Kommers, 2017). Above all, Czinkota and Ronkainen (2013) point out that very few firms will manage to survive in the long run with only sales in the domestic market. These arguments demonstrates the big impact globalization has on the conditions to stay competitive.
The impacts of globalization have resulted in a debate in the international business research where it is argued that globalization eradicates national borders (Johanson et al., 2007). Many studies claim that national borders are of less importance with a more integrated world, where information and technology sharing is increasing. Yet, some researchers miss to point out that even if national borders are of less importance - the different countries’ institutional characteristics remain and are challenging to alter (Koff, 2017).

1.2. Problem discussion
According to North (1990) institutions are defined as “the rules of the game in a society” and Scott (1985), the sociologist defines institutions as “regulative, normative, and cognitive structures and activities that provide stability and meaning to social behavior.” To reduce transaction costs, the institutional structures are determined by a construction of restrictions to control the interactions between organizations (Acemogulu et al., 2005).

Suchman (1995) points out the importance of organizations to follow the “rules of the game” to gain legitimacy, which is critical to survive and achieve successful businesses. The business environment is therefore crucially reliant and affected by the institutional context (Baumol, 1990; Henrekson, 2007). However, if the institution is as such that it is more advantageously with the help of entrepreneurial operations to bypass the rules, the individual will opt out the institutions. This opens for economic crime such as bribes and corruption (Baumol, 1990). Baumol (1990) therefore highlights the importance of the institutional structure to create incitements to control the interactions in the right direction.

It is widely argued in the institutional research area that the institutional context in emerging markets differs from developed economies. As a result, institutions have received increased interest in the international business studies (Holtbrügge & Baron, 2013; Hoskisson et al., 2000; Wright et al., 2005). According to Meyer (2001), the process of change to more market-friendly business environments as many emerging countries have experienced, generated institutional frameworks that are only moderately formed and therefore inconsistent, unstable and leads to higher transaction costs when doing business. Beyer and Fening (2012) state that institutional constraints between countries can either be weak or strong. According to Meyer et al. (2009), a country has strong institutions if the rules of the game “supports the voluntary exchange underpinning an effective market mechanism. Conversely, ‘weak’ if they fail to ensure effective markets or even undermine markets (as in the case of corrupt business practices)”. Emerging economies are mostly considered to have weak institutions in contrast to developed economies with strong institutional structures (Beyer & Fening, 2012). Despite the mentioned conditions, many firms from developed economies tend to enter markets in emerging markets. An adapting global entry strategy could, therefore, be necessary to succeed once entering countries with weak or strong institutional structures.

The institutional contexts in a country create investment incentives that will attract foreign firms by having strong institutions which promote foreign engagement in the country (North, 1990). It is therefore important for the political regimes in the host country to understand the institutional role of internationalization to create incitement that makes the entrance of foreign firms more efficient (Salimath & Cullen, 2010). Institutions also contribute to the elimination of uncertainties that reduces transaction costs together with production costs and acts as a guideline for organizational interactions both within and outside the firm. This, in turn, helps the organization to grow their profitability and promotes economic growth (North, 1990).
The importance of understanding an institutional role applies to MNCs as well. The difference in cultures and norms between the home country and the foreign country is of importance. By not having enough information about the countries institutional context, the outcome of the chosen entry strategy can be affected negatively (Morschett et al., 2010; Tihanyi et al., 2005; Zhao et al., 2004). Cultures and norms acting as informal institutions in a home country affects and shapes the firm and its interactions, which creates challenges once the firms internationalize. As the company’s culture reflects the culture of the home country, the company can find it challenging to adapt to the foreign country in which they intend to operate in (Salimath & Cullen, 2010). With the discussion above in mind, this study opts to examine how the institutional context in different countries affects the decision-making of entrant firms.

The question concerning what determines foreign market entry strategies is and has been a well-debated topic in the international business research in the last 40 years (Meyer et al., 2009; Oguji & Owusu, 2016). Most encountered research within the field has focused on Barney’s (1990) resource and capabilities characteristics of the entrant firm. Moreover, a lot of attention has been on transaction cost explanations (Buckley & Casson, 1976; Cleeve, 1997; Makino & Neupert, 2000). As the transaction cost researchers’ state, market uncertainty increases foreign entrant’s challenges in searching, negotiating and monitoring their businesses abroad. Increased ownership control of the foreign firm will, therefore, improve governance and enhance efficiency (Yang, 2015; Liou et. al, 2016). Peng (2001) states that resource and capabilities characteristics are in fact very important once entering a foreign market. Yet, Liou et. al, (2016) declares that even if transaction cost characteristics are widely used – it is not fully approved due to differences perceived in national differences and high level of environmental uncertainty. Conditions that opts for lower participation to diversify the investment risk in foreign unfamiliar markets. With this in mind, to develop the international business research further – recent studies have been focusing on the characteristics of the institutional environment in which firms intends to operate in (Brouthers, 2013, Martin, 2014; Meyer et al., 2009; Meyer & Peng, 2005).

Research focusing on how the institutional contexts affect foreign firms market entry strategies has received more attention lately - but is still rather scanty. The interest in the institutional context in the international business research has developed as increased interest in emerging market has erupted (Wright et al., 2005). Holtbrügge & Baron (2013) addressed how and when to enter BRIC countries and furthermore the relationship between chosen entry strategy, institutional similarities and differences, and success. The authors’ main findings were that entry strategies in countries with different institutional contexts have a significant effect on market success. Greatest market success was found in India and the lowest in China due to consequent regulation changes that increased market uncertainty. Brouthers (2013) investigated foreign market entry mode choice and firm performance. The research’s main finding was that firms choose wholly-owned subsidiaries when the transaction cost is high and joint-ventures once the legal barriers are high. Meyer (2001) investigated how institutions in transition economies in eastern Europe affects entry strategies by British and German firms. The main findings were in line with Brouthers (2013), that weak institutional structure increases the risk and the price of using wholly-owned subsidiaries. Dikova and Witteloostuin (2007) addressed a similar research as Meyer (2001). The difference is that the researcher, in addition, had a focus on the governance of the entrant firm in the foreign market and furthermore, a central point on the formal institutions in central and eastern Europe. The main finding was that European firms rather prefer acquisitions in countries with strong institutional structures and wholly-owned subsidiaries and joint-ventures in countries with
weak institutional structures.

With the mentioned research articles’ findings in mind, it is acknowledged that institutional contexts have an influence on foreign firms’ entry strategy. Yet, earlier studies of institutional contexts influence on entry strategies have in general concentrated on central and eastern Europe countries, as increased interest towards the region has emerged after the transition and the fall of the Berlin Wall - together with deregulations in China, India and the Asia tiger economies (Meyer, 2001; Dikova & Witteloostujin, 2007; Brouthers, 2013; Quer et al., 2007). Despite the increased interest in investments on the African continent, very little attention in the international business research that we have encountered has focused on Africa. The underrepresentation of Africa in the international business research and a growing interest in business on the continent opens for timeless of research (Babarinde, 2009), that we intend to investigate further.

Most research articles that have addressed institutional effects on entry strategies have utilized a quantitative research method (Holtbrügge & Baron, 2013; Brouthers, 2013; Meyer, 2001; Dikova & Witteloostujin, 2007; Quer et al., 2007). According to Brouthers (2013) and Dikova & Witteloostujin, (2007) more qualitative research is recommended to facilitate deeper awareness concerning the experiences in entering foreign markets. With that in mind, we will utilize a qualitative research method to explore more specifically how the firm's decision process looks like once entering foreign markets with different institutional characteristics.

1.3. Purpose
The purpose of this study is to examine and compare the entry strategies of three Swedish firms that have entered both a developed and an emerging market with a focus on different institutional contexts.

1.4. Research Questions
- How fundamental are the institutional differences in the market evaluation process?
- Which entry strategy is used to address the differences in formal institutions between a developed and emerging market and why?
- Which entry strategy is used to address the differences in informal institutions between a developed and emerging market and why?

1.5. Delimitations
To limit the scope of the study, we opt to only focus on firms that originate and has its headquarter in Sweden. With the study’s attention on how the institutional context affects the Swedish firm’s entry strategies into one developed and one emerging country – the study is furthermore limited to formal institutions consisting of Business Regulations, Property Rights, and Trade Barriers together with informal institutions consisting of Power Distance, Uncertainty Avoidance measures, and Trust.
1.6. Disposition

Introduction

• The first chapter presents the subject and discusses the study's problem. This is followed by the thesis' purpose, research questions and limitations.

Theories and models

• The theory chapter presents the applied theories and models in the study. Moreover, previous studies within the subject are addressed and summarized.

Method

• In the method chapter, the study's chosen methods are presented together with a brief explanation of the procedures, the chosen research strategy and a discussion of the research's credibility.

Results

• In the the study's result section the collected data is presented and categorized into four subjects constituting four sub-headings.

Analysis

• In the penultimate section, an analysis is conducted including the study's results compared with the selected theories and presented models. The study's presented research questions are used as sub-headings to structure the analysis.

Concluding discussion

• In the last section, the study's conclusions is presented together with a discussion about the study's process, limitations and suggestions for future research.
2. Theories and models

The following chapter includes a sub-section that present the study’s chosen theories and models, together with a theoretical framework combining the two main theories of the study. Finally, a presentation is conducted consisting of the previous studies within the subject.

2.1. Institutional Scholars and Definitions

As proclaimed in the previous chapter, the interest in the institutional environment in the international business area has increased as a result of increased interest in emerging markets (Wright et al. 2005). Yet, Hotho and Pedersen (2012) state that the definition of institutions and how they impact the behavior of international firms is still rather unclear. According to the authors, the use, and variety of different definitions in the international business area such as "institutions", "institutional distance", "institutional theory" together with the various institutional disciplines, makes a well-encountered term rather vague and important to define.

In line with the institutional interdisciplinary nature, the international business research is based on institutional approaches from different disciplines, such as economics, sociology, and political economy, together with a broad distinction between the old and the new school (Abrytun & Turner, 2011; Selznick, 1996; Williamson, 2000; Wright et al., 2005).

To give an illustration, the old school institutional scholar has an overall general focus on the organization. The sociologist Philip Selznick article entitled "Foundations of the Theory of Organization" (1948) is said to be one of the most influential papers in the organizational and institutional literature (Abrytun & Turner 2011). Selznick (1948) focus was on organization control and how the interaction between its formal structures represents rationally ordered instruments to achieve stated goals, and the "whole" that consists of individuals with own personalities based on established habits or commitments to groups outside of the organization. The formal structures and the "whole" are closely linked and therefore important to control for the good of the organization. The fundamental shift in the analysis of institutional theory came in the 1970s when the environment of the organization was critically viewed as insufficient to understand organizational dynamics (Abrytun & Turner, 2011). The criticism of the old scholarly resulted in the emergence of the new institutional theory that treats institutions as the environment or the playfield of organizations (Di Maggio & Powell, 1983; Meyer & Rawon, 1977; North, 1990; Oliver, 1991; Williamson, 2000).

When it comes to institutional theory, Hotho and Pedersen (2012) highlight a lack of awareness when it comes to the variation in the different approaches in the institutional definitions, conceptualization and the levels of analysis. With this in mind, it is important to have a clear approach as the different institutional approaches could end up in different results – even if they are complementary, as they address different aspects of social life.

Hotho and Pedersen (2012) have identified three dominant institutional approaches used in the international business research:

- New Institutional Economics
- New Organizational Institutionalism
- Comparative Institutionalism

Likewise, Aoki (2001:10) argues, "which definition of an institution to adopt is not an issue of right and wrong, it depends on the purpose of the analysis". With Hotho and Pedersen (2012) identified dominant institutional approaches in mind, together with the discussion above and the purpose of the study considered - we opt to use the New Institutional Economics
definition in this thesis. The definition is most frequently used in international business due to its consideration of the quality, development, and effectiveness of institutions (Hocho & Pedersen, 2012). The approach is furthermore closely related to transaction cost theory (North, 1990). Transaction cost theory has been frequently used in the international business research (Brouthers & Hennart, 2007), and therefore strengthens the rationale for the chosen approach. The other two approaches are however not entirely excluded. As stated before, the different approaches are complementary and research from other scholars could, therefore, be necessary to use to answer the thesis research questions.

2.2. New Institutional Economics

The new institutional economics approach defines institutions as "The rules of the game of a society, or more formally the humanly devised constraints that structure political, economic and social interactions" (North, 1990, 1991). The "rules of the game” consist of restrictions that are constructed to determine the structure of organizational cooperation (Acemoglu et al. 2005). The structure of organizational interaction reduces uncertainty, transaction cost and maintains stability. According to North (1991), uncertainty and high transactions costs is a direct result of incomplete information in the organizational interactions. The institution's role is, therefore, to constraint the options of choice with regulations and procedures.

North (1991) states that institutions provide incentive structures of an economy and as the structures evolve - it furthermore shapes the direction of the economy towards growth, stagnation or decline. Acemoglu et al. (2005) declare that institutions shape key incentives for economic activities like foreign investments, and therefore play a key role in the economic growth and prosperity in countries. As stated earlier, institutional contexts differ between developed and emerging countries, whereas developed countries tend to have strong institutions with lower transaction costs compared with emerging countries with weak institutions and higher transaction costs (Peng, 2009).

According to North (1990) institutions consists of both formal and informal constraints:

![Figure 1: The institutional structure](image-url)

2.3. Formal institutions

According to North (1990), the formal institutions consist of laws and regulations as constitutions, property rights, and contracts. The formal institutions dictate for instance the
rules regarding the use of properties and earned income from the trade with assets. Beyer and Fening (2012), broke up the formal institutional constraints in three commonly used themes once entering a foreign market: Business regulations, Property rights, and Trade Barriers.

All companies entering foreign markets are subjects to the **business regulations** in the country of entry and can, therefore, be considered a new venture. As the institutional contexts are different across different countries - so does also the treatment of newly established foreign ventures. Notably, between emerging and developed countries. Each country has its own rules and laws on how the entry of new businesses are regulated. The establishment of new companies requires time, money and start-up procedures (Beyer & Fening, 2012). According to De Soto (2000), the time differs extensively between countries, especially between developed and emerging markets due to institutional differences. The start-up procedures usually include obtaining permits, licenses, verifications, and notifications to start an operation (Beyer & Fening, 2012). Beyer and Fening (2012) state that developed economies usually have a stronger institutional environment and therefore a lower cost of establishing a new business. Despite the positive development in many emerging countries with the enforcement of business friendlier regulations (Holtbrügge & Baron 2013), emerging markets tend to discriminate foreign firms as they prefer to support large domestic firms and occasionally large multinationals (Yamakawa et al., 2008). These conditions indicate that there are severe challenges for smaller foreign firms entering emerging markets.

Roland (2004) points out the protection of **property rights** as a fundamental key factor to secure investments and to reduce uncertainty and risks in a country. Acemoglu et al. (2005) state that the structure of property rights is of importance for the economic outcome in a society, as they provide incentives to invest in physical and human capital, together with incentives to adopt more efficient technologies. Property rights include enforcement of contracts, ownership, and intellectual property. The protection of the later one is of profound importance and includes intangible creations as copyrights, patents, trademarks, designs, trade secrets and publicity rights (Beyer & Fening, 2012; WTO, 2018). The protection of intangible creations is important as they provide incentives for innovation (Boudreuex, 2016). The level of property rights enforcement has a vast difference between countries. Some countries only have limited property rights, as others merely lack enforcement of existing rights (Beyer & Fening, 2012). Holtbrügge and Baron (2013) argue that countries with strong institutions have strongly protected property rights. While, countries with weak institutions in contrast, most often have a low level of protected property rights. Lack of property right protection does not only increase the likelihood of corruption and exploration but also the perceived risk of losing ownership rights and returns on investments (Korutaro & Biekpe, 2013)

In developed economies with strong formal institutions, the government firstly guarantees strict enforcement of the laws and regulations. Secondly, enforcing contracts and licensing rules, and thirdly, the punishment of unlawful doings by an efficient court system. These are conditions that limit corruption, bribery, and exploration (Beyer & Fening, 2012). Emerging economies, on the other hand, tend to have the opposite conditions. The weak institutional structures in emerging markets make the enforcement of property less efficient (Diktova & Witteloostuijn 2007). The court system is often influenced by direct or indirect participants and the enforcement of licensing and contracts require several procedures. Conditions that increase the likelihood of corruption, bribery, expropriation and reduces the incentives of knowledge transfer by the entrant firm (Beyer & Fening, 2012; Diktova & Witteloostuijn, 2007). Korutaro and Biekpe (2013) argue that long duration of procedures and difficulty of securing licenses affect the investment activity as it increases the transaction costs.
Trade barriers are defined by Feenstra & Taylor (2012) as "factors that influence the number of goods and services shipped across borders" and they are imposed by the government to protect domestic companies from foreign competition and to collect revenue. Trade barriers increase the transaction cost of doing business internationally (Feenstra & Taylor, 2012). How free a country is from barriers can be measured by the "trade freedom" index. According to the index, developed economies are less restrained by barriers compared with emerging markets. Despite the significant changes with reductions of trade barriers in many emerging countries (Heritagefoundation 2018). Developed economies tend to have a stronger institutional framework - whereas tariffs and other trade barriers are well managed and enforced by authorities and hence reduces transaction costs in contrast to emerging countries. Even if developed economies still have trade barriers, the cost is considered low due to lower risks (Beyer & Fening, 2012).

Beyer and Fening (2012) mention two trade barriers that have a large impact on trade. The barriers include; tariffs and local content requirements:

**Tariffs** are used and defined by WTO (2018) as: “Customs duties on merchandise imports”. Tariffs give a price advantage to locally-produced goods over similar goods which are imported. Tariffs restrict imports by increasing the price of goods and services purchased from overseas. As a result, foreign goods become less attractive to domestic consumers. Even if it is argued that tariffs protect domestic jobs - it is also well debated that tariffs could result in less efficient domestic industries as a result of reduced competition (Feenstra & Taylor, 2012). According to the Beyer and Fening (2012), "Emerging economies, in general, have higher trade barriers, especially tariffs, compared to developed economies". The reason behind the argument is that emerging markets tend to be more reliant on trade taxes for revenue.

**Local content requirements** are policies imposed that require foreign firms to use domestic manufactured goods or domestically supplied services, to operate in the country. It is widely argued that local content requirements limit export and import together with increasing domestic production costs and undermines domestic diversification (OECD, 2016). Yet, both developed and emerging countries have strengthened the role of local content policies to stimulate job creation (UNCTAD, 2013).
2.4. Informal institutions

According to North (1990), the informal institutions consist of codes of behavior, conventions, sanctions, taboos, traditions, and attitudes towards what is considered right and wrong. North (1991) argues that the formal institutions are established and invented by humans at a certain time and therefore easier to change. Informal institutions, on the other hand, are more complex and parts of cultures and norms that have been transferred through generations, which makes them costly to change. According to Williamson (2000), it takes between 100 and 1000 years for the informal institutions to change, as they permeate societies and everyone has the interest to follow them. Beyer and Fening (2012) argue that informal institutions play a greater role in countries where the formal institutions are inefficient.

In the international business research, the existence of both formal and informal institutions is acknowledged. Yet, most articles mainly focus on the formal rules and regulations (Beyer & Fening, 2012; Brouthers, 2013; Dikova & Witteloostuijn, 2007; Meyer, 2001). According to Hotho and Pedersen (2012), the motive for the lack of attention of informal institutions in the international business research has to do with that norms and customs are treated as given and as cultures and norms are considered problematic to quantify. Yet, Beyer and Fening (2012) argue that the informal institutions require more attention as evidence shows how they play a larger role in countries with weak formal institutions and how they impact companies’ entry strategies.

There are different ways and approaches used by different authors to measure cultural and normative traits (Eramilli, 1996; Garrido et al., 2013; Makino & Neupert, 2000; Park, 2012; Tabellini, 2010). In this thesis, we rely on Hofstede’s cultural dimensions as used by Eramilli (1996), Makino & Neupert (2000) and Garrido et al. (2013) to characterize the informal institutions. Hofstede’s cultural dimensions are of interest as it has been widely used in the international business research. Significantly in the area of entry mode choices. Hofstede’s research clearly identifies cultural differences between different countries that have to be considered in the internationalization context (Garrido et al. 2013).
2.4.1. Hofstede's cultural dimensions

Geert Hofstede studied in his seminal book "Culture's Consequences: International Differences in Work-Related Values" (1980) cross-national cultural differences by collecting data from 116,000 questionnaire surveys with participants from the multinational firm IBM between 1967 and 1973. The study was at the beginning conducted in 40 countries but was extended in 2010 to 93 countries. The initial four dimensions were extended to five in 1991 and in 2010 to six by Michel Bond and Michel Minkov. For every dimension, there is an index and a score for each country. The dimensions consist of the following elements:

- Power Distance
- Uncertainty Avoidance
- Individualism vs Collectivism
- Life Quantity vs Life Quality (Masculinity vs Femininity)
- Long-Term Orientation vs. Short-Term Orientation
- Indulgence vs Restraint

(Hofstede et al., 2012)

Eramilli (1996) argues that entry mode choices are closely related to the level of desired control by a firm. With this study’s purpose in mind, we opt to focus on dimensions that address traits that are theoretically relevant to explain differences in ownership preferences. Likewise, Makino and Neupert (2000) and Eramili (1996), we will therefore only focus on Hofstede’s Power distance and Uncertainty avoidance dimensions. The authors argue that Power distance and Uncertainty avoidance traits appear to most clearly represent the level of control that a firm might consider once entering a foreign market. With the exclusion of four dimensions from Hofstede’s, we opt to add the cultural “trust” dimension used by Williamson and Kerekes (2008) into our informal institutional framework. Trust is argued to reduce transaction costs and considered as an important aspect once entering foreign markets.

**Power distance** measures to what extent, the norms of a society accept an unequal distribution of power. The inequality is formalized in a hierarchical boss-subordinate relationship. The power distance index does not illustrate differences in the distribution of power per se, but rather how individuals attitude towards differences in power are perceived (Hofstede 1980). Cultures with high power distance are characterized by attitudes were inequality relationships are accepted and power is controlled by a hierarchical, monitoring and centralized structure. Cultures that are structured hierarchically tend to rely on people in high positions. In hierarchical societies, good and honest behavior are often confined to related people e.g. family members and close friends. Outside of the related network, a highly selfish behavior is regarded as natural and morally acceptable. Countries with low power distance are characterized by consultative, inclusive, decentralized and democratic power relationships that are considered important to take care of (Hofstede et al. 2012).

The second dimension of the national culture is **Uncertainty Avoidance**. Uncertainty avoidance describes how individuals react to situations that deviate from the norms that they are used to (Hofstede, 1980). Cultures with high uncertainty avoidance are acknowledged as being a part of a structured and organized social systems where a high level of uncertainty arise once rules and regulations are unclear. Cultures with high levels of uncertainty avoidance are identified as conflict avert where laws or norms are important to follow, even if they are inefficient. Cultures with low levels of uncertainty avoidance perceive uncertainty as interesting. They perceive laws and regulations as necessary to limited levels. Cultures with low levels of uncertainty are characterized by rules of good conduct in many social situations.
and they are considered to trust people outside of their closest environment (Hofstede et al., 2012).

Trust is about risk and uncertainty and Williamson and Kerekes (2012) argue that trust reduces transaction costs, together with enforcing efficient outcomes to further market exchange. Trust is said to be highly related to institutions (Park, 2012) and the institutional and cultural framework that foster trust is considered to be different in different countries (Sobel, 2002). The importance of trust has been evaluated in many studies. It has been argued that interactions between trusting individuals are more likely to result in an outcome of efficiency. On the other hand, low levels of trust are associated with suspicion and fear of fraud, which increases the cost of transactions and reduces the benefits of trade and investments. Countries with weak institutions and high levels of corruption are associated with negative cultural traits such as low trust towards unfamiliar people (Tabellini, 2010). Furthermore, Park (2012) states that institutional differences can result in mistrust when it comes to the fulfillment of contracts in the presence of longer procedures. Conditions that increase the likelihood of corruption, bribery, and expropriation in countries characterized by weak institutions (Beyer & Fening, 2012; Diktova & Witteloostuijn, 2007).

Figure 3: The informal institutional structure

2.5. Criticism towards New Institutional Economics and Hofstede’s Cultural Dimensions

According to Hotho and Pedersen (2012) the New Institutional Economics arguments, is the most dominant applied in the international business research. However, the approach has its strengths, but also its weaknesses that need to be considered. According to Menard (2001), the development of transactions is concluded as a key factor that prompts the search for new resources and techniques to increase efficiency. However, the first weakness in the new institutional economics approach concerns the lack of analysis regarding what specific kind of organizing transactions that are most favorable in the institutional environment - to develop capabilities that prompt the search of new resources and techniques. Another concern highlights the relationship between the institutional environment and governance structures. North (1990) mentions property rights and contracts enforcements as fundamental to reduce transaction costs. However, Menard (2001) argues that we know little about the mechanisms
and how the rules implemented by these institutions diffuse to governance structures and furthermore contribute to the construction of how transactions are organized. Conditions that result in little knowledge about the cost of running different judicial systems by implementing contract laws for society. The study’s purpose is not to address which certain activities that affect the transaction costs in a country, but rather how the institutional differences affect the entry strategy of firms. With that in mind, the limitations are opted out.

Even if Hofstede's work is widely used in the international business research - it has also been criticized. Hofstede argues that national cultures are sticky and tends to change slowly (Hofstede et al., 2012). Sjögren and Janson (1994) criticized that argument due to lack of empirical evidence supporting that argument. The authors state that Hofstede's research is executed during two periods, without comparing the results between the two to identify if his arguments are reliable. The questionnaires used to collect data in the research were answered by individuals, which in turn gave answers and data based on individuals’ perception of the cultural dimensions. Hofstede's cultural dimensions are furthermore based on data from managers of the same firm (IBM). Empirical material with a low level of diversification that questions whether if it is the national culture that has been researched or the IBM organizational culture (Garrido et al., 2012). The time of data collection and the actuality of Hofstede's research has also been criticized. Hofstede started his research at the beginning of the 1970s and even if as argued that cultures are sticky, there has certainly been cultural changes in nations’ values, with countries industrialization and transitions towards more market-friendly environments. With Hofstede’s limitations in mind, we opt to only use the dimensions in comparison with the selected case-firms experiences from the different markets. With that concluded, the case-firms perspective on Power Distance and Uncertainty Avoidance will guide our analysis and be compared with Hofstede’s scores.

### 2.6. Dunning’s eclectic paradigm

The OLI concept was first presented by John H. Dunning to the Nobel Symposium in Stockholm 1976, in his work “The International Allocation of Economic Activity” (Dunning, 1988). He stated that the goal of the Dunning’s eclectic paradigm (or the OLI theory) was to offer an integrated framework for distinguishing influencing factors on the pattern of foreign direct investments (Dunning, 1988). Dunning chose the name eclectic to highlight the importance of understanding that the paradigm cannot describe transnational activities by itself, a combination with other economic theories are needed (Dunning, 1988). The name also highlights that Foreign Direct Investment (FDI) is not the only international economic involvement, whereof every type of international economic involvement is affected by several different factors (Dunning, 1988).

The paradigm is based on three interdependent variables explaining different types of advantages which companies can utilize to engage in cross-border investments. The variables are ownership advantages, locational advantages and internalization advantages (Dunning, 2000). Dunning and Lundan (2008) state that all three components must be present at the same time for the company to engage in FDI.

#### 2.6.1. Ownership advantages

Ownership advantages, firm-specific advantages also known as competitive or monopolistic advantages (Dunning, 1988), enables the firm to either produce at a lower cost or charge higher prices than its competitors (Dunning & Lundan, 2008). By having advantages related to intangible assets or technologies enabling the company to produce at a lower cost than other firms, the company will have comparative advantages triggering positive profits.
These specific assets distinguish the company from other firms in the host country, which enable the company to engage in FDI and still generate positive profits (Dunning, 2000; Dunning & Narula, 2004). Ownership advantages, therefore, indicate who is going to engage in cross-border investments (Stoian & Filippaios, 2008).

2.6.2. **Locational advantages**
Locational advantages highlight market-specific advantages. They refer to the advantages in the specific market in which the company is interested to engage (Dunning, 1998). By having natural resources or other factor endowments that make the country attractive to firms, the country attracts FDIs (Dunning, 1988). Rick and Baack (2012) explain how managers are affected by the locational advantages when deciding the investment location. By analyzing the market characteristics such as the size and geographic location, skills and cost of labor, market efficiency, and incentives created by the country, the managers proceed with their decision of where to engage in FDI. These characteristics form the four categories which locational advantages is divided into; resource-seeking, market-seeking, efficiency-seeking and strategic asset-seeking (Dunning, 1998):

a) **Resource-seeking** – Locational choice based on the physical and natural resources and the level of infrastructure enabling the transport of these resources to be made at a low cost (Loewendahl, 2001; Dunning, 1993).

b) **Market-seeking** – Locational choice based on factors linked with the market, such as the level of market growth, market availability, price and skills of labor and the strategic closeness to regional market such as the EU. Locational choice can also be affected by the market institutions, both formal and informal. (Rick & Baack, 2012).

c) **Efficiency-seeking** – Locational choice based on the governmental activity in the country. By looking at the government’s intention and actions, the locational choice is decided based on the extent of incentive-producing and by the policymakers in the country. It is also based on the extent of competition being promoted by the government. (Rick & Baack, 2012).

d) **Strategic asset-seeking** – Locational choice based on the “desire to gain access to different cultures, institutions, and consumer demands and preferences”. (Dunning, 1993, 1998).

2.6.3. **Internalization advantages**

Internalization advantage is a firm-specific advantage that is used as a tool for the company to take part in the FDI vs licensing discussion (Dunning, 2000). If the firm finds it more benefiting to internalize their business activities in a cross-border market rather than exporting, they will choose FDI (Dunning & Lundan, 2008). Firms with highly innovative products which requires strong property rights prefer FDI rather than licensing in emerging countries and countries with weak institutions, to protect their products (Dunning, 2000). Dunning (2000) even states that market imperfections lead to internalizing usage of (O) and (L) advantages being more benefitting than licensing. The internalizing sub-paradigm in the eclectic theory, therefore, explains how a firm engages in cross-border operations.

Combining the three sub-paradigms of the eclectic theory gives varies of answers and perspectives on the firm’s engagement across borders. The firm-specific factors (O) and (I) constitutes the “who” and “how” of the engagement analysis, while the most important sub-paradigm and the market-specific advantage (L) makes up the “where”. If the firm is able to exploit their (O) and (I) advantages effectively making them comparative, and the hosting country contributes with profitable resources and assets, the firm is likely to invest (Bartels et al., 2010).
Figure 4: Dunning's eclectic paradigm

2.6.4. Criticism towards the eclectic theory

The eclectic theory has gone through several developments and modifications to satisfy the urge of adapting to changes in the business environment (Dunning, 2001). However, the paradigm has been a subject of criticism for its generality. Stoian and Filippaios (2008) state that the paradigm has:

“...limited power to explain specific kinds of foreign production or the behavior of certain enterprises...unless someone applies the framework to a predefined specific context.”

Dunning has himself lifted critics against his paradigm to give an understanding of the purpose of the eclectic theory. He also states that the paradigm is too general, and cannot fully describe specific situations of cross-border interactions (Dunning, 1988). He tackles the critics by stating that despite it being too general, its generality results in the eclectic theory being able to explain different types of international production (Dunning, 1988). He mentions that the classical and neoclassical theories in comparison to the eclectic theory are able to cover most of the inter-industry trades but relatively ruling out the intra-industry trades (Dunning, 1988).

Li et al. (2004) also highlight the limitations on dynamism which makes the eclectic theory too static. With the dynamism of MNCs and the overall globalization, the eclectic theory’s static terms result in a theory with lacking power to predict the firm’s cross-border engagement.

Despite all the critics about its generality and static terms, Stoian and Filippaios (2008) state that the paradigm is still the most important theory for business studies in the subject of FDI determinants and has been for a long period of time. This study aims to use the eclectic theory to underline the structure of the first research questions’ treating the firm’s market evaluation process. The important factors in the evaluation process will be categorized into the three components of the paradigm. As the study only examines the firms’ entry mode strategy,
which ignores the aftermath of the firms’ internationalization, the dynamism is excluded and the paradigms static terms are of importance.

### 2.7. Foreign market entry strategies

The strategic analysis and decision-making process towards internationalization have attained more attention, as the world is getting more interlaced and increasing numbers of firms are constantly engaging in international business to stay competitive (Kordos & Vojtovic, 2016). With the emergence of increased interest towards emerging markets, several MNCs have historically implemented business strategies similar to the one adopted once entering other developed countries. Conditions that later on resulted in failure due to institutional differences (Baines & Fill, 2014). The strategy concerning entering a developed market and an emerging market could, therefore, call for a different strategic approach.

A strategy is defined by Johnson et al. (2008) as "the direction and scope of an organization over the long term, which achieves an advantage in changing environment through its configuration of resources and competence with the aim of fulfilling stakeholder expectations". An international strategy is considered as a key section in the selection of a market and the entry mode. According to Baines and Fill (2014), there are six criteria’s that should be considered when choosing which strategy to be adopted once entering a foreign market. The dimensions were:

- **Speed and Timing** - how quick the organization wishes to enter the selected market
- **Costs** - different entry strategies require different levels of investments
- **Flexibility** - the level of desired control over its activities in the foreign market
- **Risk and Uncertainty** - the level of investment risk that is assumed relevant in the foreign market
- **Return on Investment (ROI)** - Needs to be considered together with the first and second dimension. Some companies wish for a quick ROI through their market entry strategies and could, therefore, develop a partnership that can provide the required resources
- **Long-Term Objectives** - that deals with what the organization wants to achieve in the long run by the entry into a foreign market. The level of each dimension depends on the organization's international objectives

Bhaumik and Gelb (2014) argue that the choice of market entry strategies is one of the most frequently studied concepts in the international business research. According to Root (1983), foreign market entry strategies are defined as an ‘Institutional arrangement that makes possible for the entry of a firm's products, technology, human skills, management, or other resources into a foreign country’. There exist several entry strategies methods that organizations can utilize to enter foreign markets. However, the different strategies involve different trade-offs whereas each method equates advantages and disadvantages, together with different levels of control, risks, and potential awards (Baines & Fill, 2012). Johansson and Vahlne (1977) and Johnson et al. (2008) argues that to gain more control, firms need to commit more resources and thereby come across greater risks. Firms opt to choose an entry strategy based on the organization's objectives and desired control in the foreign market (Baines & Fill 2012).
Foreign market entry strategies can be classified as low, medium or high risk and control strategies. According to Johansson and Vahlne (1977), firms prefer lower resource commitment initially, once entering a country characterized with higher risks to accumulate local knowledge and while minimizing the exposure of the firm’s assets. Then, to gradually increase their commitment when sufficient knowledge is considered acquired.

**Exporting** takes place once a firm's production and manufacturing of goods or services occurs in the domestic market but is sold in the foreign market. Exporting can either be *indirect* or *direct*.

**Indirect exporting** takes places with an intermediary. Export Trading Companies are one example of an intermediate that provides support services throughout the entire export process - to one or more suppliers in the foreign market. The service could include localization of local partners and presentation of the product indirect. Services that provides indirect access to knowledge in the targeted market (Baines & Fill, 2014). The approach is commonly used as a way to test the new market. Indirect exporting is characterized by lower risk, together with a fast access to the international market with limited resource commitments attained. However, indirect exporting also includes little or no control over distribution or sales, reduction of potential rewards - To compensate the intermediary, together with the risk of choosing the wrong intermediary, which can affect the international success of the firm (Johnson et al. 2008).

**Direct Exporting** takes place without an intermediary and therefore requires sales in the foreign market directly to customers, whereas the firms are directly responsible for the selection of customers, agents and distributors (Baines & Fill 2014). The approach is considered more time-consuming, more expensive and riskier compared with indirect exporting. Yet, the approach provides opportunities in choosing representatives in the foreign market, higher rewards and better protection of intangible resources as property rights (Johnson et al. 2008).

A **joint-venture** is a shared ownership of an entity between two partners, one located in the domestic market and the other located in the foreign market. Joint-ventures are effective only through mutual exchange. One firm might have the financial resources and the other one the know-how experience (Baines & Fill, 2012). The approach is most effective once entering a market that requires a high degree of local adaption. However, joint-ventures tend to have a limited lifespan as the objective of each party alters over time. The relationship with foreign partners can also be difficult to manage and result in a reduced competitive advantage due to the likelihood of imitation (Johnson et al., 2008).

**Wholly-owned subsidiaries (WOS)** – WOS includes both acquisitions and Greenfield investments. **Acquisitions** occur when a firm takes ownership of another firm's assets. An approach that enables quick access to the acquired firms market and a greater level of market power if a competitor, supplier, and distributor are acquired. Acquisitions are considered as lower risk in contrast to greenfield investment as they are more accurately estimated. However, acquisitions are challenging due to integration problems in different organizational cultures, coordination, and management (Johnson et al. 2008). **Greenfield Investments** is the establishment of a new wholly-owned subsidiary. An approach that is the riskiest, most expensive and most time-consuming. However, the approach enables the firm to have full control of the firm and has the biggest potential to offer a high return on the investment (Johnson et al. 2008).
2.8. A theoretical model for applying an institutional perspective on the Eclectic Paradigm.

This study’s theoretical framework adds an institutional view on Dunning’s eclectic paradigm. By combining this study’s formal and informal institutions and the three components of the eclectic theory, this theoretical framework is used as a tool to examine the theoretical effects of institutional characteristics on the entry strategies. The logic behind the
framework, i.e. how the three components of eclectic paradigm, together with the institutions, attracts investments and affects location and entry strategy choice is described below:

1. (O)wnership advantages can be affected by formal and informal institutions when firms entering the host markets are dependent on information and technology sharing, or when the firms entering the host markets are not interested in sharing their technologies and information with the host market. The institutions promoting those with high/low ownership advantages can attract their investments.

2. (L)ocational advantages and institutions simply goes hand in hand, where the institutions in the host country is a part of the locational choice analysis.

3. (I)nternalization advantages can be affected by formal and informal institutions when firms entering the host markets have firm-specific advantages such as high-innovative products which they want to protect. This can affect the choice of entry strategy in countries where the institutions do not provide enough protection, especially the property rights conditions in the host country.

2.9. Previous studies
In the international business research, studies that address how the institutional context affects the choice of entry strategy is rather scanty. However, there are some studies within the field that are worth mentioning to summarize the research area.

Diktova and Witteloostuvin (2007) investigated how the institutional context in transition economies affects the entry mode choice of 160 firms from the EU with at least a 10% ownership stake in an operation located in Bulgaria, Czech Republic, Hungary, Estonia, Latvia, Lithuania, Poland, Slovenia, and Slovakia. The authors used a quantitative research method with a questionnaire that included 33 open and closed-ended questions. In the study, the formal institutions represented the institutional context. Hence, the informal institutions were therefore excluded. The authors did furthermore, also limit the entry strategies to wholly-owned subsidiaries and joint-ventures. The findings of the study indicate firstly, that the institutional context related to transaction cost factors influences the decision to either establish a wholly-owned subsidiary or shared ownership. Secondly, the authors conclude that acquisitions more specifically are more desirable in institutional contexts that are fairly advanced and that investors prompt to use local partnerships instead of greenfield investments due to costly governance structures in transition and emerging markets. Thirdly, the authors state that regional experience has a positive influence on the likelihood of joint-venture strategies, while overall international experience shows an opposite effect. The authors argue that experience in how business is conducted regionally outcomes with abilities to trust a local partner. Finally, the authors could not find evidence that supports the argument that technology-intensive multinationals prefer greenfield investments in countries with weak institutional structures to protect property rights and firm-specific advantages.

Kittilaksanawong (2016) examined how institutional distances affect the choice of host country and entry mode strategies without excluding the firms’ resources. The author defines institutions as “regulatory, normative and cognitive aspects” and resources as “technological, marketing resources, organizational slack and externally raised financial resources”. The study used a quantitative method with data from Taiwanese publicly listed firms, employing panel data of 3691 FDI projects, made of 732 companies in 41 countries. The author found that firms prefer to establish entry strategies enabling high-control in host countries with high institutional distance from the home country. Sharing ownership with a local partner helps the firm to get an understanding of the institutional context in the host country. The author also
found that marketing resources are easy to transfer to distant countries when considered the regulative institutions. Technological resources, organizational slack and externally raised financial resources are not as easy to transfer to distant countries. As firms may not be willing to share their technological information, it may discourage investment in the distant country. In contrast, as the distant country provides high risk on investments, providers of the external financial resources may discourage the firms to invest. The author here provides an interesting view on how institutional-based view and resource-based view supplement each other and slightly goes hand in hand.

Tihanyi et al. (2005) investigated the relationship between cultural distance and entry mode choice. The authors used a quantitative method with meta-analyzing data from 67 research articles studying cultural distance from different journals. To measure the cultural distance, the authors used Euclidean distance, a method that measures the distance between two points. To measure differences in culture, the authors used Hofstede's cultural dimensions and furthermore, entry mode choice was limited to wholly-owned subsidiaries and joint-ventures to measure the level of control and the amount of capital invested. The studies main findings were that countries from the more developed part of the world are more risk-averse once entering countries with large cultural distance. Findings that indicate operational risks as a result of lack of understanding of the norms, values, and institutional strength across markets. This generates incentives to dedicate low levels of invested capital and lower equity positions. These results are in line with Meyer (2001) study - that investigated the effects of host country institutions and the choice of entry strategy. The author concluded that the stronger and well developed institutional contexts are more likely to result in a high control of entry strategy as a wholly-owned subsidiary.

Yet, Kogut and Singh (1988) performed a similar study as Tihanyi et al. (2005) but, ended up with a diverge result. The authors used Hofstede’s uncertainty avoidance index of the home firm’s country with a multiple regression to test cultural differences influence on entry strategies with the United States as the host country. Furthermore, they also limited the entry strategies to wholly-owned subsidiaries and joint-ventures. The findings in Kogut and Singh (1988) study shows that the country with the highest cultural distance from the United States, with the highest level of uncertainty avoidance - Japan, tended to use Greenfield Investments and Joint-ventures as entry strategies. The authors argue that Joint-ventures are considered favorable to better handle local labor force, relationships with suppliers, buyers, and governments. Furthermore, the high cultural differences could opt for greenfield investments instead of acquisitions, to manage and control cultural values and integration costs that will run the operation more efficient. Findings that are related to arguments by Anderson and Gatignon (1986) who argue that in environments with weak institutions and high transaction costs characteristics - the need for control is higher and therefore involves a higher commitment of resources as joint-ventures or subsidiaries.

Meyer et al. (2009) investigated how market-supporting institutions affect the entry strategies of foreign investors entering four emerging markets India, Vietnam, South Africa and Egypt. The authors focus on how resource-based strategies affect the entry mode choice in different institutional context. In this study, the authors applied a quantitative research method consisting of questionnaires from archival data that provided information about the local subsidiaries, the parent MNC and managers’ attitude towards the local environment. The authors’ main findings were that greenfield investments and joint-ventures allow firms to overcome different kinds of market inefficiencies related to both characteristics of the resources and the institutional context. In countries with weak institutions, joint-ventures is used to access many resources. However, in stronger institutional contexts, joint-ventures
become less important while acquisitions are more widely used to access resources that are intangible and organizationally embedded. Furthermore, the authors’ states that joint-ventures provide access to resources attained by local firms. Networking is therefore argued to be important and advantageous in countries with weak institutions, such as weak enforcement of contracts and property rights. The use of networks could, for instance, facilitate enforcement of contract agreements that most often are informal controlled by the use of norms.

Erramilli (1996) investigated MNCs’ nationalities effect on control preferences in foreign countries with 337 sample firms from the United States and market economies in Europe. The author limited Hofstede’s cultural dimensions to power distance and uncertainty avoidance as they represent cultural traits “that suggest proclivity for centralization, hierarchy structures and greater control of organizations”. The author main findings were that countries characterized by high power distance tend to prefer high level of control in their foreign operations with wholly-owned subsidiaries. In contrast, countries with low levels of power distance are more willing to decentralize their foreign operations by sharing control with a foreign partner. Countries with high levels of uncertainty avoidance tend to avoid conditions that are characterized by unfamiliarity, whereas they prefer not to deal with foreign partners and are therefore more likely to entry foreign countries through wholly-owned subsidiaries. Firms from countries characterized by more uncertainty accepting cultures tend to be more flexible, risk-tolerant and open for shared control through joint-ventures. The author furthermore argues that MNCs with powerful competitive advantages might prefer majority ownership, to exploit the advantages for themselves to gain a dominant position in the foreign market.

Holtbrügge and Baron (2013) studied the similarities and differences in institutional frameworks affection on market entry strategies of foreign firms entering the BRIC countries. They conducted a quantitative method testing their hypothesis against data collected from 564 foreign firms with operations in BRIC countries. The authors’ main findings were that firms prefer local production in Brazil and China while export is the preferred strategy once entering India and Russia. They argue that this can be due to the high investment risks in Russia and the WTO membership of India where the government encourages export. Furthermore, the authors found that when firms enter the BRIC countries, firms use joint-ventures as a preferred ownership mode in all countries except China, where wholly-owned subsidiaries are more frequently used. The reason behind these findings is partly argued to be the long experience of FDI-attraction China has compared to the rest of BRIC countries. The last finding the authors presented connected to the institutional perspective on market entry strategies was that greenfield investments are more frequently used in the BRIC countries than acquisitions. This is partly explained to be due to the governments’ historical involvement in acquisition processes. For example, Russian president Vladimir Putin stopped Siemens acquisition of a turbine manufacturer Silovye Mâsiny.
3. Method

This chapter briefly explains the chosen method together with the study’s procedures. Moreover, the chosen research strategy, the research’s credibility and a critical review of the study’s references are presented.

3.1. Scientific Perspective and Research Approach

As acknowledged by Olsson and Sörensen (2011), there is no single or more accepted way of conducting research. However, the way research is executed depends on multiple factors, but mainly how the researcher chooses to observe the studied phenomena. Alvesson and Sköldberg (2008) mention that research is observations through the eyes of the researcher and hence, consists of personal interpretation of the studied phenomena. These conditions include subjectivity, ideas, experiences and personal beliefs, hence the readers are presented with the researchers’ standpoint.

There are two widely used perspectives to approach the main principles of science and knowledge – Positivism and Hermeneutic. According to Thurén (2007), by implementing Positivism we can only reach true knowledge with what we can observe with our senses and with what we can calculate with our logic (Thurén, 2007). Furthermore, positivism is about accepting absolute knowledge by having “hard facts” as a solid basis for scientific research (Thurén, 2007). The Hermeneutic approach, in contrast, primary studies human science with the researchers’ own experiences and interpretations of texts and observations in focus (Olsson & Sörensen, 2011). A central aspect of the hermeneutic approach is to understand the studied phenomena and their experiences, which results in deeper meaning and understanding in a research context (Thurén, 2007).

In this study, we opt to use the positivistic approach. The positivistic approach tends to frame previous studies, theories and models on a solid basis of “hard facts” To approach absolute knowledge. This is implemented by identifying characteristics of the studied phenomena and compare it with established research (Thurén, 2007). The approach is assumed to best treat the study’s purpose as the theories and models act as this study’s fundament. Hence, the purpose is, therefore, to contribute to the research fields’ frequent attempt to achieve an absolute and objective knowledge.

Induction and Deduction are two different research approaches used to draw conclusions, whereas an Abductive approach includes both. With the inductive approach, more general conclusions are made by empirical facts as a basis. An approach where the research process from a starting point proceeds from empirics to theories (Thurén 2007). The deductive approach, in contrast, examines the relationship between theory and the reality and therefore proceeds from theories to empirics (Sohlberg, 2013).

In this study, we have applied an Abductive approach. Initially, we have followed the deductive research process, whereas previous studies concerning foreign entry market strategies in different contexts were studied. The reason for the screening of previous studies was to build a deeper understanding of the studied phenomena and to identify a research gap. Even if the inductive approach mostly is used in theory formation purposes (Larsen 2007), it has been used in this study to provide a state description of the studied phenomena. We consider the abductive approach to be the most efficient for this study as it increases the studies flexibility that allows one to explore new possible directions between theory and the data.
3.2. Research Strategy Method

There are two types of research strategies, a qualitative method and a quantitative method and the choice depends on which strategy that suits best to answer the purpose of the research (Denscombe, 2016). By applying a qualitative method, the aim is to study a restricted area on a deeper basis, to better handle the complexity in certain types of situations (Denscombe, 2016; Sköldberg & Alvesson, 2017). The collected data is based on the real world and allows more than one valid explanation due to the promotion of interpretations which can differ between researchers (Denscombe, 2016).

The qualitative data is collected in the shape of interviews, observations and/or analysis of different types of texts, which enables the researcher to get rather close to the studied environment or area (Ahrne & Svensson, 2015). To summarize very short, a qualitative method aims to understand certain types of phenomena that affect people and/or situations in the real world (Dalen, 2015). The problem, or the disadvantage, with applying a qualitative method is the generalizability. As a qualitative strategy is based on studying a few units in-depth, it becomes uncertain whether the researchers are able to generalize the result to the population (Denscombe, 2016). Besides, the analysis requires more time as the data is unstructured and the researchers’ background and values might affect the analysis due to the allowance of different interpretations (Denscombe, 2016). Dalen (2015) also discusses problems connected to solidarity and anxiety that can arise if the researchers are personally affected by the area they are studying. However, these problems are more usual in sociological areas where the interviews are dealing with different types of personal problems.

A quantitative method is applied by using statistical methods and tools to analyze quantifiable data, which consists of numbers and figures. The most common way of collecting data is by using surveys and questionnaires with the aim to find relationships between an independent variable and a dependent variable within a population. The quantitative method is associated with objectivity, as the analysis is based on statistical and mathematical methods which exclude the researchers’ background and values. Furthermore, the method enables a fast analysis of a large number of units at the same time which increases the generalizability. The data is presented in tables and diagrams which helps the researchers to structure the data and present the result concisely. (Denscombe, 2016).

The disadvantage of applying a quantitative method is the importance of validity of the presented quantitative data, to avoid that the results create a skew image on how good the research is. Besides, the advantage of collecting a large amount of data at the same time can be a disadvantage as well. It can result in a complex analysis of too many units and variables to take into account. (Denscombe, 2016). Furthermore, Denscombe (2016) explains that a quantitative strategy is not as objective as it may seem, as the researchers have the power to choose which variables to include/exclude.

This study applied a qualitative method to understand the institutional effects of entry strategies in-depth. Statistics and figures were only used to explain the institutional conditions in the countries we studied in Appendix 1, and the data was collected by interviews. By excluding a quantitative method, the possibility of collecting data from a large number of units cannot be achieved and the study’s generalizability might have been affected negatively. However, the aim of understanding the studied phenomena in-depth and rather get closer to the studied environment or area is the motive behind the choice of a qualitative research strategy method.
3.3. Procedures

3.3.1. Primary Data
Primary data is data that the researcher has collected him-/herself (Bryman & Bell, 2013). This study’s primary data was collected through interviews, where the researchers applied a semi-structured interview to examine firstly, how the host countries institutions influence the chosen entry strategy of the selected firms and secondly, to analyze potential similarities and differences between the firms’ approach in the respective country. The advantage of having a semi-structured interview are the combination of an interview guide which is constructed before and the possibility to ask complementary questions (Ahrne & Svensson, 2015). By allowing the appearance of complementary questions, the researchers are able to identify and collect valuable data which the interview-guide does not cover (Dalen, 2015).

Furthermore, Ahrne and Svensson (2015) explain that the possibility to interpret the data can be both advantageous and disadvantageous. The interpretations enable an in-depth analysis by allowing the researchers to analyze beyond the interviewee’s words. However, the bigger the room for interpretation, the lesser the research is perceived to be objective (Ahrne & Svensson, 2015). Therefore, a semi-structured interview is important to reduce the room for interpretations to an advantageous level by receiving clarifications through complementary questions.

3.3.2. Secondary Data
Unlike primary data, secondary data is data that has been presented by somebody else (Bryman & Bell, 2013). This study’s secondary data mainly consisted of research articles collected via SöderScholar and Google Scholar. The most frequently used search words to find the research articles were “internationalization and institutions”, “institutions and entry strategies” and “institutional perspective on entry strategies”, and the research articles are mainly taken from journals within the field of international business studies.

The secondary data has furthermore consisted of information from the EU and different media channels to give an overview of the different conditions in the two studied countries (see Appendix 1). The media channels were almost exclusively SCB, Bloomberg, BBC, and CNN, where the last one was solely used to highlight recent important events in the countries. Information and data for the theoretical framework have not been collected from the above-mentioned media channels.

3.3.3. Case Studies
The purpose of this study is to examine and compare the entry strategies of three Swedish firms entering both an emerging and a developed market with a focus on the institutional contexts. This is executed through case studies, a method used when the purpose is to examine specific contexts with a limited number of studied subjects (Yin 2018). The number of studied subjects depends on the purpose of the study, whereas Stake (1995) identified three case-study categories:

- Intrinsic - Studying one case to contribute on behalf of the specific case
- Instrumental - Studying a few subjects to determine a behavior pattern
- Collective - Studying data from different sources and different perspectives

This study follows the approach used by Yin (2018) and Stake (1995), where an instrumental case study is implemented to examine the behavior patterns of the entering firms. The
decision to adopt an instrumental case study will according to Yin (2018) increase the study’s robustness and its replication chances, in support of the established theory. Instrumental studies are mentioned by Yin (2003) to be used to “…confirm, challenge or extend the theory”.

According to Yin (2018), there is no specific formula that decides when case studies should be used – but the study’s research questions are fundamental. He argues that: “The more that your research questions seek to explain some contemporary circumstance (e.g. “how” or “why” some social phenomena work) the more that cases study research will be relevant”. The method could furthermore be preferable when the study requires little control of behavioral events. With the studies research questions in mind – Yin’s (2018) mentioned criteria in “how” is considered fulfilled. Furthermore, as our incentives are not to influence the firms’ behaviors or decisions in entering the UK or South Africa but rather examine the influence of the institutions in the host countries – the case study approach was argued to be a rational choice.

Gummesson (2007) mentions that case studies have been subject to criticism, especially by quantitative researchers. The critics mentioned are related to its lack of generalizability and lacking ability to test hypothesis despite being able to generate them. However, Gummesson (2007) argues that case studies are widely used for research purposes as it provides relevant output for theoretical developments. Furthermore, he highlights the importance of gaining an in-depth understanding of the studied phenomena which is made possible through case-studies. As this study’s purpose is to present a reality-based context on the effect of the institutional environment on entry strategies, with the firms’ own experiences in focus, case studies were implemented.

### 3.3.4. Motives and Selection of Economies

Swedish trade has been highly dependent on the European continent. The biggest share of export goes to European countries, and even though Sweden had a Free Trade Agreement (FTA) with the EU before the entry, the EU-membership has erased uncertainties connected to renegotiations of the agreement (Ratio, 2014). One country that stands out in Sweden’s export history is the United Kingdom, a developed country with one of the biggest economies in Europe. Sweden and the UK have a long trade history and in 2015, UK was the fourth biggest export market for products and the third biggest for services. Today, UK is still ranked as Sweden’s fourth largest export market and approximately 1000 Swedish companies have established in the British Isles (Kommers, 2016). Statistics also show that Sweden’s export to the UK has increased from 65 billion SEK to 74 billion SEK between 2016 and 2017, which is an increase of 14% (SCB, 2018).

Even though the biggest share of Swedish export has been to European countries, Sweden’s biggest export growth has been in the African continent. The African continent is rich in natural resources and played - together with the global economic boom with surging commodity prices - a key role in the economic growth on the continent between the year 2000 and 2013 (Barabinde, 2009; Mckinsley, 2016). Yet, the growth rate has decreased in the following years as a result of the Arab spring, the plummet in oil prices and political instability (McKinsley, 2016).

According to the Swedish Export credit committee, the Swedish export growth in Africa has increased by 76% in the last 10 years from 2.1 billion SEK to 3.8 billion SEK (Exportkreditnämnden, 2016). South Africa, the powerhouse of Africa and the latest member
of the BRICS association since 2010, attracts two-thirds of Sweden’s engagement in Sub-Saharan Africa. Including the whole continent, South Africa constitutes one-third of Sweden’s cross-border engagement, more than any other African country (Business Sweden, 2018; SCB, 2018). With this statistics in mind, there is no doubt about the relevance of South Africa for Swedish MNCs position on the African continent. South Africa is rich in natural resources and has one of the largest economies in the African continent. As well as having well-developed financial systems, communications and transport sectors, together with a market that facilitates an open trade policy. These conditions make the country a natural investment district for foreign investors in Africa (World Bank, 2017).

At first, the study was solely going to examine the influence of the institutional context in an emerging market on the entry strategy of Swedish firms with South Africa as a host country. South Africa as an economy was argued interesting to study firstly due to the high Swedish engagement in the country, secondly, with the consideration of the country as the latest member of the BRICS association and thirdly, because of the increased attention in media in the last decade with a failed economic policy and corruption scandals. However, we identified that the comparison between the influence of institutional contexts in an emerging market and a developed market on the entry strategies of Swedish firms would be even more interesting to study. South Africa was not excluded, but it lead to the choice to add The UK in the study. As the countries have a history of colonization and share similar legal systems with common law, the UK was chosen to represent the study’s developed market. Furthermore, as mentioned, the UK was Sweden’s fourth biggest export market for products and third biggest for services in 2015, and Sweden’s export to the the UK has increased 14% between 2016 and 2017 (SCB, 2018), which motivates the choice of the UK even more.

3.3.5 Motives and Selection of Firms
A fundamental objective with this study was to investigate economies with institutional differences with the same Swedish firms that have market entry experience in the selected economies. Initially, we contacted a consultant from Business Sweden in South Africa whereas information about the study was presented together with help regarding access to a list of Swedish firms established in the country. The consultant replied and provided us with a report consisting of a total 48 Swedish firms with operations in the South African market. The report included firms that Business Sweden believed was active in South Africa, but was unsure exactly the location in the country. As the location for some firms was uncertain, we decided to analyze the firms’ annual reports to investigate if the firms still had an operation in the country and where. As the analysis could not eliminate the uncertainty – the firms without any specified location were excluded from the list. As it was considered important to get access to managers involved in the market entry process in the selected countries - the decision was made to exclude Swedish firms that entered the South African market before the recent millennium due to the institutional transition South Africa underwent during the 90’s. These circumstances resulted in 10 potential qualified firms left.

The 10 qualified firms got reduced to six – as the excluding four firms did not have an operation in the UK and were therefore no longer qualified. We contacted all six companies, whereof two of them did not respond and one of them declined. The two firms that did not respond were contacted several times on email, through phone, and voicemail without any results. This resulted in a total of three companies constituting the study’s respondents, Universal Avenue AB, Kamic Group AB and Systemair AB. Three case-firms that were considered adequate with the time and resources in mind. We did not limit our study to a specific industry. However, by a coincidence, the three companies can be categorized into a
technological-intensive industry. This was held in mind when discussing the study’s conclusion.

The reason behind the relatively high number of non-response (including the 1 that declined) is believed to be due to the closing period where companies are busy closing the financial accounts for 2017. Furthermore, one of the companies did not have a section listing people constituting their group management with contact details, where the email was rather sent to their customer support. Moreover, the chances of emails being caught up by spam filters should not be excluded either.

3.3.6. **Data Collection and Interview Process**

In this study, the primary source of data is from semi-structured interviews with managers of the case-firms.

As the selection of the participated firms was established and interviews booked – we started to construct and develop an interview guide (Appendix 2) based on our theoretical framework presented in the previous chapter. The interview guide consists of 4 main categories for each market and one concluding category whereas the firms experience entering The UK and South Africa, in comparison, was examined. The last category was included to generate exhaustive and full information. The concluding part was considered successful as we noticed that it generated new information that was important for the study’s analysis.

Before all the interviews – a review of the firm’s websites and annual reports were conducted to gather information about the firms and to understand their business. The review was considered important. The better preparation about the firms’ business, experiences, and involvement in the selected markets, the higher is the possibility to ask follow-up questions and to focus on the interview.

According to Denscombe (2016), it is important for the researchers to present themselves and the purpose of the study. With that in mind, a short presentation of the authors together with the purpose of the study was presented to have a “soft-start” and also an opportunity for the respondents to ask questions regarding the study. The interviews were conducted in three different ways. The first one on Skype, the second one at the firm’s head office and the third one over a telephone. According to Janghorban et al. (2014), skype interviews can provide equal authenticity in level with face-to-face interviews. The Skype interview was agreed as the respondent at that time was in South Africa. The telephone interview had to be made over the telephone due to limited time of the respondent. This limited our chances of creating a personal connection and to read important nonverbal cues (Seitz 2016). All the interviews were completed in Swedish and with the consent of the respondents – everything was recorded with a recording device. Furthermore, the respondents were asked if names and titles were allowed to be used in the study. This was made to ensure the respondents’ integrity by addressing the opportunity to participate anonymously. The respondents were also aware about that the study would be available online. With that in mind, we offered the opportunity to read through the transcribed interviews to ensure them that nothing had been misinterpreted or taken out of context. Each interview lasted approximately 1.5 hours each. The consent of recording allowed us to direct our attention more to follow-up questions and saved us resources from taking notes.

As the interviews were completed – the transcription process started. The transcription required meticulous and a systematic analysis of each interview. In the process – what was considered relevant was highlighted together with quotes from the interviews. The structure
of the transcribed data followed Abell (2004) Narrative strategy to best describe a detailed story of the firm's internationalization to the selected countries. The narrative strategy is used to explain sequences of activities, acts, and events that are linked to the narrators' interpretation (Kao, 2013). The empirical findings chapter was structured as the interview guide. This decision was made to facilitate the reading of the study and make it easier to follow.

3.3.7. Analysis
The next step in the study followed Yin (2018) cross-case analysis. The analysis process initially starts with a meticulous examination of the empirical findings while investigating and interpreting similarities, differences, and patterns in the selected data with the studies theoretical framework. This furthermore, ended up in a concluding discussion presented in chapter 6 where implications and conclusions of the study are addressed. The study’s research questions underline the structure of the analysis chapter.

3.4. Research Credibility

3.4.1. Reliability
As the reliability measures to what extent other researchers can replicate the research and reach the same conclusions, and the study has applied a qualitative method, the importance of explaining the process and method in detail becomes higher (Denscombe, 2016). Denscombe (2016) explains that a detailed description of the procedures is needed to secure that the replication of the research reach the same conclusions, as the method is associated with interpretations and a lesser objectivity. With this in mind, the study’s “case study” section is explained in detail. All important factors are considered and presented in the case study section to make sure nothing that may have affected our results and conclusion is left behind.

3.4.2. Validity
When researchers discuss validity as a credibility measure, they divide the term into two terms, internal and external validity. Internal validity in a qualitative method explains to what extent the researchers convince the readers that their data is accurate (Bryman & Bell, 2013).

“Lincoln and Guba (1985) points out that there is no absolute way of showing that they have ‘got it right’. (Because of this, they prefer to use the term ‘credibility’ when it comes to this aspect on verifying the research)

(Denscombe, 2016)

However, Denscombe (2016) points out that there is a couple of actions the researchers may show that they have taken to convince the readers. One of them is to give the interviewee a copy of the transcribed interview to secure that the interviewee has been interpreted right. With that in mind, we gave our interviewees a copy of the transcription of their interviews and a copy of the presented results. In that way, we secured that both the transcription and the presentation of the data was valid.

External validity, also known as generalizability, measures to what extent the research result and conclusions can be applied to all the similar cases (Bryman & Bell, 2013). When it comes to the qualitative method, with a considerably lesser number of studied units in comparison to a quantitative method, the generalizability is always questioned (Denscombe, 2016). Therefore, the discussion in the qualitative research is rather about transferability (Lincoln & Guba, 1985; Denscombe, 2016). By identifying the information collected and its ability to be “transferred” to other similar cases, the generalizability in qualitative research is secured (Lincoln & Guba, 1985). With this in mind, the study has tried to identify the transferability
of the information by critically discussing the data, the sample of companies and the method used in the last section of this thesis.

### 3.5. A Critical Review of References

According to Thurén (2013), a critical review of references is fundamental in research contexts to spread knowledge and to achieve greater reliability. In this study, much time and effort have been dedicated to ensure that the references that have been used are reliable and inspected. Thurén (2013) highlights four principles for critical reviews of references to evaluate the truthfulness. Four principles that we carefully have followed.

The first principle, *authenticity*, evaluates to what extent the reference is what it is proclaimed to be and not falsified. The second principle, *time framework*, highlights the actuality of the reference from a time perspective. The third principle, *independence*, evaluates to what extent the reference is independent and not reliable of references from another used source. In scientific research, it is not unusual that writings move into several stages whereas what is really written has been rewritten and then given a different meaning in a different context. The last principle, *tendency freedom*, that deals with the exclusion of information from references with incentives to provide falsified information due to personal, political or other interests.

In this study, both secondary and primary sources of data have been analyzed. The secondary source of data mostly includes scientific articles, but also literature together with electronic sources. As scientific articles and literature are carefully reviewed before they are published by peer-reviews, we perceive them as reliable. The articles and the literature used in this study is clearly from different time periods. Some articles are published recently and others from earlier years. With this in mind, one can question the actuality of some references. However, we have consciously used some older references to illustrate the development and the different aspects of the studied phenomena throughout time. Furthermore, the older references are widely used in more recently published studies, which specifies the authenticity and that the older studies are still considered actual and relevant. To handle the outcome of writings moving into several stages – that later on ends up with different meanings in different contexts, we have been cautious in our choice of references with the attempt to identify the originating source of where the information was taken. This precautionous strategy was made to obtain a high level of reliability in this study. Furthermore, we have critically reviewed the references and assessed them against equivalent sources to clarify its relevance for the study. According to Jacobsen (2002), websites tend to be easily questioned due to the uncertainty where the information originates from. To minimize the uncertainty of reliability, we have opted to only use websites as references once describing the relationship between the selected countries and to describe the conditions in the UK and South Africa in Appendix 1.

Information used as a reference from SCB, Bloomberg, CNN, and BBC are considered reliable enough to provide an illustration of the mentioned context.

As the primary source of data in this study derives from interviews with respondents with experience in entry strategies in the UK and in South Africa – many factors could affect the answers that the respondent shared or decided not to share. Statements from the interviews could be affected by the firm's official opinions and disregard the respondent's personal opinions regarding the studied phenomena. Opinions that according to Denscombe (2016) could be different and used to protect confidential information and furthermore distortion of information. The respondent's personal experiences in an international context could also affect the way they perceived the institutional differences and therefore also result in eventual
differences in responses. However, with the respondent's knowledge, positions within the firm, and long acquired experiences – we believe that they are representative. The respondents also were informed that the study likely will be published publicly and therefore will be available for third parties. Conditions that provides incentives to share information without distortion or falsification of reality.
4. Results

The following chapter presents the study’s collected data from interviews with the three companies, making up the study’s research subjects. The chapter is divided into four sections and the participants’ responses are presented separately.

4.1. Introduction

4.1.1. Universal Avenue AB

Universal Avenue was founded in 2014 with the vision of becoming a global platform for connecting Small & Medium-sized Enterprises (SME) such as bars, restaurants & cafés, hairdressers, and barbershops with digital solutions. The digital solutions can be anything from booking and payment solutions to Google services for advertising and marketing solutions. Universal Avenue’s latest sale figure show a revenue of 22 million SEK. We talked with Oscar Sehlberg Westergård, VP of growth and COO at Universal Avenue who divides their business model into two components. The first component of their business model is connecting SMEs with digital solutions, by having a technical platform. The second component of their business model is the network of freelancing salespeople out on the field, or Brand Ambassadors as they are called, who acts as intermediaries between the digital solutions and the SMEs.

Oscar, which has a long range of international experience, explains that no working day is the other alike at Universal Avenue. When they are in the middle of entering a new market, Oscar is involved in both strategical and financial parts of the decision-making process. He explains that the process is basically a preparation of launching a new “mini” Universal Avenue every time they enter a new market.

Universal Avenue has a vast international experience despite being a relatively young company. Today, Universal Avenue is active in Greece, the UK, Spain, the Nordic Countries, Chicago (US), and has recently started a pilot project in the South African market. The company identifies themselves as born globals, whereof the sense within the company is that they would not exist today if they would have stayed on the Swedish market. Oscar explains that the company has always been global in their mindset.

The firms first international appearance occurred within a half year after the company was founded, where the Greek market was chosen as a host. In 2015, Universal Avenue launched in the British market by appearing in London. Oscar explains that if there is one European city all companies should be active in, it is London. He mentions that despite the city is expensive, the location is of high strategical importance. It has a lot of potential investors and a variety of opportunities for great partnerships.

“...Universal Avenue’s business model depends very much on the three components Customers, Suppliers and Competitors and especially the first two.”
Universal Avenue identified opportunities in the UK related to digital brands, potential venues, and good potential salespeople. Furthermore, Oscar mentioned that Universal Avenue is dependent on recruitment companies when acquiring salespeople and that the UK offers several good options for recruitment companies. However, opportunities never go alone and there are of course challenges as well. The UK is characterized by a tough competition and despite that Universal Avenue’s business model might be considered unique, they still compete over the venue-owners time. Oscar points out that the competition helps them improve and stay alert. Furthermore, besides the prices being high, Oscar mentions a logistical challenge which affects their salespeople being out on the field. The travel time in London affects the number of sales being closed during a day, as it takes a long time to travel around London.

By having a look at the active markets, one can understand that Universal Avenue mainly focuses on the emerged markets. However, since the middle of 2017, the company has been conducting a pilot project in South Africa to not just test the country but the whole African continent. Oscar points out that the company at first saw themselves as an emerged market platform, focusing only on the more developed countries. However, possibilities made them identify opportunities in the emerging markets as well and a pilot test was conducted in South Africa.

Oscar explains that there is an important difference between the launch in The UK and the launch in South Africa. The UK was one of the first countries which Universal Avenue launched in. Therefore, they did not have any comparison data on when the business model works. When it came to South Africa, the comparison data was a part of their analysis and supports their pilot and will definitely support a future launch in South Africa. The comparison data even enabled Universal Avenue to find similarities with the Greek market, a market which they are active in. Oscar mentions that there are of course differences as well, but both countries have a low digital penetration and a huge need for digital solutions for SMEs. Furthermore, he points out the high rate of youth unemployment as a similarity between Greece and South Africa, and as their business model was shown to be successful in Greece the pilot test in South Africa was conducted.

However, as the fact was in the UK, the opportunities never go alone. In South Africa, the challenges are even harder to deal with. Besides, being a tech company, going into an emerging market, does not only bring challenges but also a lot of questions. Uncertainties about the market being mature enough, if it would be able to provide enough competent labor force, if the security would hold, if they would be able to have salespeople out moving in the urban environment and still ensure their safety etc. Of course, there were uncertainties about the digital brands as well, especially the local brands. Oscar points out that despite them having global brands, they want to ensure that there are enough local brands before entering a market.

“And of course, the different types of regulations around setting up a new company and so on. We are not in the EU anymore so it is a different ball-game to use some American baseball metaphor.
However, the South African legal system is based on the British system which is very clear and structured.”

4.1.2. KAMIC Group AB

Karlstad Automatic (KAMIC) group is a privately owned Swedish firm with a mission to be a leading supplier and developer of technology-based businesses in several well-defined markets and product niches. KAMIC Group was founded in 1983, but the oldest parts of the firm with the acquisition of Elektronikgruppen can be traced back to 1922. Today, the group consists of approximately 20 operating firms and occupies a total of 700 employees in Northern Europe, Asia, and America. The firms within the group conduct trading and agency operations together with in-house product development and manufacturing. The group’s annual sales exceed 1.6 Billion SEK with a customer base consisting of multinational industrial companies within segments as manufacturers of telecom equipment, commercial vehicles, digital signage solutions, automation equipment, electrical contractors and building consultants (KAMIC group, 2018). In this study, we have interviewed Fredrik Celsing (F), Chief Executive Officer and Håkan Lundgren (H), Head of Corporate Communications. Two respondents with a quite broad area of responsibility within the group.

Both Håkan and Fredrik mentions that KAMIC Group works consequently on analyzing markets that could be of interest and that they fulfill the firm's demands. KAMIC’s international strategy, when entering new markets is characterized by optimism and does not include deep market analysis or assistance from consultancy agencies. KAMIC rather prefer to test the market by a smaller operation or to enter new markets through acquisitions. Through the big acquisition of Elektronikgruppen in 2011, the firm has a long history on the British market that can be traced back to the 19th century - when investments in manufacturing of “white horse electronics” processes were made. However, specifically for KAMIC, the entry to the British islands occurred as a result of the acquisition of the Finnish “Profec Technology Oy” in 2007. In parallel with the first acquisition, the decision was made to acquire additionally two operations in the UK. The “Profec” acquisition was mainly considered attractive due to the firm’s established subsidiary in the UK - Ipswich. Yet, despite the huge competition, the UK market is considered interesting due to its market size, population, and established industries. Furthermore, The UK is due to historical factors and relationships recognized a way to enter new markets.

KAMIC groups consecutive scanning of markets to gain a foothold in, opened up for a business opportunity 2014 in South Africa. The intention to enter South Africa was mostly due to the opportunity to gain a competitive advantage with a technology that the firm invested in years prior to the entry.

F: “So, we did a smaller research about the South African market and we did not really find any really established manufacturers in South Africa. The market was evaluated to fit, South Africa was rising and there was also a lot of investments in the country”
4.1.3. Systemair AB

Systemair was founded in 1974 and is producing ventilation products. Their vision of the company has been to develop the ventilation systems to be more energy-efficient. The company’s main strategy is to own all their factories and produce their own products and having own sales companies that only sell their products. We have talked with Olle Glassel, VP sales and marketing at Systemair group management who has personal experience from working in the UK. He was the CEO for Systemair UK for two and a half year before returning to work in the group management. Systemair started exporting very early. They are active in 51 countries today, has factories in 24 countries and are present in all continents except Oceania. Most of Systemair’s revenues and operations are still in Europe however and their overall revenue today is around 7 billion SEK. Olle Glassel's responsibilities are mainly Western Europe and Africa, he explains that they “slipped in” to the UK through an acquisition. As acquisitions are a part of their corporate group strategy, Systemair acquired a German company at the beginning of the 90s which had a branch in the UK.

Despite that their appearance in the UK market "came on a silver platter", they still had to investigate the market opportunities and challenges to understand what they had in front of them. Olle points out the huge need of ventilation in both housing and premises as an opportunity where they identified a strong potential to improve the ventilation systems in the country, which Olle means is always an incitement for them to enter. Furthermore, he mentions the UKs strong economy and its geographical location as advantages when setting up a business in the UK. However, Systemair identified challenges in the country as well, related to the regulations that regulate their industry. Despite them being, and still are at the moment, a part of the EU, Oscar explains that the UK has always marched to their own beat when it comes to regulations and certifications in the ventilation industry. Besides, the competition is strong with a very driven business culture.

Their journey into the South African market was not as easy as “slipping in”, which was the case in the UK. The process of analyzing the market had a bigger impact here, as it laid the ground for the entry rather than just increasing the knowledge about the market.

“We entered the South African market in 2007. Again, we looked at the economy, the state of the country’s development when it comes to housing and premises and the need for ventilation systems.”

The need for ventilation systems was explained to be a clearer development area. In Europe, it is rather a matter of course to have working ventilation systems but in Africa, the need is more profound. Furthermore, Systemair’s market analysis contained the potential of the market and the urbanization. During the analysis, Systemair identified challenges with the country as well. The distance from Europe and their headquarter was, of course, a challenge, where visits for developing the business purposes requires far more planning. The transport costs for transporting the products they produce was another challenge identified. In the beginning, the company produced their products in Europe and exported them to the different continents. With transport costs being very high, the price calculations were affected which made it far more expensive for the company than having local producers. However, in dealing with the
challenges Olle highlights the importance to recognize that South Africa is influenced by the UK being a British colony once.

“It works as a guideline for us, that the two has a historical connection that still is visible today. We knew that our products worked in UK and Europe and therefore fitted in South Africa as well. Not to mention the language, it is an important aspect since our corporate groups’ language is English.”

4.2. Market Choice

4.2.1. Universal Avenue AB

Universal Avenue has identified a lot of opportunities within the British Isles, where a logistical advantage is highlighted. Oscar mentions that London is a great hub to have, where they can travel to and from and that the city is incredibly multicultural where there are people from all around the world. He points out that if you want to work internationally, London is a great city to find competent global talent, and of course, the linguistic advantage has not been taken for granted. Oscar mentions that the official language being so global facilitates a lot.

“...a lot speaks for launching in an English-speaking country. Our business builds a lot on partly the technical online platform for recruiting and educating talents but also a mobile app which works as a sales support. This means a lot of content that needs to be translated to the local language, and there is certainly a benefit of translating it to English because partly it is easy but also because you know it will always be needed. It will most certainly be used later on.”

Besides all the external factors affecting the decision-making process, Oscar mentions some internal factor. The external factors and the country’s characteristics according to Oscar are not the only factors affecting the market choice. The internal factors have as well been a part of the decision-making process. He mentioned how the resources and capabilities of the firm affected the market choice in the quote above. But he also mentions how firm’s characteristics have been a part of the motive behind the market choice.

“A lot of our employees has experience and network in the UK, since before. A lot of Swedes live in London, where the city is considered, I believe Sweden’s fourth or fifth biggest city or something like that. This is of course also considered when entering a new market. Besides, I would like to lift our global mind-set again. It is a company culture, we want to be global and it is the company’s vision.”

Furthermore, Oscar mentions that there is another factor affecting the market choice. In Universal Avenue’s case, the product/service not only affects but have a strong influence on such decisions and especially their digital brands. They represent a lot of global brands, and in this case, their brands were very eager to launch in the UK, which of course affected the
decision. However, Oscar highlights the importance of understanding that the brands may not completely decide the market for them, but a great partnership can influence the decision-making.

When it comes to South Africa, the company has been more dependent on individuals than their global brands in the evaluation. Because of their network, Oscar explains that they have a natural connection with South Africa. One of Universal Avenue’s advisors lives in South Africa and he is very eager to engage in their launch. As mentioned before, there are similarities between the Greek and the South African market which is of high importance for their business model, but also a pool of great talents and a lot of potential venues in need of finding digital solutions that help their business.

In comparison to the UK, Oscar means that resources and capabilities have played a bigger part in the choice of South Africa as the next potential market. They have tried to maintain focus on operations and the goal of this launch is to use limited resources. They are a very small team, working with the launch in South Africa and even if they have help from the operations team in Stockholm, they try to work independently.

“This would not be possible to do in the United States, for example, there you need a bigger scale to launch. Even if you try to keep it as low as possible on the costs it will still cost a lot and take up a lot of resources. That affected the choice of South Africa as our next market, it sowed the seed. Being able to launch without using a lot of resources and keep the whole launch as narrow as possible, that was the goal and South Africa as the market made it possible.”

Even when choosing South Africa as the next market, the firm’s characteristics played a part, e.g. the global mind-set and the interest in new markets. They find it exciting every time they launch in a new market and the more distant the new market is from their home country the more exciting they find it. Furthermore, the product/service has also played a big role. Oscar means that being a tech company and offering digital solutions enables them to test a market that is located far from Sweden where the company is based. He points out that if they would have sold for example excavators, they would not be able to test the South African market with as little resources as possible. He highlights that they might not have been able to launch in South Africa at all. Moreover, the big potential with the South African market having a low digital penetration and a high need for digital solutions within the SME sector in South Africa is, of course, another perspective.

**4.2.2. KAMIC Group AB**
The business opportunities together with operational history on the UK market through Elektronikgruppen – was acknowledged by KAMIC as driving forces to enter the UK. Acquired experience together with established networks through the acquisition of Elektronikgruppen with a history in the UK was important, as it made the entry cheaper and less complicated due to already existing infrastructure, business systems, and government contacts. The UK’s EU membership was in addition considered a significant factor that made
the market choice interesting and eased the market entry process due to the experience on how to manage businesses in the EU.

KAMIC Groups’ business opportunity strategy as a rationale for entry to foreign markets was the driving factor to the firm’s entry into the South African market. Years prior to the entry to South Africa, KAMIC Group invested in new technology to obtain a competitive advantage. The possessed technology produced so-called stencils in production technology and are highly needed to manufacture electronics.

F: “the machine is very special and precise because it is used with a laser that makes the manufacturing faster and more efficient. So, we bought the machines to keep the competitors away and to increase our market shares”

Years after the investment in the new technology, the decision was made to sell the machine. However, KAMIC did not have any incentives to sell the technology second hand locally - as it most certainly would increase or create a new competitor and threaten the firms’ market shares for a relatively low price. With that in mind, the decision was made to sell the machine as far away as possible. KAMIC started their initiative by evaluating the Asian market - more specific Malaysia. But as they investigated the market in Malaysia, KAMIC found that the firm had a network with an Indian community in South Africa. With the Indian network in mind – the evaluation process to enter South Africa started. KAMIC managed to identify a market with a limited competition and with existing clients demanding the quality of KAMIC’s product. The motive for entry to South Africa was hence, motivated by the possession of an older technology that was viewed as modern in South Africa, and could, therefore, be reused to obtain a competitive advantage.

4.2.3. Systemair AB

“In our industry, it is a matter of course with 60 million people living in the British Isles to establish our business there. And again, the language is a strategic advantage.”

Olle explains that they had to dedicate a lot of resources to develop in the UK. When he was CEO at Systemair UK, they had five different companies active in the country which they have consolidated into one company. The consolidation took a couple of years and required a lot of resources, but resulted in Systemair being the market leaders on ventilation fans in the UK. The reason behind having more than one company in the UK before the consolidation can be explained by their internationalization strategy. They consider themselves as a growing company with growth and acquisitions as their incentives, which is explained as their organizational culture. This resulted in a couple of acquisitions of companies in Europe which had branches in the UK.

When it comes to South Africa, Systemair recognizes a huge potential in the growing market. As mentioned before, their industry is still a development area in South Africa and the need for ventilation systems there becomes a great incentive for entry. Olle also highlights the
importance to recognize that South Africa is influenced by the UK being a British colony once. The two countries have a historical connection that still is visible today and works as a guideline for Systemair. Olle also mentions the language as an important aspect, he points out that their corporate group is English and the reason why they choose South Africa as a host for their presence in Africa instead of a French-speaking country.

4.3. Choice of Entry Strategy

4.3.1. Universal Avenue AB
Universal Avenue has had a very cost-conscious way of entering new markets. They have always tried to launch without releasing too many resources and effectively treated valuable resources. They started a branch in London with limited staff, rented a coworking space and had their co-founder down there to recruit salespeople. In the beginning, all administration and operations were managed from Stockholm, leaving the branch in London with only salespeople out in the field selling. This meant that the company’s resources and capabilities, or at least the company’s way of using their resources and capabilities affected the firm’s entry strategy choice. Universal Avenue’s strategy is to not acquire unnecessarily high costs and not scale up more than necessary. In that way, Universal Avenue is able to keep control of the different branches.

The employees at Universal Avenue have experience from the Kinnevik-group, where the business culture is to be lean and mean and this could have an impact on the organizational culture. Key values such as time-effectively, cost-consciousness and result-driven, shape their operations, taking one step at a time when launching in new markets. Oscar explains that they do not feel the urge to rent a very big office but rather keep it as lean as possible. The culture at Universal Avenue is explained to be shaped by the employees and their past work experiences, where all employees come from different organizational cultures and bring different values with them. Moreover, the product/service that they provide have affected the choice of entry strategy. Universal Avenue provides a sales-solution where they need to recruit a lot of salespeople. Administration and operations can be taken care of centrally from Stockholm, as mentioned was the case in the beginning when the company entered the UK.

Another interesting factor affecting the chosen entry strategy, or at least making it possible to embrace the chosen entry strategy, is the industry which Universal Avenue operates in. Oscar explains that it is a very young and fast-growing industry where there is no need for heavy structures. This enables a fast and effective way of working, which makes it possible for Universal Avenue to adopt a cost-consciously and effective launching strategy.

“One thing worth mentioning, we worked with a partner in the UK which helped us establish a branch there. They help with accounting, setting up everything that needs to be set up before operating in the country, filling in all the relevant and necessary documents and so on. That helped us keep our launch even slimmer, but also to avoid
However, Oscar still highlights that they faced a couple of challenges during their launch in the UK. Even though the UK being a part of the EU at the time when Universal Avenue launched there, the regulations where a bit tricky. Hiring people and being a registered employer can be challenging in all markets they enter. Since they did not set up a company in the UK but rather a branch, it became a challenge at the start. However, as they worked with a partner they managed to solve it before the challenge escalated. Moreover, he mentions regulations for freelancing as challenging but points out that they work with a global partner that are expert within the freelancing area. The partner makes sure they follow the different local regulations.

Oscar also mentions that many companies face problems related to property rights conditions in host countries. However, this has not been an issue for Universal Avenue. They have always been able to protect their trademark. Oscar points out that it is not possible to have a patent on a business model. Furthermore, when it comes to the technical platform and their mobile application, he explains that they have all the protection in Stockholm which covers all the relevant markets outside of Sweden as well. Therefore, the property rights conditions are not something Universal Avenue focuses on when entering a new market.

Oscar also highlights that they have not faced any problems related to cultural differences, which is very normal, once entering the UK. It is similar to Sweden, and besides the language, there is not much that differs. The language differences are besides not a disadvantage, as the official language in the UK is so global. The sense of working culture and meeting culture is perceived to be relatively similar between the countries. However, Oscar still highlights the importance of trust in this context. Once entering a new market where they have to collect as much information as possible, trusting the advisors and the partners help effectivize the launch.

The entry strategy in South Africa was even more bootstrapped and cost-effective. Oscar has made it clear that the goal has been to enter the market without losing any focus or taking up any resources from the other markets and being cost-effective. As mentioned, they conducted a pilot project which is considered to be a real market test. Universal Avenue prefer to test the market in real life than sitting 6 months in front of a computer calculating and constructing models before launching. He explains that you get a result faster and can proceed from there rather than going on forever before having the gut to enter. They are working closely with a local partner, at the same time evaluating a lot of other different local partners and brands. Oscar explains that it is almost unavoidable to have local partners when entering the South African market due to the distance both geographically and institutionally.

Moreover, he points out Broad-Based Black Economic Empowerment (BBBEE) which he explains is very important to follow once setting up a business in South Africa. Broad-Based Black Economic Empowerment is a local content requirement which companies have to consider when entering South Africa. It became a challenge that could have hampered the
start-up process but the importance of having local partners to deal with this is again worth mentioning. It is very important to be on the right side of labour laws, in all the different markets. They do not view labour laws as a threat or a problem, but rather as a challenge to consider which helps them understand the market and the country’s culture. The cultural differences between Sweden and South Africa have had a larger impact than the differences between the UK and Sweden. There has been a lot of corruptions scandals and presidential resignations which is important to have in mind. Oscar has been highly involved in the pilot project and experience that the local inhabitants in South Africa are very interested in scandals and resignations questions and highlights, therefore, the importance to follow the developments. It helps international firms to understand how the South African Society works.

“Here, the governmental institution’s power is different from what we have in Sweden and it is up there where there have been problems with corruptions, on the governmental level. In Sweden, we trust our authorities far more. That is why it is even more important to work with local partners, this is how we have dealt with the cultural differences and challenges. We work with local partners that know the market more than us and acts as our advisors.”

With that in mind, Oscar explains again the importance of trust, but on a different level. The trust aspect in the UK is important, but it is far more important in South Africa. Having the urban, cultural and commercial distance in mind which is far more distant than between the UK and Sweden, their advisors and network together with their trust aspect play a bigger role.

**4.3.2. KAMIC Group AB**

KAMIC works consecutively on scouting new markets to enter. However, once they have identified a market to penetrate, KAMIC prefers to either start small, to not expose too many resources or through acquisitions to enable more control. Their entry to the UK market was made through an established acquisition strategy, since it was considered more valuable to acquire something that already existed. Greenfield investment was considered too big because of the requirements of good developers, large and expensive locals with long contracts and environmental requirements. Even if KAMIC’s experiences in the UK mostly focused on the positive aspects, like, advantageous labour legislation that allowed the firm to adjust the number of required employees during conjecture cycles, the UK was considered tricky when it came to real estates.

“It is complicated because KAMIC groups will most certainly be different in 10 years, as we were different 10 years ago. to sign a 10-20-year real estate agreement is not optimal as it can be too big or too small within a 10-year period.”

In the start-up process, KAMIC did not experience any challenges or anything aggravating with trade barriers or property rights conditions in the firm's launch into the UK. Yet, they notified cultural differences that deviated from the typical Swedish behavior that they had to
notice and deal with. The UK are considered more direct and characterized by a tough business approach with apparent hierarchies. Furthermore, they are significantly more self-assured, even in positions where they do not have a negotiating position. In contrast, Swedes are characterized by a consensus and decentralized business structure with a high level of involvement on different levels – which makes decisions processes longer but often ends up with good results. Despite challenges in the integration process in the involvement of employees in a more decentralized business structure, KAMIC is positive about the way they handled the cultural differences.

F: “We are very adaptable and have a great understanding of other cultures. As well as people from the UK starts to understand the Swedish way of doing business. We do not have any ambitions in doing the UK structure more Swedish. We understand the cultural differences and we try to adapt.”

KAMIC’s experiences in South Africa was considered more complicated compared to their entry into the UK. Complications that was the rationale for the firm’s decision to part in a joint-venture partnership. As it was considered too problematic to operate a business in South Africa independently, KAMIC asked a local partner from the Indian community with experience in start-up processes and business regulations, to engage in the partnership. When traveling to South Africa for meetings with government officials to get the business started, Fredrik was introduced to local requirement grants. The grants included investment support with a scoring system whereas firms acquire scores based on the choice of the investment industry, the hiring of minorities and partnerships with local firms. The scoring system was perceived as a big advantage initially that also generated incentives to partner in a joint-venture.

F: “First, if you invest in high-tech industries you get scoring points. And this was a typical high-tech product so we checked that one. Then you got bonus points if you partnered with a local partner. And if the partner was non-white you got even more points - like our partner. So, we got even more points. Then, if you had a woman - it was like a double jackpot. Then you got even more points and it just continued. So, instead of having the local partner as CEO, we decide to have the partner’s wife on paper as CEO which gave us maximum points. So, we took our machine, which was our equity in this investment and we said that we share the ownership. We provide the business with the machine, technology, and the education. And you are responsible for the sale. In the beginning, it was hard to find the right people to manage the sales. But we solved that problem by hiring people from India who were good and experienced with the machines.”

Even if the entry strategy into the South African market was through a joint-venture, the operation was still quite small and did not expose too much of the firm’s resources. The South African operation consisted of KAMIC’s partner Ben, his wife and 4 people responsible for
the sales. A bigger operation was not considered necessary as the technology to a large extent was automated. Yet, the start-up process was experienced to be challenging as problems finding the right competence erupted together with long procedure and differences in the way of operating businesses. KAMIC noticed, for instance, limitations in the performance of accounting, overcharged working hours by the partner who ran a separate firm at the same time and on some occasions a 2-3 months delay on reports. These events affected the trust aspect of doing business - as if the joint-venture brought negative results, KAMIC got affected. Even if it was acknowledged that the joint-venture strategy was implemented to deal with a more challenging environment with cultural differences and different ways of conducting business, the partnership was in great need of control to uphold trust between KAMIC and the local partner.

F: “We had to use control mechanisms. Which cost us money and time where we needed to double check the intern bills to make sure that they were fair and correct. Later on, we signed a contract that limited the partner's opportunities in reporting late, by saying that they worked this and this much hours. The contract included a budget to control the number of working hours that they could not exceed, even if they worked more hour than agreed.”

KAMIC Group did not experience anything aggravating with property rights conditions in the UK market, as everything already was established with the firm’s acquisition strategy. The different entry strategy into the South African market with a joint-venture that included shared know-how, did not really bother the firm's property rights protection strategy. This was mostly due to geographical distance together with established technology advantages that made the partner not considered a competitor. KAMIC did neither bother or experience corruption in South Africa due to ethics and the desire to do right for themselves. Fredrik also argued for a lack of incentives within the Business to Business industry to be involved in corruptive events, which is more common in involvements with the public sector.

4.3.3. Systemair AB

Systemair has had a very clear strategy where the main goal was to have 100% ownership and rather start a sales company in the country they are entering than establish distributor partnerships with local partners. The same strategy was applied when they entered the UK. Systemair AB wants to have full control, and despite partnerships and distributors being usual in their industry Systemair chose to start a British company with a 100% control.

Olle explains it to be more comparative advantageous to have Systemair-employees in the different markets they enter. By having Systemair-employees that represents the company and its core values, the control of the company and its business increase. In that way, Systemair makes sure the employees are focusing 100% on selling the products they produce in their factories which generates an economy of scale. By having this strategy, Systemair receives valuable input about the product and marketing as their own employees work directly towards customers. By having partners and distributors, which they have in some countries, they do not feel they receive the input where the information about the market stays at the distributor. The input-seeking culture is furthermore based on their products that are very dependent on
the input they receive. By having 100% ownership in the sales companies they set up, they make sure that their employees focus and dedicate their resources on only selling Systemair’s products.

Olle mentions that the start-up process in the UK is very smooth, especially for a company like Systemair with an acquisition strategy. As mentioned before, they “slipped in” to the UK market and it was not more complicated than that. However, he highlights that the currency has been a challenge for them. As their corporate group currency is Euro, the British Pound becomes a challenge to tackle.

Systemair has not been exploited towards challenges related to property rights conditions either when they entered the UK. Olle explains that it is hard to protect their products as there are too many firms producing the same thing in their industry. He mentions that there are a few technologies in their industry that are protected by property rights. Furthermore, Olle highlights that there are some cultural differences between Sweden and the UK that are worth to have in mind. He explains that the cultural differences become even more important to understand once acquiring a new firm from a different country. Systemair was also exposed to cultural differences during their big consolidation project. It required resources from the corporate group’s management, where the management had to travel to the UK to solve the problems. The solution was to try to influence the newly acquired companies with their organizational culture to ease the integration, whereas trust played a big role. However, Olle points out the locational advantage where the travel time is 2 hours was considered a relief.

Olle mentioned before that they had established local partnerships in some of the countries they are active in, and South Africa is one of those countries. The cultural differences were high and Olle explains that they had to handle them by including local partners. At first, they had a distributor in South Africa that bought their products for a couple of years. Then, they used the established contact with the distributor and set up a company there from scratch, where the distributor was offered the CEO position. As South Africa is considered to be too distant, building from scratch was preferred above acquiring and investing too much. Seven years after they set up the company, they made their first acquisition in the country, acquiring a factory. The acquisition was due to the high transport costs of producing the products in Europe and exporting to the African continent.

Establish a distributor partnership and then building their own company from scratch helped the company receive valuable input about the market potential and the need for their products. As there were some uncertainties related to how well their product would sell in the country, the distributor became a real market tester for them. Besides, there were local content requirements in the country that affected the start-up process and Olle explains the importance of having a local partner that recognizes these challenges. Challenges related to Broad-Based Black Economic Empowerment, which needed a precautionary strategy.

“We still face the challenges related to B-BBEE in our two factories, as a foreign owner that will always be a challenge. It should be a local CEO for example, and you receive different scores depending on
some requirements you need to fulfil. We are trying to evaluate carefully who we employ, which subcontractors we work with, and by subcontractors, I mean like cleaning companies or transport companies etc. We get better scoring by working with the right subcontractors locally, but we can never receive the highest scoring because then we need to have a local owner. The scorecards become more of a barrier for us, it is not something that affects us in a positive way but rather in a negative way, a challenge. Trade barrier in some of the projects. Our CEO has a big part here, as he knows the market more than us. to make it clearer, the scorecards gives us access to certain projects depending on how high we score. South African companies that automatically receives the highest scorings gets prioritized in certain governmental projects.”

The importance of having a local partner is again discussed when it comes to handling the cultural differences. Olle means that it is even more important when it comes to the informal institutions, since trust plays a bigger part. The incredibly high cultural differences and the distance between Sweden and South Africa resulted in the implementation of a precautionous strategy which was implemented, together with a local competent CEO that recognize the historical aspect and the culture in South Africa.

“The importance of trust increases the more distant a country is from the home country and the bigger the cultural differences are. We have a reporting system and modern business-systems but lesser visits from management at the headquarters. The time and cost aspect makes it harder to control and the trust to our local management is therefore very important. South Africa is a bigger issue, and therefore the trust aspect becomes more important. If the trust does not work in South Africa, it becomes a very strong challenge for us than if it would not work in the UK.”

As the country has gone through several corruptions scandals the problem with trust increases, but Olle still points out that they have not had any troubles related to corruption as it appears more on the governmental level. He considers Systemair being lower down in the value chain and are therefore not exposed to corruptions, as they do not do businesses with governments in South Africa. However, Olle explains that even though they are not exposed to corruption issue in South Africa, they follow the matter very carefully. As they are a listed company, they have a responsibility to follow and be on their toes when it comes to all the corruption-related issues in the country.
4.4. Concluding Words

4.4.1. Universal Avenue AB

Oscar highlights that the main differences in motives behind the market choice in the UK and South Africa are again the company’s state. When launching in the UK, Universal Avenue was relatively young and went for the “logistical hub”, the important locational advantage which London brought with it. Besides, the company viewed the platform as a developed market platform. However, they have come to realize that the business model might as well work in emerging markets. Oscar chooses to highlight an important similarity between the countries, an exclamation mark with the countries having relatively similar legal systems.

The main institutional differences are linked to the relationship between enterprising and politics. Oscar explains that there is a very clear difference that one needs to understand. The industry and politics in the UK are more disconnected in comparison to South Africa, where Oscar considers them being more connected with each other. This creates a need for being better prepared when entering South Africa and understanding the legal system, the political system, legislators, different forms of generals etc. to understand the industry. Oscar highlights this as a big difference in comparison to the UK and Sweden, together with local content requirements that have affected their strategy much more in South Africa.

Furthermore, Oscar compares to what extent cultural differences affected the choice of market entry strategies in the UK and in South Africa. He points out that the cultural differences were never considered once entering the UK since they consider them to be similar to Sweden and Europe, especially in the sense of business culture. Besides, a business meeting in the UK does not require cultural exchange and conversations where Oscar explains that you can go directly on business. According to Oscar, the cultural exchange is more important in South Africa for business and partnerships, together with the historical aspect where you need to be prepared for that, it has been a colony, the apartheid-regime and what happened after that. Oscar mentions the cultural and historical aspects as far more important to understand in South Africa than in the UK, which results in trust being more important in South Africa. Oscar points out that the trust aspect is important in the UK as well, but more in the sense of trust for their business partners. Trusting their partners and advisors in making sure they follow the legislation rights in the UK is not as important according to Oscar, where he explains the simplicity of figuring that out themselves. Trust in South Africa, however, is more about trusting their partners and advisors to ensure that they are doing everything legally right.

4.4.2. KAMIC Group AB

KAMIC’s overall motive to enter new markets is characterized by business opportunities. The search for business opportunities concludes the rationale for the market choice of both the UK and South Africa. Yet, The UK market was argued to be more attractive due to geographical factors, market size and exposure to almost unlimited opportunities. In contrast, even if business opportunities were identified in South Africa, KAMIC did not identify similar opportunities as in the UK. With experience in both the UK and in South Africa, KAMIC identified clear institutional differences. The biggest difference was related to challenges with
the B-BBEE in South Africa and longer procedures to get the operation running. The UK was furthermore considered more advantageous due to access to a larger established network which made the entry smoother.

_F: “because of our network in UK things are smoother. We can always ask if we face any challenges or have any questions. We do not have the same network in South Africa. The joint-venture strategy was mainly based on our lack of knowledge and lack of networks in the South African market. In the UK things are different. I just have to make three phone calls and we are up running very quick.”_

Trust was acknowledged as important once doing business to build long relationships were participants together create conditions that result in a win-win. As KAMIC Group’s business model is very trust-based, they have experienced differences in the trust aspect of doing business in both markets. As KAMIC’s entry strategy into South Africa through a joint-venture made the firm more dependent on the partner and the trust aspect were even more significant. With the experience of establishing monitor systems to control the partner – KAMIC argued that the business and trust environment was more favourable in for instance the UK.

_F: “Doing business with a firm from Scandinavia, Germany or UK is easier. We just sign a contract and shake hands and then we trust the counterpart to do right for themselves. If they do not we just call bailiff and they handle it.”_

4.4.3. **Systemair AB**

Olle mentions that the UK is a more developed market with a technological driving force than South Africa. He points out that South Africa is about 15 years behind and that their scarce technological development can be considered both an opportunity and a challenge. They do not invest in modern technological innovations to the same extent as for example the UK. However, due to the problems with getting power and energy South Africa is catching up in the technological investments. However, as Systemair consider their products high-technological and their position globally to be in the forefront, the scarce technological development becomes an opportunity to introduce the country for their modern products that might help South Africa with the problems they face.

When it comes to the institutional context, Olle mentions that the cultural differences have been the biggest differences between the countries related to institutions. The cultural distance in South Africa is much higher and that is why they applied a precautionary strategy. The trade barriers and the local content requirements are also big differences related to institutions, in South Africa with the B-BBEE in comparison to the UK where there were no barriers at all except the currency (which is, of course, a problem with South Africa as well). However, Olle highlights an upcoming threat that the company is monitoring carefully. As they do not have any local production in the UK today but rather a sales company, Brexit becomes a threat. Olle mentions that the British producers are waving their hands very high and trying to convince people to buy British-produced products, and points out that they are
monitoring the development and the negotiations between the UK and the EU when it comes to trade agreements.
5. Analysis

This chapter addresses the aggregated empirical data in relation to the applied theories, models, and previous studies. The collected empirical data, the theories, models and previous studies are compared to the conditions in the two selected countries presented in Appendix 1.

5.1. How fundamental are the institutional differences in the market evaluation process?

Johnson et al. (2008) argue that the implementation of an international strategy is significant in a firm's selection of market and entry mode choice. According to Dunning and Lundan (2008), Ownership, Locational and Internalization advantages are the main components that determine firms' engagement in cross-border investments. In this study, the empirical data shows clearly how the OLI components were used as a rationale for market choice by the different case-firms.

to identify Ownership advantages, it is necessary to take into consideration the established competitors on the markets that the firm aim to enter. Dunning and Lundan (2008) argue that the ownership advantages enable the firm to either produce at a lower cost or charge higher prices than its competitors, which can create a useful competitive advantage. to identify Locational and Internalization advantages - the focus should be on market characteristics such as existing customers, suppliers, and competitors together with the institutional context (Dunning, 1998). In the study’s empirical data, the three components are mentioned and taken into consideration by all the case-firms once analysing new markets.

“...Universal Avenue’s business model depends very much on the three components Customers, Suppliers and Competitors and especially the first two.”
- Universal Avenue

In the UK, the case-firms motive for market choice was rather identical, whereas two out of three components were of significant importance in their market analysis. Dunning’s (1988) Locational Advantages was identified as one important rationale for the market choice. The UK's big market characteristics, inhabitants, customers, and business environment attracted the firm’s investments into the British Isles. The case-firms launch into the UK was in other words characterized by a market-seeking agenda (Rick & Baack, 2012), whereas the locational advantages based on the factors linked to the exploited of market opportunities played an important role.

When analysing the locational component, not only advantages were identified. Differences in cultures and business regulations acting as disadvantages were also taken into consideration. Especially in the UK where Kamic and Systemair entered via acquisitions, the consolidation of the acquired firm into the group was tricky. The empirical data showed that differences in business cultures played an important role in the evaluation, most certainly in the evaluation of acquiring a firm. Consolidating a newly acquired company into the Group requires an analysis of the prevailing culture in the acquired company's country (Dikova & Witteloostuijn 2007). However, the disadvantages were considered minor in contrast to the
advantages of the institutional structure, which, was perceived strong in the UK. These findings were in line with Brouthers’ (2013) argument that European firms rather prefer acquisitions in countries with strong institutional structures.

Even if Locational advantages were essential in the firms’ motives for entering the UK, Dunning’s (1998) Ownership advantages played notably the biggest significant part. The most common argued ownership advantage was the case-firms’ resources and capabilities in terms of access to a network, together with international experience. The experience and the access to possessed networks were important aspects that provided incentives for the companies to gain a foothold in the British Isles. The findings are in line with Meyer et al. (2009) that argue that network resources are fundamental once deciding which market to enter. Furthermore, Ownership advantages indicate who is going to engage in cross-border investments (Stoian & Filippaios, 2008), which shows that organizational structure and culture plays a big role as well. These arguments are consistent with this study’s empirical data, whereas all selected case-firms mentioned the organizational culture as a part of the motive behind their market choice.

The case-firms motives for South Africa as a market to enter was relatively similar to each other. In contrast to the UK market, the case-firms’ international strategy was diversified to all three of Dunning & Lundan’s (2008) components Ownership, Locational and Internalization. Despite the motives weighing over to Locational advantages, Ownership and Internalization advantages were identified to some extent as well. According to the study’s empirical data, the Locational advantages in terms of the market demand was the biggest motive for the case-firms’ entry to the South African market.

Even if the selected case-firms identified Locational advantages in the form of product and market demand, the firms were not certain on how well their product would sell in the South African market. This resulted in a relatively similar strategy for all selected case-firms, or at least a similar “before-math”. All selected case-firms chose to commit a relatively scarce resource-required strategy, to test their product in the distant country. In South Africa, the firms were as mentioned uncertain about the identified locational advantages, hence the established strategy helped the firms ensure their analysis. Even the slightly identified Ownership advantages in the sense of technological resources generating a comparative advantage in producing highly demanded products were uncertain. This is due to the institutional aspect and the lack of ownership advantages in the sense of scarce knowledge about the institutional context and the market in South Africa together with the identified insufficient of relevant network in the market. The participants pointed out their lack of understanding the country’s culture in general together with the existing business regulations and the way of conducting business. However, even if the insufficient Ownership advantages was considered challenging in South Africa, the country contained attractive elements connected to the locational advantages. According to the study’s selected case-firms, the potential customer base was attracting their investments together with the huge market potential. Again, the firms could be categorized into market-seeking.
“So, we did a smaller research about the South African market and we did not really find any really established manufacturers in South Africa. The market was evaluated to fit, South Africa was rising and there was also a lot of investments in the country”
– Kamic

“We entered the South African market in 2007. Again, we looked at the economy, the state of the country’s development when it comes to housing and premises and the need for ventilation systems.”
- Systemair

Yet, some strategic asset-seeking behaviour was identified as well. The “desire to gain access to different cultures, institutions and consumer demands and preferences” (Dunning, 1993, 1998) was a part of the motive behind Universal Avenues’ choice to enter the South African market. Universal Avenue points out their organizational culture being influenced by a global mind-set, where they categorize themselves as born globals, together with the curiosity about new countries and cultures. According to the study’s empirical data, Universal Avenues’ team find it extra exciting to launch in as distant countries as possible.

Dunning and Lundan (2008) argued that if firms found it more benefiting to internalize their business activities in a cross-border market rather than exporting, they will choose FDI. In this study, both Systemair and KAMIC group have expressed an organizational culture and structure consisting of an acquisition strategy. Yet, once South Africa was chosen as a market to enter, both firms decided to reject the commonly used strategy of acquisitions due to the institutional context. With Dunning’s (2000) argument about the (O) and (L) as motives for (I) in mind, the Ownership and the Locational advantages in South Africa was as such that the firms found it more benefiting to reject their acquisition strategy. Which provided incentives to apply a more careful and cost-efficient strategy with the institutional context in consideration.

When comparing the motives behind the choice of the two markets, linguistic and historical aspects were found to be similar between the two markets. The two similarities mentioned generated valuable information in the choice of South Africa as the next market, as all firms entered the UK before South Africa. Besides, having launched in the UK first helped the firms with measures easing the uncertainty and transaction costs of not knowing if the product would fit in South Africa. Kittilaksanawong (2016) argues that marketing resources are easy to transfer to distant countries when considered the regulative institutions. In contrast, technological resources, organizational slack and externally raised financial resources are not as easy to transfer to distant countries. However, for Universal Avenue, again having launched in the UK first, helped the firms transfer of technological resources to South Africa, despite the institutional distances.

“...a lot speaks for launching in an English-speaking country. Our business builds a lot on partly the technical online platform for recruiting and educating talents but also a mobile app which works as
a sales support. This means a lot of content that needs to be translated to the local language, and there is certainly a benefit of translating it to English because partly it is easy but also because you know it will always be needed. It will most certainly be used later on.”

– Universal Avenue

The advantages identified as a rationale for entry to the UK and South Africa was rather similar. However, the empirical data shows that Ownership advantages played a bigger role in the firms’ entry into the UK. In South Africa, it was rather the locational advantages that were essential in the attraction of the case-firms’ investment in the country. The selected case-firms mentioned that Ownership advantages in the shape of network and international experience as important to handle institutional context differences, the more Ownership advantages in a country the lesser distant the country is perceived to be. Ownership advantages contribute access to local knowledge about institutional characteristics, which is beneficial in handling institutional differences. Furthermore, the Internalization component was only considered once entering South Africa in contrast to the UK where it does not seem to have an effect. Moreover, all selected case-firms can be categorized into market-seeking in their entry to both countries. However, entering South Africa, Universal Avenue showed a strategic asset-seeking behaviour as well.

5.2. Which entry strategy is used to address the differences in formal institutions between developed and emerging markets and why?

Beyer and Fening (2012) used three commonly used themes that dictate the constraints of formal institutions once entering foreign markets. The empirical data in this study shows similarities between the selected case-firms in motives and choice of entry strategies to the UK and South Africa - with the characteristics of the prevailing formal institutions as a justification.

According to the Soto (2000), developed economies tend to be characterized by stronger institutions and conditions that facilitate the entry of the foreign firm by lower transaction costs. This argument in contrast to emerging markets, that tend to be characterized by weaker institutions and higher transaction costs. The study’s selected case-firms have all experienced and been victims of differences in strength of the institutions in the UK and South Africa. Institutional characteristics have governed the way of entry to both countries.

According to the study’s empirical results, all case-firms were united regarding the smoothness in their entry to the UK. As a member of EU and strong institutional characteristics, business regulations and start-up processes were identified as identical with the firms’ home country and not considered a major challenge. The well managed and enforcement of business regulations within the EU together with the identified similarities between Sweden and UK allowed the firms to commit more resources in their entry strategies towards the British Isles. Finding that is in line with conclusions made by first Diktova and Witteloostuijn (2007), who argue that countries with strong institutions and low transaction costs enable firms to commit more resources by establishing wholly-owned subsidiaries.
Secondly, Meyer (2001) who argues that well-developed institutional characteristics are more likely to result in high control strategies as wholly-owned subsidiaries by entrant firms.

Both KAMIC Group and Systemair “slipped in” to the UK market through acquisition strategies. Both firms concluded that the attractiveness of the acquisition included the acquired firm's operations in the UK. The acquisition gained a foothold in an attractive market together with a fast establishment of local presence and access to local knowledge. According to Dikova and Witteloostujin (2007), foreign firms prefer acquisitions before greenfield investments in countries with strong institutions. The authors argue that acquisitions are the most efficient way to achieve the goal of local knowledge absorption, including having managers who are familiar with the industry and the local market conditions. This reduces the uncertainty and as a result the transaction costs. Moreover, acquisitions imply a more certain expected rate of return. Arguments confirmed by KAMIC Group whereas Greenfield investments were considered too big because of costly and specific requirements to be successful.

Even if all case-firms faced some challenges consisting of hiring, real estate, and currency issues in the start-up process, due to prevailing regulations in the UK, they were considered minor. According to Beyer and Fening (2012), this could be due to the cost of these challenges are categorized and considered as low risk and does not have a significant effect on the transaction costs.

According to Tihanyi et al. (2005), firms opt to dedicate low levels of invested capital and lower equity positions once entering countries with a large geographical distance. Furthermore, Meyer (2001) argues that firms entering markets with weak institutions are more likely to choose an entry strategy with low levels of control and committed resources. In this study, the empirical findings are in line with the mentioned statements of both Tihanyi et al. (2005) and Meyer (2001). Universal Avenue and Systemair selected a cost-effective entry strategy into the South African market. Strategies that consisted of indirect export by Universal Avenue, more specific a pilot study, and direct exporting with a local distributor. The low commitment strategy was needed to handle uncertainties and transaction costs related to the lack of knowledge concerning the institutional context and to test how well the product would sell in South Africa. KAMIC Group’s entry strategy into the South African market through a smaller joint-venture operation, with the motive to not expose too many resources, was, in fact, more aggressive with a 50/50 ownership structure with a local partner. Joint-ventures are according to Meyer et al. (2009) and Kittilaksanawong (2016) an effective strategy that allows firms to overcome different kinds of market inefficiencies related to institutional and governance structures. Joint-ventures do furthermore provide direct access to local know-how.

All the case-firms used a partner to different extents in their launch in South Africa. They agreed and mentions local know-how as a necessary resource once entering the South African market. The partnership was considered important to address the local content requirement B-BBEE and to reduce transaction costs in the start-up process. According to Oscar from Universal Avenue:
“There is almost unavoidable not to have local partners when entering South Africa because you do not know the market enough and the system around it”.

The argued necessity to use a partner once entering the South African market to reduce transaction costs did not eliminate the firm's cost of doing business completely. The firms faced severe challenges in their search for right competence to comply with the B-BBEE, together with longer procedures, monitoring mechanisms to control partners and to avoid fraud. As KAMIC group addressed the B-BBEE as a positive surprise initially, Systemair faced different experience with the requirement.

“We still face the challenges related to B-BBEE in our two factories. We are trying to evaluate carefully who we employ, which subcontractors we work with, and by subcontractors, I mean like cleaning companies or transport companies etc. We get better scoring by working with the right subcontractors locally, but we can never receive the highest scoring because then we need to have a local owner. The scorecards become more of a barrier for us, it is not something that affects us in a positive way but rather in a negative way, a challenge. Trade barrier in some of the projects. Our CEO has a big part here, as he knows the market more than us. To make it clearer, the scorecards gives us access to certain projects depending on how high we score. South African companies that per automatic receives the highest scorings gets prioritized in certain governmental projects.”

– Systemair

According to Yamakawa et al. (2008) the likelihood of being exposed to discrimination is higher for foreign firms in support of domestic firms in emerging markets, likewise, Systemair experienced - is not unusual and considered as a major challenge for foreign firms and is difficult to deal with.

Property rights conditions are widely acknowledged in the institutional theory and in the international business research addressing foreign market entry strategies as fundamentally significant (Beyer & Fening, 2012; Boudreaux, 2012; Korutaro & Biekpe, 2013; North, 1990). Especially for technology-intensive firms entering foreign countries with weak institutional characteristics, to protect firm-specific advantages (Meyer, 2001). As emerging markets are characterized by weak institutions with weak enforcement of contracts and property rights, firms - within the technology-intensive industry have incentives to protect intellectual resources by establishing wholly-owned subsidiaries (Meyer et al., 2009). In line with the findings of Dikova and Witteloostuijn (2007), this study’s empirical data with the three case-firms does not show any evidence that supports the incentives of committing more resources in countries with weak institutional characteristics to protect property rights. Oscar who represented Universal Avenue mentioned that property rights are in fact important in
general. But that the firm with the chosen entry strategy relies on the conditions for property rights in Sweden that covers relevant markets outside of Sweden as well. Systemair argued that property rights in their case were hard to protect due to the firm’s product and competition with many firms producing the same product. The joint-venture strategy applied by KAMIC group is argued by Johnson et al. (2008) and Meyer (2001) as difficult to manage due to imitation and weak enforcement power of the judicial system. However, KAMIC argued that they did not see shared know-how and potential imitation of the local partner as a threat due to possessed technology advantages. Therefore, property rights were not considered aggravating. Furthermore, the case-firms did not face any challenges related to property rights with their operations in the UK neither. According to Fredrik from KAMIC group, they relied and trusted the strong institutions in the UK and therefore did not consider property rights conditions to be problematic if a dispute would arise.

When comparing how the entry strategy of the case-firms were used to address the difference between the formal institutions in the UK and South Africa, the rationale described by the case-firms is considered similar. Yet, even if the motives and the experiences are in line with each other – the case-firms choose different strategies to enter the different markets. According to Peng (2009), the institutional context differs between developed and emerging markets, whereas developed economies are characterized by strong institutions with low transaction costs in contrast to emerging markets that tend to have weak institutions and high transaction costs. The empirical data clearly identify differences in experiences when comparing the two economies with each other. Differences related to the prevailing institutions that furthermore had a great effect on the transaction costs. Universal Avenue argued that the industry and politics were more disconnected in the UK compared to South Africa. Which required more preparation once entering South Africa in contrast to the UK. The different experiences of doing business in South Africa with the B-BBEE requirements together with knowledge of different legal systems and political systems also increased the case-firms’ transaction cost. As a solution, they were all united in the assumption that a local partner was needed once entering South Africa, in contrast to the UK whereas the entry was considered less challenging with a business environment similar to the firm’s home country. Findings in line with North’s (1991) statement that uncertainty and high transaction costs are a direct result of incomplete information and unfamiliarity of organizational interactions and Meyer et al. (2009) who argue that the use of local partners as an effective way to access local know-how and to reduce transaction costs.

According to Anderson and Gatignon (1986), in environments with weak institutions and high transaction costs, the need for control is higher and involves a higher commitment of resources as wholly-owned subsidiaries. With the experiences of low transaction costs in the UK and high transaction costs in South Africa, the study’s empirical data rather shows the opposite. The firms entered the UK through a branch and by acquisitions. Entry strategies that involve more resource commitments and more control. Once entering South Africa, all case-firms decided to use the cautious entry to not expose too many resources. Even if KAMIC used a more aggressive strategy with a joint-venture – it was still conducted through a smaller cost-effective operation in South Africa. Findings that support arguments made by Meyer
(2001) and Dikova and Witteloostujin (2007) who states that firms opt to commit more resources once entering countries with strong institutions and low transaction costs.

Similar to Dikova and Witteloostujin (2007), the empirical data did not support the argument that technological intensive firms opt to commit more resources in countries characterized by weak institutions to protect property rights.

5.3. **Which entry strategy is used to address the differences in informal institutions between developed and emerging markets and why?**

In Appendix 1, Hofstede's cultural dimension scores between Sweden, the UK, and South Africa were presented to show the differences in power distance and uncertainty avoidance. As the table illustrates, South Africa scored 49 in both variables measured showing that the population has a relatively high acceptance of an unequal distribution of power and tries to avoid conflicts with established laws or norms. Corruption scandals are one example, where all the study’s selected case-firms mentioned that corruption occur on a governmental level and therefore do not affect them. The corruptions appearing only on a governmental level with an unequal distribution of power, and the “it does not affect us”-attitude as the relatively high acceptance and avoidance of conflicts, shows that South Africa’s culture is relatively characterized by Uncertainty Avoidance and Power Distance.

As mentioned in Appendix 1, David Bruce (2014) stated that rhetorical declarations from ANC and their representatives are taken as contradictory by the population in South Africa. Yet, ANC has been ruling the country since 1994 despite the many scandals including allegations of corruptions within the party, which shows that the country is characterized by an “acceptance-culture”. The problems with corruption are accepted as a part of the country’s culture, and the population’s acceptance of an unequal distribution of power allows them to look beyond the corruption when voting. The local culture of acceptance and the “it does not affect us”-attitude, has contaminated the Swedish firms’ way of dealing with the corruption problems. As mentioned above, all of the study’s selected case-firms explained that corruption does not affect them as it appears upon a higher level. The firms are based in a country with zero tolerance against corruption, whereas the “it does not affect us”-attitude is rather a contamination from their local partners.

“Here, the governmental institution's power is different from what we have in Sweden and it is up there where there have been problems with corruptions, on the governmental level. In Sweden, we trust our authorities far more. That is why it is even more important to work with local partners, this is how we have dealt with the cultural differences and challenges. We work with local partners that know the market more than us and acts as our advisors.”

– Universal Avenue

Entering the South African market requires knowledge about the country’s history. All of the selected case-firms highlighted the importance of understanding the historical aspect of South
Africa when entering. The difficulties of acquiring the required knowledge almost exclusively force the firms to use a strategy where it includes a local partner. The unofficial requirement on the knowledge, or the historical aspect, is the reality perspective. The firms needed to have in mind the local populations perspective on the historical aspect, which made it difficult to acquire the knowledge without working with a local partner. As the historical aspect has played a big role in the country’s culture, the local populations perspective become of a high importance. All companies highlight the distance from the home country and the importance of the local partners recognizing the historical aspect of South Africa being a colony and having an apartheid-regime.

The trust aspect became a challenge in the case-firms’ experiences in South Africa. Because of the geographical, historical and cultural distance, trust played a big role when entering South Africa. When you have a local partner, one need to rely on one’s partner. The local partner is trusted to know everything about the country’s culture and to deal with it in the right way. If the relationship with the local partner fails, it is a big challenge to restore it due to the geographical distance. Anderson and Gatignon (1986) argue that in environments with weak institutions and high transaction costs characteristics, the need for control is higher. The selected case-firms pointed out the importance of control mechanisms when working with local partners in South Africa.

“The importance of trust increases the more distant a country is from the home country and the bigger the cultural differences are. We have a reporting system and modern business-systems but lesser visits from management at the headquarters because of the time and cost aspect makes it harder to control and the trust to our local management is therefore very important.”

– Systemair

Trust is argued to be highly related to institutions and that the institutional and cultural framework which foster trust is considered different in different countries (Park, 2012; Sobel, 2002). According to Hofstede et al. (2012), countries with low levels of Uncertainty Avoidance are considered to trust people outside of their closest environment. Sweden scored 29 in the Hofstede’s dimension Uncertainty Avoidance which can be considered relatively low. The study’s empirical data confirms Hofstede's and Tabellini (2010) argument in which countries with strong institutions and low uncertainty levels tend to not have problems to trust people outside of their closest environment. The case-firms did mention partners to work with and access to networks as significant in their entry strategies, which require trusting accepting traits.

According to Park (2012), institutional differences can result in mistrust when it comes to the fulfillment of contracts and extended procedures. KAMIC Group mentioned the level of trust in relationships with a local partner in South Africa got affected negatively due to overcharged working hours, limitations in accounting and delays on reports. to control and uphold the partnership - the decision was made to implement control mechanisms that increased the transaction costs. When the trust level is high, as it was initially - there is no
need for monitor systems. However, as the reliance on the local partner in South Africa was considered widely important, the trust aspect became crucial. As Universal Avenue mentioned, they were more dependent on their local partners and advisors in South Africa in doing everything legally right as it is a different culture.

Tabellini (2010) states however, that countries with weak institutions and high levels of corruption are associated with negative cultural traits such as low trust towards unfamiliar people. This is believed to be true when it comes to South Africa, due to their “acceptance-culture” of corruptions where the ANC party has been voted to rule the country 5 consecutive times despite their corruptions scandals. This might be because the South African population has a low trust to unfamiliar people. As the ANC party has been ruling the country since 1994, the other parties might be considered as unfamiliar. This becomes a challenge for international firms who wish to enter South Africa, with the possibility of being labeled as unfamiliar.

Erramilli (1996) explained that if the firm’s home country has a low level of power distance while the country which the firm wishes to enter has a high level of power distance, the firm will tend to decentralize their foreign operations and share the control with a foreign partner. The study’s selected case-firms have all identified this and explained the importance of having a partner in South Africa which they can trust. Furthermore, Erramilli (1996) uses Uncertainty Avoidance in the same context, whereas firms from countries with low level of Uncertainty Avoidance are more flexible and open for shared control with local partners in countries with a high level of Uncertainty Avoidance. All selected firms have used a strategy including a local partner, where the strategies have been characterized by defensive and carefulness. As Sweden is a developed country, the selected case-firms entering the emerging market South Africa are not eager to take high risks. This is in line with the findings of Tihanyi et al. (2005), where firms from the developed part of the world are more risk-averse once entering countries with large cultural distance. Furthermore, cooperating with a local partner is needed to fully understand the environment in the distant country.

In the UK, having a partner is not necessary to the same extent for a successful entrance. The selected case-firms showed that the complexity of an entrance to the UK is very low, where two of the firms slightly “slipped in” through acquisitions of other European firms having branches in the UK. The third firm started a branch themselves by hiring a co-working space and a couple of salespeople and the business was on. As the UK scored 35 in both Power Distance and Uncertainty Avoidance, while Sweden scored 31 and 29, the cultures are perceived to be relatively similar which can explain the simplicity of Swedish firms entering the country.

However, cultural differences are not fully excluded from Sweden and UK. Some cultural differences were highlighted as important to consider, especially related to hierarchical structures within firms. However, they were not perceived to be challenging in that way due to the geographical advantage that the UK has. All selected case-firms highlighted the simplicity of traveling to the UK to sort problems out once they occur, something which is not as easy to do when it comes to South Africa. Furthermore, historical UK has faced problems
with the inhabitant's attitude towards international firms. As mentioned in Appendix 1, the country has a history of multiculturalism, immigration issues, and national identity issues. Which has become a challenge for the case-firms, however, the entrant firms have not had incentives to change the British way of doing business and have had a very adaptable attitude towards the cultural differences.

With the UK, not too distant from Sweden, the trust aspect plays a minor role and challenges related to trust are considered easier to handle. As the selected case-firms pointed out, the trust part in the UK is more about trusting the partners you do business with. Taking a step back and trusting your partners and advisors to make sure everything is done culturally right is nothing the selected case-firms had in mind, as the culture is similar to Sweden and it is easy to figure that out. However, with the mentioned issues that the UK are facing, international firms might face trust challenges. Challenges that might lead to mistrust when it comes to the fulfillment of contracts (Park, 2012). Yet, as mentioned before the geographical distance has been a relief in the sense of maintaining trustful partnerships.

The biggest differences between the UK and South Africa is the scoring in Hofstede's dimension (Hofstede et., 2012), explaining the prevailing Uncertainty Avoidance and Power Distance in the country, but also the importance of geographical and historical aspects and the local populations perspective. The Hofstede's measure show that the UK is not that distant from Sweden when it comes to the cultural part of the institutional context. South Africa, on the other hand, scored 49 in both dimensions measured, which shows that the country is far more culturally distant from Sweden than the UK is. These conditions are taken into consideration in the firms' decision-making process and choice of entry strategy. In South Africa, the country's history and culture are according to the case-firms important to have in mind in the decision-making process. However, this is considered tricky to handle due to the geographical location. The UK in contrast, is an approximately 2h flight away from Scandinavia, a geographical advantage that is considered significant.

A similarity between the two countries working as an advantage is the linguistic aspect, having English as an official language is of course taken into consideration by entrant firms. Besides, the countries have a history together with the colonization that has affected South Africa as a country significantly. As mentioned before, the UK entry has enabled the firms to easily transfer technological resources to South Africa despite the country being considered institutionally distant from Sweden, where the historical and linguistic connection between South Africa and UK facilitates a lot. Again, this is kept in mind when conducting the analysis of the decision-making process.
6. Concluding discussion

The last chapter will present the conclusions of the study together with a discussion of the conclusions in relation to the previous studies presented. Moreover, the chapter will include a discussion regarding the process of the study, limitations and lastly, suggestions for future research.

6.1. Conclusions

The purpose of this study was to examine and compare the entry strategies of three Swedish firms entering both a developed and an emerging market, with a focus on different institutional contexts. To address the study’s purpose, three research questions were constructed with South Africa and the UK as studied subjects. The data was collected through three semi-structured interviews with an instrumental case study approach. The study’s findings demonstrate that institutional differences play a significant role in the case-firms choice of entry strategy. Findings in line with conclusions made by previous studies within the field.

In the first research question - how fundamental are the institutional differences in the market evaluation process? – the findings demonstrate:

- In the UK, the institutional differences were not considered to be fundamental. The motive is believed to be due to high ownership advantages which generated access to local knowledge about the institutional characteristics and reduced the perceived institutional difference between The UK and Sweden.

- In contrast to the UK, the institutional characteristics between Sweden and South Africa were considered more fundamental due to the low ownership advantages that increased the perceived institutional differences.

- Once entering the UK, the high Ownership advantages allowed the firms to stick to their main entry strategy. However, in South Africa, the firms opted out their main internationalization strategy towards a more cost-efficient and careful entry, as the institutional differences were perceived more crucial in the evaluation process.

In the second research question - which entry strategy is used to address the differences in formal institutions between a developed and emerging market and why? – the findings indicate:

- In the UK, the case-firms decided to commit more resources in their entry strategy. The motive was due to well-developed institutional characteristics together with well-enforced business regulations and start-up process similar to the home country.

- In South Africa, in contrast to the UK, the case-firms decided to apply an entry strategy with lower levels of control and resources to address uncertainty and higher transaction costs.
• In the UK, having local partners were not considered crucial for a successful entry as the country’s formal institutional characteristics are perceived to be similar to Sweden and therefore allows a smooth entry process.

• In contrast to the UK, it is necessary to interact with a local partner in South Africa due to the lack of knowledge and incomplete information about the formal institutions in the country.

In the last research question - which entry strategy is used to address the differences in informal institutions between a developed and emerging market and why? – the findings demonstrate:

• In the UK, the case-firms decided to commit more resources in their entry strategy. The motive was due to the relatively similar cultural characteristics between the UK and Sweden. Conditions that contribute to higher trust.

• In South Africa, in contrast to the UK, the case-firms decided to apply for an entry strategy with lower levels of control and resources. As the cultural differences were perceived to be higher compared with the UK, the firms choose to adopt a cost-efficient and careful entry.

• In the UK, having local partners were not considered crucial for a successful entry as the country’s informal institutional characteristics are perceived to be similar to Sweden and therefore allows a smooth entry process.

• In contrast to the UK, it is necessary to interact with a local partner in South Africa due to the lack of knowledge and incomplete information about the cultural aspect of the country.

6.2. Final discussion, limitations & future research
With the conclusions in mind, some of the empirical findings did not deviate from our expectations. Yet, before the interviews were conducted, we predicted a result that supported institutional theories assumption about the importance of property rights. Furthermore, we expected the historical correlation with the colonization and common law between the countries to be discussed to a higher extent as motives for entering both countries. Moreover, we had expectations about a higher level of dynamism in the firms’ choice of entry strategies based on which market they enter as countries is different institutionally. However, all the case-firms highlighted that property rights were not considered significant in their entry strategy process. The historical correlation was not discussed as a motive for entry to the same extent as we expected. Moreover, the firms pointed out that they have formed an entry strategy based on their organizational culture which they use in the most countries they enter. An established strategy that they prefer not to change from entry to entry.

The findings are, despite the mentioned deviations, in line with the general conclusions made in the previous research reviewed for this study. On the other hand, the study’s findings do not support the conclusions made by Kogut and Singh (1988) and Anderson and Gatignon
(1986) who argue that weak institutions and high transaction cost characteristics require more control and higher commitment of resources. We believe that the disparity is a result of differences in studied periods whereas the researches was conducted during globalization 2.0. An era dominated by big multinational companies with high resources, which enabled more resource commitments and control. Today, on the other hand, globalization 3.0 is dominated by SMEs with lesser resources and are characterized by more risk-averse traits in their internationalization strategy. As this study does not take into consideration firms size nor industry characteristics, future research should compare how different size of firms affects the entry strategy in countries with different institutional characteristics. Furthermore, future research could delimitate to a specific size of firms and/or a specific industry.

With the current changes in mind, with the newly invoked president Cyril Ramaphosa’s and his state of the nation speech in South Africa together with Brexit in the UK, a similar study would be interesting in the future - to examine how the new upcoming conditions in the respective country will affect the entry strategies of foreign firms. As the UK leaves EU, the conditions for trade agreements will probably change which might increase the institutional distance between the UK and countries within the EU. The UK as a member of the EU could be discussed as a methodological implication. If the research would have been conducted with a developed country outside EU, the findings could have been different. Therefore, another suggestion for future research would be to address a developed country outside of the EU in contrast to an emerging country.

Another methodological implication is that the study focuses on static by only addressing the entry excluding the aftermath conditions. With the experience of KAMIC group leaving South Africa due to institutional changes affecting the firm, it would be interesting to examine how firms’ entry strategy is affected by countries with dynamic institutional characteristics and including the aftermath result.
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Appendix

Appendix 1: Conditions in the UK and South Africa

The UK

The EU (EU) was established after the second world war with the goal to enhance economic partnerships, trade and to achieve peace and different political goals. The original members of the EU consisted of West Germany, France, Belgium, Italy, and Luxembourg. Later on, in 1973, countries like UK, Denmark, and Ireland decided to join the union. As a result, the fall of communism in Central and East Europe emerged, the four freedoms with free movement of goods, services, people, and capital were completed and established in the EU (Europeiska Unionen 2017). Fontaine (2014) argues that all European countries have the right to become members of the EU, as long as they comply with the agreed political, democratic and economic requirements. Today 28 countries are within the union. An outcome that has contributed to a higher level of democracy, security, trade, and growth in Europe.

The UK is considered to have political and cultural influences all over the world and EU is no exception. By being the world’s first industrialized country, the economy in the UK is considered one of the largest economies in the world. Even though the UK has changed from a manufacturing country to a more service industrial country, it has managed to keep its position in the world economy (BBC, 2017). By having a comparative geographical accession and clear regulations, the British market is a strong reference. The global language tearing down the language barriers is another comparative advantage with the market.

The country has a history of multiculturalism, immigration issues, and national identity issues. The UK is considered one of the most multicultural countries in the world and is ethnically diverse (BBC, 2017). This has raised concerns about terrorism and Islamist radicalism, which worsened during 2005 after a suicide bomb attack in London (BBC, 2017), followed by a couple of different attacks during 2017 (CNN, 2017).

The UK is ruled by a monarchy with a parliamentary democracy, where the King or Queen is considered the head of the country and the prime minister is considered the head of the government. By a parliamentary vote, the population decides the majority political party in the House of Commons, where the leader of the political party becomes the prime minister. The prime minister then acquires a cabinet from his political party, where both holds the political power in the country. With this in mind, the King or Queen has to act on their advice. The law system in the country is flexible as it is only partly written, and based on the parliamentary legislation, the EU legislation and decisions by courts of law. (Britannica, 2018).

With the clear and structured governmental and constitutional framework, the country has been able to avoid being exploited for any major political scandals. However, in 2012 Jeremy Hunt was dragged into a wiretapping-scandal. Rupert Murdoch, a businessman and former owner of News of the World which at the time was the biggest newspaper in the UK, was accused of wiretapping. This led to the newspaper being closed down. Jeremy Hunt was at the time the cultural minister of UK and it was revealed that his political counselor Frederic Michel had shared “insider-information” with Rupert Murdoch. Rupert Murdoch’s company, News Corp, where in the middle of an ongoing acquisition of BSkyB (an acquisition which he never fulfilled due to the wiretapping scandal), and the acquisition was being discussed in the parliament. Rupert Murdoch revealed in front of the court an email conversation with Frederic Michel, where the latter informed Rupert what Jeremy Hunt was going to say in front of the
parliamentary about the acquisition. As a result of this, Frederic Michel resigned from his duties as Jeremy Hunt's political counselor. Even though Jeremy Hunt was exploited for pressure to resign, he was backed by the prime minister David Cameron at the time and continued as the cultural minister of UK until 2012 and has been the health and social care secretary since. (Bloomberg, 2012; Parliament, 2018).

**South Africa**

Africa is a continent with a long history of warfare, slow economic growth, low per capita income, unstable political regimes with bribes and corruption, and health problems. As of today, some countries on the continent still faces these challenges. The mentioned conditions have historically resulted in low levels of investments and growth (Barabinde 2009). Several African countries started to initiate economic reforms in the 1990’s aimed at increasing the role of private sector, improvement of regulatory frameworks for FDI and institutions, trade liberalization, and improvements in telecommunications and transport infrastructure (UNTAC, 1999). Enforcements that first and foremost has attracted investments from countries all over the world.

South Africa, an emerging country, is one of the countries that have attracted most investments from foreigners. The country is rich in natural resources and has one of the largest economies on the African continent. As well as having well-developed financial systems, communications and transport sectors, together with a market that facilitates an open trade policy. Conditions that make the country a natural investment district for foreign investors in Africa (World Bank, 2017).

South Africa is a member of the BRICS association since 2010. The association includes the world's biggest emerging economies consisting of Brazil, Russia, India, China and South Africa (BRICS, 2017). Emerging economies with high GDP growth attracts foreign firms by offering market opportunities such as less market competition that enables higher return on investment, which can contribute to entrant firms’ growth (Sakarya et al., 2007; Xu & Meyer, 2012). However, emerging economies are characterized by less market-supporting institutional context and higher transaction costs compared to developed countries. Conditions as such could reduce profits and return on investment (Driffield et al., 2013).

South Africa has during the last decade faced challenges related to e.g. institutional problems (corruption and bribery), political turmoil and low demand on the country’s commodity exports. Conditions that have slowed down the economic growth due to business uncertainty and resulted in two recessions in 8 years, increased unemployment and a significant weakening in the country’s currency - “the Rand” (Bloomberg, 2017, 2018).

The institutional problems that have resulted in the ongoing conditions in the South African economy is not a new phenomenon. Lannegren & Ito (2017) states that corruption and bribes in South Africa have become a normal everyday occurrence with at least one scandal each year during the last two decades. According to Krsteski (2017), corruption and bribes in South Africa mostly include the private use of public resources, bribery, and improper favoritism. South Africa scored 45 points out of 100 on the Corruption perception index in 2017 constructed by Transparency International. Figures that indicates a drop of nearly 34 places since 2001, with half the decline of 17 places occurring since 2009. South Africa is currently ranked at number 72 out of 175 countries and heading downwards (Transparency International 2017). The word “tenderpreneur” is commonly used in South Africa and involves individuals who enrich themselves through corrupting the awarding of government
tender contracts - mostly based on personal connections and corrupt relationships. Furthermore, bribery might also take place - whereas, involving an elected or politically appointed official or his or her family members holding simultaneous business interests. Conditions that often is accompanied by overcharging and poor workmanship (Krsteski 2017).

The African National Congress (ANC), who’s been the biggest party in South Africa has been ruling the country since the election of Nelson Mandela in 1994, the first election after the end of apartheid. With the elections being held every 5 years, the party has been elected to rule the country on national level 5 times since 1994. In the last election in 2014, their manifesto was to “intensify the fight against corruption” aiming to create a corruption-free society ensuring an ethical behavior by the government to state a perfect example to the people of South Africa. However, David Bruce (2014) states that many people in South Africa take these rhetorical declarations from ANC and their representatives as contradictory. Many leaders in ANC, especially the former ANC president and the former president of South Africa Jacob Zuma, has been involved in a lot of scandals including allegations of corruption. (Bruce, 2014).

The formal institutions in the country with the legal systems are mainly based on common law (Faris, 2015). Common law is a legal system based on previous courts decisions as precedents. By applying rule after rule, or decision after decision, common law is built up where the courts either apply existing rules or formulates new rules when the case lacks previous rules (Jaffey, 2017). The common law in South Africa is based on the colonial past with the English colonization and besides South Africa, the legal system is enacted in countries as Australia and New Zealand. (De Maria, 2006). The legal system has its routes in the law reforms of King Henry II between 1154-1189 in England and is as of today still inspiring the court system of the UK (Hudson, 1996).

Furthermore, the apartheid era has affected today’s legal system in South Africa with the implementation of the Broad-Based Black Economic Empowerment (B-BBEE). The main goal of the BBBEE act is to reduce inequality between the black and white population followed by apartheid, by facilitating the economic participation of black South Africans in enterprises (Krsteski 2017). Black is in the act considered as Africans, coloreds, and Indians. The B-BBEE is measured by different scores and classifications of the enterprise in engaging black involvement in ownership, management, skills development, enterprise and supplier development and socio-economic development. Failure of enterprises or its suppliers to provide a given B-BBEE score might result in difficulties or disqualifications during tender procedures (UNCTAD 2013). However, to reach high levels of scores - it is argued that companies are abusing the act governing the B-BBEE by giving qualifying persons a seat on the Board of Directors of a company while not having decision-making power in the company (Krsteski 2017).

**Sweden as a Home Country in Relation to UK & South Africa**

The World bank "ease of doing business" index measures each country's business regulations and how easy it is to start a new business in different countries. The Index scores are between 1 and 100, whereas 1 is the best business-friendly environment. The index shows a clear difference between Sweden, UK, and South Africa - where the UK scored 7, Sweden 10 and South Africa 86 (Doingbusiness, 2018). The ease of doing business indicates a difference in the number of procedures, time and cost between Sweden, UK, and South Africa in starting up a new venture. In Sweden, it takes an average of 3 procedures to create a legal business.
Procedures including clearing the name of the company and to open a bank account. In Sweden, it takes about an average of 7 business days to establish a venture to a cost of 0.5% of the economy’s income per capita. The UK is similar, with 4 procedures, but in only 4.5 business days and 0.00% cost of income per capita including official and legal fees. To have a legal start-up in South Africa, you have to go through 7 procedures in an average of 45 business days at a cost of 0.2% of income per capita.

How free a country is from barriers can be measured by the "trade freedom" index. The higher the index, the freer from barriers a country is. The UK scored 78.0, Sweden 76.3 and South Africa 63.0 on the trade freedom index out of 100.0 (Heritage Foundation, 2018). As both Sweden and UK are both still in the EU, the weighted average tariff rate is 1.6% compared to South Africa’s 4.2%.

As mentioned in this study’s theoretical framework - Hofstede cultural dimensions indicate cultural differences between countries. Below in table (..) is presented an illustration of the different scores of the chosen variables from the dimensions between Sweden and UK and South Africa:

![Hofstede's Cultural Dimensions](image)
APPENDIX 2 – INTERVIEW GUIDE

Ice Breaking Questions

- Can you briefly tell us a bit about yourself, your current position and how a normal business day looks like for you

- Tell us bit more about the firm’s history, what you do and what markets you operate in

- Can us briefly tell us about the firm’s international experience

- Do you personally have any previous experience from the UK and South African market? Please explain.

UK - Market background questions

- When did the firm enter the UK market?

- Before entering, what kinds of opportunities and challenges were identified?

- Who was involved in the decision making of the market choice?

- Who was the “project leader” initiating the entry?

UK - Motive for market choice

- What attracted your attention and investment towards the UK market?
  - Were there other motives strategically involved?
  - How did the firm’s resources and capabilities affect the firms market choice?

- How has the firm’s characteristics (organizational structure, culture, and experience) affected the market choice?

- How has the product/Service of the firm affected the market choice?

UK – Motive for Entry Strategy

- Which entry strategy did you choose to enter the UK market?

- What was the motive for the entry strategy choice?

- How did the firm's resources and capabilities affect the firm's entry strategy choice?

- How did the firm's characteristics (organizational structure, culture and experience etc.) affect the entry strategy choice?

- How did the product/service of the firm affect the choice of entry strategy
- How did the start-up process affect the choice of entry strategy

- Did you face any challenges that hampered the start-up process? Please explain.

- Before entering the UK market – did you identify any possible challenges related to trade barriers (e.g. tariff requirements, local content requirements or any restrictions that may have affected the choice of entry strategy)?

- In what sense were the country’s property rights conditions considered before entering and how did it affect the choice of entry strategy?

- Cultural differences are widely accepted in the International Business Research, did you identify any cultural differences before entering the UK market that may have affected the choice of entry strategy?

- Based on your entry strategy choice, how did trust become an important factor? Please explain and give examples.

South Africa - Market background questions

- When did the firm enter the South African market?

- Before entering, what kinds of opportunities and challenges were identified?

- Who was involved in the decision making of the market choice?

- Who was the “project leader” initiating the entry?

South Africa - Motive for market choice

- What attracted your attention and investment towards the South African market?
  - Were there other motives strategically involved?
  - How did the firm's resources and capabilities affect the firm's market choice?

- How has the firm’s characteristics (organizational structure, culture, and experience) affected the market choice?

- How has the product/Service of the firm affected the market choice?

South Africa – Motive for Entry Strategy

- Which entry strategy did you choose to enter the South African market?

- What was the motive for the entry strategy choice?

- How did the firm's resources and capabilities affect the firm's entry strategy choice?
- How did the firm's characteristics (organizational structure, culture and experience etc.) affect the entry strategy choice?

- How did the product/service of the firm affect the choice of entry strategy?

- How did the start-up process affect the choice of entry strategy?

- Did you face any challenges that hampered the start-up process? Please explain.

- Before entering the South African market – did you identify any possible challenges related to trade barriers (e.g. tariff requirements, local content requirements or any restrictions that may have affected the choice of entry strategy)?

- In what sense were the country’s property rights conditions considered before entering and how did it affect the choice of entry strategy?

- As we mentioned before, Cultural differences are widely accepted in the International Business Research, did you identify any cultural differences before entering the South African market that may have affected the choice of entry strategy?

- Based on your entry strategy choice, did trust become an important factor? Please explain and give examples.

**Concluding questions UK VS South Africa**

- What would you conclude as the main differences in motives behind the market choice in UK & South Africa?

- What would you conclude as the main differences in Institutional opportunities and Institutional challenges in UK & South African market?

- To what extent would you conclude that barriers and property rights conditions affected the choice of market entry strategies in UK vs. South Africa?

- To what extent would you conclude that cultural conditions affected the choice of market entry strategies in UK vs. South Africa?

- To what extent was trust an important factor for the choice of market entry strategies in UK vs South Africa.

- Is there anything you would like to add or that you feel could contribute to our study?