The influence of the cultural differences on the internationalization process of Swedish firms.

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Abstract

The increased competition, saturated home markets or market expansion has highly motivated firms to internationalize. Regardless of the nature of the expansion all firms are affected by the cultural differences. The main outcome of this thesis is that the internationalization process of firms tends to start in countries that are culturally similar and follow a sequence of entries. Naturally when companies take the decision to internationalize their activities one of the first challenges faced is which offshore market to enter. Since this kind of decision is of major importance, scholars state that it is necessary to enlarge the literature about international business in order to gain knowledge on this matter. Firms tend to perform better in foreign markets that are similar to the home one because it is easier to understand and adapt to markets that are culturally close. The previous research conducted indicates that the most cultural differences between the home and a foreign country are important. Bigger the difference between the markets, harder it will be to gather information, understand and gain knowledge about the foreign market concerned. According to the research findings a gradual internationalization with initial market entry in culturally similar market can be a successful strategy to deal with cultural differences and pursuing internationalization will allow firms to limit the risk involve in this process. Hence this thesis finding is linked to the following research question, consisting of concepts of culture and the internationalization process:

“How do cultural differences influence a firm’s process of internationalization?”

The main purpose of this thesis is to provide a deeper understanding and improve knowledge about cultural differences and the way they impact the internationalization process of a firm. This is done by investigating the firms’ selection of foreign markets in the order of entry, as well as identifying and analyzing the effects of the cultural differences that firms experienced as a consequence of their internationalization strategy.

The case selection was made from five enterprises Indexator, Komatsu Forest, Norrmejerier, Umetrics, and Volvo trucks that were internationally well developed from Västerbotten. The people that have been part of the decision making concerning the internationalization process such as the CEOs and senior managers were selected to gain their perspective on the subject matter. This implies that only the point of view of international companies, established in more than one foreign country, was taken into consideration for this thesis.

The theoretical framework of this thesis is divided into two parts, the first one focus on the internationalization process of firms and the second one concerns the notion of culture. This being a qualitative research the data was collected through semi-structured interviews. In turn it suits with the author’s philosophical stance with the constructionist ontological position, and interpretivist epistemological position. In line with the above strategies an inductive research approach was taken to conduct the research.

The research showed that the culture influences the process of internationalization of firms and so these concepts are positively related to each other. Further the analysis made appear that the cultural differences are not a decisive factor toward the decision of penetrating a foreign market, but still this factor affects the internationalization process of firms. Compromisation, adaptation and understanding of other cultures seemed to be key factors for a successful internationalization. This thesis will then help managers and/or entrepreneurs to address their internationalization process and deal with the cultural differences in the best possible manner.

Keywords: Internationalization Process / Cultural Influence / International Business
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1. CHAPTER 1: Introduction

In this chapter we introduce the concept of internationalization process as well as the cultural differences and the previous literature that deal with those both concepts. The objective of this part is to provide the reader with an explanation of the background that has led us to formulate our research question and narrow down our topic. In addition, we also present the main purpose of the whole thesis. Therefore, this part will help the reader to access the main information and concepts that will be discuss in the paper. This will allow the reader to get better understanding and knowledge about the subject of the thesis.

1.1. Background

The globalization, the evolution of the technological environment, the improvement of communication technologies and the virtualization of the economy are external factors that encourage companies to internationalize their activities. The internationalization of firms is not new and has already been the topic of many studies (Raymond Vernon, 1979; Johanson & Vahlne, 2006; Oviatt & McDougall, 1994; Crick & Spence, 2005). Indeed, this phenomenon is becoming increasingly common and many companies intended to internationalize their activities in order to gain competitive advantages or simply to increase their market shares. For evidence, in 2011 the international activities of Swedish firms resulted in value exports of 1138 billion SEK while the imports were valued at 1069 billion SEK. Therefore, it is clear that Swedish firms have an important international presence since their activities permits to the country to generate a net international trade balance of 69 billion SEK the same year according to Statistiska Centralbyråns (SCB, 2012). Among those businesses, that adopt a global approach to their market, we can identify both companies that internationalize right from their birth and other one that pursue this process after several years of establishment. Therefore, these international firms target markets increasingly numerous and establish themselves in several countries to source or sell their products which, thereafter, can help them to outperform the competitors. By establishing their activities in distant countries, enterprises and their management teams have to deal with cultural differences that may affect their internationalization process and so impact the firm in many ways.

The literature put forward several processes that could result in the internationalization of a company. As explained above, different external factors can facilitate and foster firms to internationalize their activities. Nonetheless, those external factors affect differently the way businesses will pursue their internationalization process and the strategy they will implement toward this foreign expansion. Consequently, the different internationalization pathways have been studied by many researchers and two types of internationalization process are currently recognized in the literature.

The first one that is considered in the literature is the stage model (Oviatt & McDougall, 1994), which can incorporate the Product Life Cycle Theory (Vernon, 1979) and the Uppsala Internationalization Model (Johanson & Vahlne, 2006). This kind of approach exposes the fact that enterprises will carry a progressive process and follow defined or clear steps toward their internationalization. Through literature we can acknowledge that these businesses will tend to pursue their internationalization strategy in a subsequent way (Crick & Spence, 2005).

The second model, namely the global model, highlights the internationalization process of firms which will internationalize their activities very soon after their establishment and
develop their export and/or sourcing businesses in different countries at once. That kind of company is defined as: “business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries.” (Oviatt & McDougall, 1994, p.49). Thus, we can recognize here that these companies tend to pursue an initial internationalization strategy (Crick & Spence, 2005). This kind of model usually encompasses the Born-global companies and the International New Ventures (INVs). However, for the purpose of this thesis focus will be on the stage model and particularly the Uppsala model of internationalization, point that will be explained later in the paper.

Through research focusing on the internationalization process, several researchers have exposed some key items and difficulties that firms, which intend to internationalize their activities, will have to face. The literature has highlighted that an enterprise have to succeed in surmounting the liability of newness and foreignness (Mudambi & Zahra, 2007), which will be more or less important regards to the cultural differences between two countries or regions of the world. To achieve this, entrepreneurs or managers must be able to regroup a particularly powerful and effective network (Welch & Welch, 2009) and be capable to develop significant managerial and financial resources (Crick & Spence, 2005). But it is necessary to mention that experience, knowledge and awareness can allow managers and entrepreneurs to deal with those difficulties and help them to overcome those lasts.

Cultural differences between countries and region of the world have been the topic of many studies, and so sometimes in connection to the internationalization of firms. Thus, researchers made clear that companies will undeniably have to deal with the cultural differences, which will impact more or less the internationalization process of firms in regards to the countries of establishment. Actually, this is a factor that companies must consider before settling themselves in a foreign country. Studies relating to cultural differences generally use different methods that can typify or measure the differences between several countries. Actually, besides the notion of cultural distance theory and the psychic distance theory (Sousa & Bradley, 2006), many researchers have developed framework to categorize countries or region of the world (Lewis, 2000; Hall, 1990; Hofstede, 1991; Trompenaars, 2008). Those two items are often used in research covering the internationalization process of firms to measure the cultural distances between different foreign markets. It has been exposed that the cultural and psychic distances will regulate the entry pathway of firms in foreign countries (Johanson & Vahlne, 1977). Therefore it is clear that the psychic and cultural distances between countries affect the process of internationalization of a company and influence its entry in new foreign markets.

It is then clear that companies establishing their activities in several countries around the world or which aim to penetrate the international markets are increasingly numerous: indeed, Swedish companies establish in different foreign countries is an important phenomenon. As mentioned above they usually have to face cultures different from the one of the home country, but we assume that their development can be facilitated by knowing more about those differences. Thus, through this paper we will enlarge the literature about cultural differences and especially its effect on the internationalization of a business. The literature has slightly focused on the relationship between the expansion of firms and the cultural differences (Aoyama, 2009). But here, want to enlarge the previous literature and analyze this phenomenon on Swedish firms. We will here study and link those two concepts in order to be closer to the reality and more precise, complete the previous literature and better understand the effects of cultures on the internationalization process of Swedish firms in Västerbotten. As the affectation of cultural differences for companies having previously been shown, the object
of this paper is not to check the existing relationship, but mainly to go further. It appears to be particularly attractive to link and analyze the cultures and their affectation on the internationalization process of the firms. It is important to mention that this concept of cultural differences has principally been studied in the negotiations (Robert, 1987; Gulbro & Herbig, 1996) or the management (Arun et al., 2009; Vittal, 2010) of those differences. In effect, current research has mainly focused on the individual level than the entire organization itself. Nowadays it is clear that cultural differences are a factor in its own right to consider when establishing activities in a foreign country. Actually, a firm has to ensure that its product, its marketing plan, its management techniques and its rules are applicable in the targeted foreign country. Then, it is obvious that businesses have to develop certain skills to adapt to different cultures, values, norms or again different processes. Thereby, cultural differences come as an entire component of the internationalization process.

1.2. **Purpose of the study**

For this reason, the objective of this paper is to submit a new research topic in order to improve the knowledge about cultural differences and the way they impact the internationalization process of a business. To study this phenomenon, we have decided to analyze the cultural differences between the Swedish companies and their foreign markets. The cultural differences are understood in this paper as: “software of the mind” where “the collective programming of the mind which distinguishes the members of one category of people from another” (Hofstede, 1991b, p.4). Furthermore we will especially focus on international businesses that has pursued their internationalization gradually and at a later stage after their establishment. And above all, we decided to focus here on the internationalization process when targeting a new market. In other words, we will analyze the impact of cultural differences from the appearance of the executives’ motivations to internationalize a company until the step of the first physical activity in a foreign market. Therefore, this leads this study to propose a new research question:

- **“How do cultural differences influence a firm’s process of internationalization?”**

It is primordial that knowledge and skills concerning the diversity of cultures become highlighted in the future literature so that managers and/or entrepreneurs can address their internationalization process in the best way. They will indeed get aware of the influence that cultural differences will have toward the direction of the international development of their companies and gain increasing knowledge about the heterogeneity of the cultures. All those knowledge gained will help the entrepreneurs and the managers to improve their chances of success when internationalizing. Such a study is very important for the literature about international entrepreneurship; it will allow addressing the actual gap on this concept and its influence on the process of internationalization. Therefore, cultural differences have to be placed right next to the difficulties affecting the path of the internationalization process of firms. This study will allow managers and entrepreneurs to anticipate the influences and the impacts of the cultural differences on their company. And thus, this paper will fill up the gap in the current literature, by enlarging the knowledge of how cultural differences influence the internationalization of companies.

1.3. **Structure of the thesis**

To present the research, the study will be structured as follow: firstly we will review the literature regarding the cultural differences, the internationalization process and define the industry on which we will focus the research. Then, we will present and argue the method that
we followed in order to gather and collect information on the research topic. After this, we will present and summarize the data gathered. This will allow us then to analyze and discuss the information emerged for the research method conducted. And finally, we will conclude this paper and give advices for further research.
2. CHAPTER 2: Literature review

In this chapter, we will first review the literature about the internationalization of firms and the different theories emerged and discussed by researchers. For this purpose, we will discuss the motives that drive companies to internationalize their activities. Here, we will bring up the reasons why some companies decide to expand their activities in foreign countries. We will then review internationalization process theories that conduct companies to establish business activities abroad. We shall here highlight the different pathways, exposed in the past literature, followed by companies toward their internationalization. However, for the object of this study, focus will be here on the stage model of internationalization and particularly the Uppsala model. After reviewing theories about the internationalization process, we will then review the critics that emerged about the discussed model.

The second part of the literature review will focus on the cultures and its theories. Indeed, even if many factors can affect, either positively or negatively, the internationalization process, particular interest will be given to the cultural factor in order to stay in line with our research topic. Therefore, after defining the terms cultures and linking it to the internationalization process, we will review the work of several researchers that have tried to categorize the cultures by using regions of the world or countries. This will allow us to present the different cultural indicators used to categorize and measure differences between countries and regions of the world.

2.1. Concept of Internationalization

To present an overview of this concept we will here present the factors that push companies to internationalize. Next, we will expose existing internationalization process followed by firms towards internationalization. After those sections, we will review the different theories that support the selected model of internationalization and the ones that are against it.

2.1.1. Factors that drive firms toward internationalization

The internationalization concept has been the subject of many studies over the years. If those research was mainly focusing on the internationalization process in earlier theories, recent studies has focused on the motives that push companies to go offshore (Quintens & Al, 2006; Orser et al., 2008; Rammer & Schmiele, 2008) and then re-open the debate about the factors influencing the decision to establish activities of a company in foreign country. Therefore, the literature identifies today several factors that drive firms towards internationalization.

One of the first motives that appear as an elementary condition to pursue internationalization is the attitudes of the executives or the managers of a company. Some researchers has identified the managers or the executives’ attitude as key elements in the motives for a successful internationalization. Cavusgil and Nevin (1981) started to highlight in the literature the importance of the attitude of those persons towards internationalization. They found that the managerial aspiration and expectation about firm’s growth were one of the starting points to intend to export products and so start internationalizing a firm (Cavusgil & Nevin, 1981, p.119). In other words, when managers decide to grow a company they will see the internationalization of their company like one of the growth options. Indeed, instead of trying to diversify their products and improve sales in the home market, the export of the actual product appear as the translation of the attitudes of the managers toward the company’s growth. However, they link these motives with an elementary other motive which is the
competitive advantage. A factor such as differential company advantage is necessary to intend this internationalization through the export of product in foreign market (Cavusgil & Nevin, 1981, p.119). In fact, managers must identify that they could have an advantage by being different from the competitors in foreign markets. Then, this point will be seen as another motive that complete the attitude of the manager and so tend to influence or drive the internationalization of a firm.

Later in the literature, Calof and Beamish (1995) confirms some of the motives exposed before. After carrying a study on Canadian companies they agreed on the importance of the attitude of company’s managers. They found that the attitude of executives was a factor that drives internationalization besides the usual environmental factors (Calof & Beamish, 1995, p.129). Actually, they highlighted the attitudes of the executives as a factor implying success in internationalization and mention that the strategy or the product of a company was not the only key elements. In other words, the attitude must be appropriate as it influence the internationalization pathway through perception of risks, costs and benefits.

Apart from the executives or managers’ attitude that will influence the expansion of the company, the growth itself appears as another motive in the literature. Indeed, other researchers identified growth motives as one of the main internationalization’s driver (Orser et al., 2008, p.2). In fact, after carrying out a study on Canadian firms about the gender and the export propensity, they found out that the growth motives, in terms of financial structure, was a reason driving companies abroad. Internationalization actually appeared in this study as a method to expand company’s investment. Another researcher, Luostariner (1979), has earlier exposed this growth motive in the literature. He concludes that financial aspects were an important driver toward internationalization. Therefore minimizing assets while maximizing return in production, purchasing and sales were one of the primary motivations to go offshore (Luostariner, 1979, p.13). The findings of Luostariner (1979) have shown that the financial motives can be reflected on different aspects of the internationalization. In fact, when it comes to cost reduction in terms of purchasing or production, this could be related to outsourcing and when it comes to cost reduction in terms of sales, this could be related to exporting. Then outsourcing and exporting are both different way to pursue internationalization, and here again, other researchers have identified other motives specifics to those two aspects of the internationalization.

When internationalization is seen as exportation, some researchers put forwards other motives. Indeed, export can be seen as a way to increase company’s profit (Orser et al., 2008, p.2). Rammer and Schmiele (2008) found that this motive is particularly true when it comes to companies located in high technological sectors with a niche market position. Here the companies will try to increase their market share and so their sales return by keeping the same position in every niche market that they will identify abroad. It is then interesting to mention that those firms will decide to go offshore when they have a niche market position thanks to innovative activities and not necessary because of the threat of new competitors intending to enter the home market (Rammer & Schmiele, 2008, p.3).

In outsourcing activities as part of the internationalization, the motives identified by researchers can be slightly different. Some researchers see outsourcing as one of the most important motives for internationalizing because it can concede sustainable competitive advantages. Indeed, this can help firms to lower production costs and increase knowledge which will allow them to improve their position in their home market and face more easily every competitors. In their research about internationalization, Quintens and AI (2006) found that most of the companies will pursue internationalization because they want to benefit from technological learning, cheap labor coast abroad, increase production flexibility or again
improve product quality and design. Other researchers also mention the knowledge as a motivation to go abroad. In a survey carried out in Germans firms it has been found that the knowledge can be enlarged, especially in high technology sector, when sourcing knowledge, technologies and skills from other country than the home one (Rammer & Schmiele, 2008, p.3).

We presented above many driver towards the internationalization that have been identified in the literature. However, it is important to conclude by mentioning that there is no constant driver toward the internationalization process of firms. As Rammer and Schmiele (2008, p3) precise in their study, entering foreign markets will often require small changes or adaptation to specific environment in the targeted country. Therefore, different environment, culture or industry might be some of the reason why companies can have different motives and so follow a different internationalization pathway. In addition, Johnson and Vahlne (2008) highlighted the need to acquire strong knowledge about a foreign market before entering it (Johnson & Vahlne, 2008, p. 168). And it is more difficult to gather and obtain knowledge about a culturally distant market or country. Later in this thesis, we will therefore check if cultural differences can modify or alter those drivers to the internationalization process of firms.

2.1.2. Internationalization process theories

The internationalization process of firms is a large concept which has been the topic of many studies pursued by different researchers. All those researches have resulted in different theories and process towards the internationalization of firms. Some of those theories stayed the same until today, while some others have evolved.

It’s during the 1960s that the first interest is given to the internationalization of firms and when we see the first theories appearing. During this period, the first studies explained companies’ internationalization through the economics perspective that could be detected by managers or entrepreneurs in foreign markets. The Electric model of internationalization, also known as the network model, developed by Dunning (1977) in the early seventies was one of the first model explaining the international activities of the companies. The electric theory of international production (named as OLI paradigm) has been used during many years as a framework of analysis to explain foreign activities and foreign direct investment (FDI) of the firms (Dunning, 2000, p.163). However the model has to some extent evolved since its creation.

Later in the seventies, some new internationalization process model has been developed to explain the internationalization of companies. At this time it was acknowledge in the literature that internationalization of companies was pursued by different steps and therefore this process was following a gradual development. This way of internationalizing companies is still today recognize as the stage approach. In the literature the stage approach can aggregate the product life cycle theory (Vernon, 1979) and the Uppsala internationalization model (Johnson & Wiedersheim, 1975 ; Johnson & Vahlne, 1977). After carrying out a study on US international firms intending to study the internationalization process of firms, Vernon (1979) highlighted the fact that companies will pursue their internationalization by following the evolution and the phases of a product life cycle (Vernon, 1979, p.257). The Uppsala internationalization model recognizes the establishment of companies in a foreign country as very progressive and includes the cultural differences between countries as an item affecting this expansion (Johnson & Vahlne, 1977, p.30).
In recent studies, the international literature has much focused on the rapid internationalization and has put forward the rise of a global approach (Knight & Cavusgil, 1996; Oviatt & McDougall, 2004; Crick & Spence, 2005). The global approach can include the “born-global” companies, defined as “small, technology oriented companies that operate in international markets from the earliest days of their establishment” (Knight & Cavusgil, 1996, p.11). This approach include also International New Venture companies (INVs) defined as follow: “business organizations that from inception seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries” (Oviatt & McDougall, 1994, p.49). Then, in opposition to the stage approach, the global approach explains the internationalization of firms as a very fast process followed by young companies.

Even if many internationalization theories have been highlighted in the literature, for the purpose of this study we will focus only on the Uppsala internationalization model and give later more details about this model. Actually, in this study we will analyse companies that pursued gradual internationalization and that have been affected by cultural differences. And the Uppsala model of internationalization is the only progressive model of internationalization that includes cultural aspects during foreign expansion of firms. Actually, the product life cycle theory focus more on the product itself and the way it will encourage the internationalization and so without including environmental aspect of foreign markets. Furthermore, the theories exposed in the global approach seem less interesting for the purpose of this study. Indeed, companies will here tend to internationalize in niche markets which are similar from the home one. Therefore, born global or International New Venture will not be affected by a different environment in the new market and above all they will usually pursue internationalization in one time instead of following gradual steps.

**The Uppsala internationalization model**

This model of internationalization was exposed for the first time in 1977 by two Swedish researchers, Johanson Jan and Vahlne Jan-Eric. The model that they developed focuses on environmental parameters that need to be taken into account by the companies when they intend to expand themselves offshore. Actually, they highlight throughout their research that companies will need to gather information and incorporate knowledge about a targeted foreign market before increasing their commitment in it (Johanson & Vahlne, 1977).

After investigating several Swedish companies, present both in Sweden and internationally, the authors came up with the conclusion that international firms tend to pursue their international activities step by step instead of massively investing at once in a foreign market. In other words, firms will follow a progressive development in their internationalization process and so on a certain period of time (Johanson & Vahlne, 2006, p.169). Furthermore, the internationalization here not defined as a strategy that intend to allocate in the best possible way resources to international market but, as stated: “a process of incremental adjustments to changing conditions of the firm and its environment” (Johanson & Vahlne, 1990, p.14). The result of the study conducted by Johanson and Vahlne (1977, p.27) shows that the Swedish companies usually start their internationalization process with no consistent international activities. They actually start their foreign expansion by exporting and selling products abroad through a sales agent or via independent representatives. After a certain period of time, they will continue their international activities through subsidiaries and at a later stage some companies will begin to manufacture products directly in the host country. In addition, they expose the fact that the psychic distance between the home country and the host one will regulate the order of entry in foreign markets. The psychic distance is defined as “the
distance between the home market and a foreign market, resulting from the perception of both cultural and business differences”. (Evans and Mavondo, 2002, p.517).

Figure 1: Uppsala internationalization model’s Framework (www.provenmodels.com)

This framework on figure 1 clearly shows that the Uppsala model promote a gradual expansion of firms in foreign markets. As explained above, most of the firms will start their exportation with no regular activities in the host country and will at a later stage and after several steps develop their own manufacturing system. In addition, this framework exposes the fact that the knowledge related to the offshore market will allow progressively companies to increase their commitment abroad. It is also important to mention that this steps expansion is followed by companies in order to reduce costs and risks. Indeed, if companies start by exporting it is because it can reduce their cost of market development as it helps them to identify the nature, the size and the practices of the market, and so without investing in any market research. Furthermore, gathering this information and pursuing sales through subsidiaries at an early stage will allow later companies to overcome uncertainty and risks when developing production facilities abroad (Johanson & Vahlne, 1990, p.16).

This model includes also the notion of time. This time will allow companies to gather knowledge and increase experience over the years thanks to this gradual expansion. The result of every progressive step will allow moving toward the next step of internationalization. In other words, the result of a decision will contribute to the implementation of the next decision. Johanson and Vahlne (2006, p.171) put forward that every decision taken in order to expand a firm will be the result of the knowledge acquired in the foreign market. According to them different kind of knowledge can be acquired. Firstly they mention the specific market knowledge, which include cultural patterns, business practices, structure of the market system and characteristics of the customers in the foreign market. Secondly they mention the general market knowledge which relies on marketing methods and general characteristics of the customers and so regardless the geographical location of the market. However, they admit that those knowledge can either be gain through the education or the experience after several years in the market (Johanson & Vahlne, 2006, p172). It is then evident that the intensity and the
number of countries where firms export will be linked to their international development phases. Actually, regards to this model, companies operating in international market for a long period would be expected to export in more markets and have a higher percentage of sales than companies acting internationally since few time.

To conclude, this model clearly exposes the internationalization process as a gradual development of firms toward their foreign expansion, and so over a long period of time between the decision to go abroad and the establishment of production facilities in the host country. The authors assert this slow internationalization to the need of companies to build experience in order to avoid uncertainty and lessen the risks involved in international activities due to the psychic distance between several countries (Johanson & Vahlne, 1977, p.29).

2.1.3. Discussion on the Uppsala model of internationalization

The Uppsala model of internationalization is a concept which exists and is used to explain international development of companies since many years now. This model has many studies and much research backing it up. The work pursued by Johanson and Vahlne, since the first proposition of this model in 1977, has then been subject of different criticisms or confirmation in others research pursued by different authors through the years. Therefore, we will here discuss the Uppsala model by reviewing the studies of other researchers in order to evaluate this concept.

Even if this model has contributed to explain the internationalization of firms, some critics against it started to emerge during the 1980s. Indeed, after carrying out research on Swedish and Australian firms, Welch and Luostarinen (1988, p.53) explain that the internationalization of firms is pursued at an earlier stage and so without necessary following some steps. They found that companies had foreign direct investment nearly immediately after foundation and so without necessary following different steps. Those findings arisen when the literature started to pay attention to the companies acknowledge today as the “born-global”. During this period, some enterprises were developing business in a significant different way and tend to follow a faster pathway to internationalization. It appears that those businesses were becoming international at a younger age and with a smaller size than previously exposed in older literature. Further indication of this phenomenon were afforded by MC Kinsey and Co (1993) after studying some new ventures in Australia which showed to have intense international activities. Later in the literature, the improvement of the technologies appear as one explanation to this fast internationalization. Researchers argued that in the case of technological evolution the Uppsala model might not reflect the accelerated internationalization of high technological firms (Oviatt & McDougall, 1994, p.60). Other researchers explain that this is due to the fact that they operate in a fast changing environment where managers have to take advantage of the opportunities detected, which may not stay open for a long time (Teece et al. 1997, p.352). In addition to this, after studying high technological SMEs (Small and Medium Enterprises) in the UK, Crick and Spence (2005, p.172) criticized the Uppsala model and advanced that high technological firms internationalized faster their activities and follow different market entry pathways than firms acting in low technological markets. But the major critics against the Uppsala model emerged from Moen and Servais (2002, p.14). They argue that market knowledge has increased and so uncertainty has decreased thanks to the internationalization of markets, which therefore contradict one of the basic mechanisms of the Uppsala model.

Most of those critics against the Uppsala model emerged clearly in support of the Born-global firms and the International New Ventures. However, it is interesting to note that this faster
pathway toward internationalization is mainly linked to technologies and so principally valid for companies in High technology industries. Therefore it might not be the case for companies acting in other industry where their internationalization will tend to be slower and pursued through stages. In addition to this, even if it is true that most of the markets tend to become more international, point that help to increase knowledge and decrease uncertainty about foreign markets, this does not mean that it will accelerate the internationalization of some firms. Managers will actually become aware of the differences between two markets, located in different place, and the adaptation needed to penetrate a market impacted by cultural differences. Adaptation can be carried out by modifying a product, a service or again some process that rules the whole company. Then it is here clear that it will still be harder for a company to penetrate a market with important cultural differences and where the psychic distance is important with the home market. An answer to this issue for the firms will be to internationalize their activities by pursuing steps and to first expand in market considered as culturally close form the home one. Therefore, it is clear that the Uppsala model can still be assessed to explain the progressive internationalization pathway of certain enterprises.

Although the Uppsala model has been strongly criticized in the born global literature, some other researches reinforce and give credits to this concept. During the 1960s and the 1970s, Luostariner (1979) carried out a study on the internationalization of Finish firms that give the first support to the Uppsala model. His theory exposed that managers will follow some steps during their internationalization and expands first in countries or markets close to the home one. Further, Zaheer (1995, p.361) has been highlighted in the literature that firms will have difficulties to penetrate a market, different from the host one, where political, cultural and economic differences are strong. The author advises firms to follow incremental internationalization to overcome the exposed issue. According to him, this will allow firms to gather experience and allow a successful progressive expansion in foreign markets, point which is clearly in support of the Uppsala model. More recently, Chetty and Ericksson (2002, p.305) found support for the Uppsala model in their research. Their study shows that the progressive commitment of a company’s resources will allow increasing experience and therefore knowledge about an offshore market. Later, Angdal and Chetty (2007, p.450) confirm also this gradual internationalization. They stated that internationalization will occur progressively. Indeed, their theory expose that firms will move to a higher commitment of their activities in a foreign market when knowledge and experience have increased.

Finally, even if the Uppsala model has been criticized in the literature focusing on the born global, other study has proven that this model can still explain the internationalization pathway of some firms. It seems that this model cannot be used as the only concept applicable to all the firms that pursue offshore expansion, but is still the best model explaining progressive internationalization of firms located in other industries than high technology.

2.2. Concepts of culture

In this section we begin by exploring the term culture and its importance. Thereafter the connection between the culture and internationalization is discussed in brief to stress on the necessity of the subject matter. Then followed by introducing the major cultural concepts and a brief description on them to present materials from several behavioral, social and anthropological studies. This will give a wide and integrated perspective on culture and ends with discussing the theories that have been chosen for this study.
2.2.1. Definition of Culture

Culture has been a popular subject of study for many decades. Governments, world leaders, business people and even at individual levels in the presence of social media wants to know how to interact and interpret different cultures. Still it is difficult to define being a large and inclusive concept with over 500 definitions. Well recognized anthropologist such as Richard D. Lewis, Edward T. Hall, Geert Hofstede or Trompenaars Fons have led much research to define the term "culture" and especially to identify the differences between countries or part of the world, as a result of this component. Out of previous research we have taken two definitions that have laid the foundation in the area of cross-cultural studies.

Edward Hall defines culture as “those deep, common, unstated experiences which members of a given culture share, which they communicate without knowing, and which from the backdrop against which all other events are judged” (Hall, 1966 p.4). As mentioned in the introduction of this thesis, culture, in Hofstede’s perspective, is defined as the “software of the mind” where “the collective programming of the mind which distinguishes the members of one category of people from another” (Hofstede, 1991, p.5). Therefore culture involves norms, values, experience, learning and sharing. As stated it is a natural process to which the entire human in collective groups being subject to a learning process from their early childhood. As soon as a certain pattern of behavior is developed within a person’s mind; he or she need to unlearn the previous way of thinking and feeling to learn something different (Hofstede, 1991b). This being the most difficult part of the learning process than learning it the first time within any set of community.

When a community exists together, the need for a set of rules, or social norms, that helps everyone know what to do in various circumstances. It can be from arguing with one another to dealing with outsiders. These rules help to propagate the shared meaning and also use the systems of meaning to make sense of what is happening and what is done. In the event that you understand a culture, the chances are such that you will successfully interact with it, and even changing it. Though, it is notoriously known for being a difficult task. Whether being a collective programming or unstated experiences that are passed on generation after generation, the emphasis have to be made on the fact that it is the backdrop against the events are judged in any communities. Nevertheless, the cross-cultural aspect emphasizes the importance of being aware and to understand it as vital factor.

2.2.2. Internationalization across cultures

As firms adopt internationally, the change of business environment increases the need for cross-cultural competence. Their structures and approach need to change to face the growing challenges the new market brings along. Given the variations in the factors such as diversity in culture, international markets and psychic distance; a firm needs a global mind set with inter-cultural skills to effectively have a successful international market presence. “Culture explains how people make sense of their world” (Varner & Beamer, 2011 p.4). At the same time people from different cultures are different in how they perceive the world. In the current tread of intensified internationalization, the need for acceptance and appreciation of the existence of different cultures is a main ingredient to win the global market.

Cultural mistakes can cause serious long term damages to a firm even if it is an unconscious or unintentional occurrence. The reason for many real life international business failures are usually as a result of someone did not understand the reasons why people think or value the way they do (Varner & Beamer, 2011 p.5). Varner & Beamer (2011) have addressed three steps to minimize or prevent cultural mistakes: first the knowledge of another culture, second being the drive to know and use the knowledge, and the third step is the implementation of
that knowledge and behaving in a way that makes sense in the culture the firm wants to do business with (Varner & Beamer, 2011, p.9). It is vital to interpret unique terminologies and modes of behavior that will contribute towards successful business expansion and lasting networks in different cultures. Hence in the following chapters we are going to look into the most relevant and popular theories behind cultural differences and models to analyze them.

2.2.3. Geographical distance versus cultural differences

Thanks to the globalization, the countries and markets appear to be more and more international in a world where boundaries tend to disappear, and therefore allow a rapid development of the business environment in many industries. This phenomenon has increasingly pushed firms to internationalize their activities because of the detection of growth opportunities, in order to keep their own position and guarantee their survival or again to reduce costs, as mentioned earlier in this paper. Expanding the activities of a company and decide where to go are then a crucial aspects in internationalization process.

Through history, the difficulties faced by companies during internationalization were first focusing on the distance between two countries or markets and has been defined in terms of geographic proximity. The concept of geographic proximity is defined in the literature as: “the kilometric distance that separates two units (namely the organizations and the individuals) in geographical space.” (Torre & Rallet, 2005, p.49). Torre and Rallet (2005) explain in their study that the kilometric distance is today more related to the time and the costs of transport, which firms must respond to, than the distance itself. They argue that proximity does not only imply being located close but also specify a strong relationship between persons who are geographically distant (Torre & Rallet, 2005, p.48). Indeed, the improvement of the technologies allows companies to be present and active both in the home and the foreign markets, which reduce the significance of the distance itself. Earlier in the literature, Sohn (2004, p.67) has already stood in favor of this affirmation. He stated that the constraint of geographical distance is nowadays less important due to the enhancement of transportation and information networks whenever physical displacement is involved. As a result of this improvement, the world is now more interconnected and the individuals can interact between each other regardless the distance that separate them. However, it doesn’t mean that it lessen the cultural differences between individuals from different parts of the world or create a global consumer culture. Actually, individuals from different part of the world will have different preferences, tastes, perceptions and attitudes, which are influenced by their national and cultural values rooted in history (Yeniyurt & Townsend, 2003, p.391).

It is then clear that geographic proximity may facilitate the international expansion of firms in terms of cost or logistic but it does not necessarily imply that companies will penetrate more easily close (in terms of distance) foreign markets. Indeed, close distance between countries is not always equaled with cultural similarity. For this reason, the international literature has firstly acknowledged the distance between countries in terms of geographic proximity. Then focus has been emphasized on the cultural aspects and researchers started to explore the term psychic distance. However, the term psychic distance has been commonly confused with the term cultural distance in the literature (Child et al., 2002, p.38). Even if those two concepts are very much link between each other, they focus on a different level in the measurement of cultural differences. Then, it appears necessary to define those two concepts before explaining their link.

Over the years, research on cultural distance has received major attention in the literature. This concept is defined as “the degree to which cultural values in one country are different from those in another country.” (Sousa & Bradley, 2006, p.52). In other words, the measure
of the cultural distance will be based on the cultural differences between a home country and a foreign country. Then, it appears clearly that this concept focus on a cultural level and so regardless of the kilometric distance separating two countries. It is also important to mention that most of the researches on this concept are based on the dimensions of national culture of Hofstede (1980). Indeed, Hofstede’s framework is often used to measure cultural distance and therefore allow highlighting the cultural differences between two countries. However, in their study Evans and Mavondo (2002, p.519) explain that the focus needs to lie on the perception of an individual himself when it comes to analyze the cultural differences in the internationalization of firms. Actually, the culture of an individual and his perception of another culture will affect his decision to expand internationally and above all the way to do it. Consequently the terms psychic distance appeared to be more accurate in the analysis of this phenomenon.

The concept of psychic distance started to be used in the literature and get renown in the field of international entrepreneurship through the Uppsala model of internationalization (Johanson & Vahlne, 1977). However, this concept takes roots in a study pursued by Johanson and Wiedersheim-Paul (1975). At this time they defined this concept as: “the set of differences from one country to another due to culture, language, norms, rules, laws and the political system” (Johanson & Wiedersheim-Paul, 1975, p.308). Nevertheless this definition has been subject to many research and discussion over the years. It results that this concept stay a bite unclear as its definition varies among scholars and depends on how they conceptualized and measured it. More recently, Sousa and Bradley (2005, p.44) suggested that to truly understand and differentiate this concept with the one of cultural distance, the terms “psychic” and “distance” must be explained separately first. Sousa and Bradley (2005, p.44) refer to the term “psychic” as something in the mind of each person, while they refer to the term “distance” as something in the mind of that same person depending on how he perceives the world. Consequently, the concept of psychic distance is here outlined as the individual’s awareness of the differences between a home market and a foreign market. Contrary to the cultural distance concept, which focuses on a cultural level, it is clear that the psychic distance focus on the individual level while measuring differences between two markets. Therefore, in link with those findings and for the purpose of this study, the definition of the psychic distance that is we recognized in this paper is “The distance between the home market and a foreign market, resulting from the perception of both cultural and business differences.” (Evans & Mavondo,2002, p.517). Conclusively, the psychic distance concept will affect the internationalization process of a firm through its manager and how he formulates the strategy toward this international expansion.

After having defined the concepts of cultural distance and psychic distance, the dissimilarity between those two concepts appear more clearly to the reader. Indeed, while the psychic distance asses the individual’s awareness of differences, the concept of cultural differences require cultural principles to measure the distance among countries. Accordingly, the psychic distance is informative about the cultural differences on an individual level while the cultural distance is on a country level. Consequently, those two terms are clearly distinct and they cannot be used as a substitute to each other in the literature. However, Sousa and Bradley (2006, p.67) explain in there study that those two concept are strongly connected to each other since the cultural distance influence the psychic distance. They stated that there is a positive correlation between those two concepts, indeed the bigger the cultural distance is the bigger the psychic distance will be. Therefore, in this thesis cultural model of analysis of Lewis (2000) (which is presented and explained below) will be used in order to measure the cultural differences between countries. This model will actually help to measure the cultural distance between two countries and then indirectly the psychic distance. Indeed, since Sousa and
Bradley (2006, p.67) have shown in their study that those two concept are closely related to each other, this will allow us to analyze and characterize, in a logical way, the cultural differences between two markets when firms expand their activities internationally.

2.2.4. **Cultural analysis models**

Toward the mission on achieving the cultural understanding and how people perceive the world, we begin the overview by considering how the researchers and scholars have studied culture. Since popular publications refer to prominent names like Lewis, Hofstede, Hall, and Trompenaars, the literature on this thesis focuses on these researchers’ findings. Often culture analysis plots under the attitudes of risk, time, space communication and power etc. Different cultures are position as a continuum between them. It is important that we address the major categorizing of culture as a tool to understand the action at an individual and national level. In the mean time the variety of concepts also gives a wide view of the subject for the audience. While each of these theories would be discussed in brief the priority in our study is given to the Richard D. Lewis’s model as it best suits to reach the aim of our topic. This thesis is not focused on specific country or national culture but analyzed from perspective of an internationalizing firm and their choices of internationalization from a cultural perspective. In addition these studies have given rise to the fact that cultures are very heterogeneous.

**Geert Hofstede:** one of the most popular research done by Hofstede in survey of IBM 170,000 employees in 74 countries. He suggests that cultures varies in its essential pattern of thinking, feeling and behaving, which is established as a child and remain relatively the same over time. The research lead to the discovery of five cultural dimensions typical for each country: the power distance: The power distance is examined in terms of the attitude to authority and the distance between individual in a hierarchy, the individualism vs. the collectivism: does the society value independence and interdependence, the masculinity vs. the femininity: Importance of assertion versus cooperation, the uncertainty avoidance: the degree of tolerance for uncertainty, and the long-term vs. the short term: when to expect rewards and returns (Hofstede, 1991). This is one of the largest social science research done that resulted in generalization about cultures. Still since the survey done from a single industry (computer) in a single company (IBM), may constrain its ability to generalize.

**Edward T. Hall:** The American anthropologist has distinguished culture based on the notion of context, time and space (Hall, 1990). These three main aspects that distinguishes culture in his model by assessing the communication style, interpersonal space and perception to time. As for the context he categorizes them as low context cultures: the essence of the communication is the message; and high context cultures: the essence is referred to implicitly or indirect in communication. In terms of time is categorized according to how it’s perceived in different cultures. In monochronic cultures: time is experienced in linear terms as in strict schedule etc, instead in polychronic cultures time is continuum where focus is on multi tasking. Space is defined in how people perceive space in relation to others. Examined in terms of how people manage their public and private space in different cultures and any misunderstanding can create serious clashes. Basically Hall argues that there is continuum extending from high to low degree of socialization within cultural groups.

**Fons Trompenaars:** The Dutch inter-culturalist version of seven value dimensions could be stated as an extension of the work of Hofstede and Hall, where his basic assumptions are somewhat similar to the values of Hofstede’s mode. He considers that culture is a way in which people solve problems, when it’s solved it disappear from consciousness and become a basic assumption. He has proposed parameters of national cultures in paired opposition: the individualism vs. the collectivism, the universalism vs. particularism, the neutral relationship
vs. the emotional relationship, the specific relationship vs. the diffuse relationship, the doing vs. the being, the monochromic vs. polychromic and finally the internal vs. the external control (Trompenaars, 1993). He has looked at culture from the aspect of problem solving attitudes in different culture. Though his work is an influence from Hofstede’s and others, it has given another dimension from time and environmental perspective on the theory.

**Richard D. Lewis:** most famous book, *When cultures collide*, has categorized the national cultures of the world in three groups: Linear-Active, Multi-Active and Reactive (Lewis, 2000, 2005). It has captured the influences of cultures and seismic changes throughout many parts of the world. Invaluable insight in to the beliefs, values, behaviors and prejudices of each culture provides helpful tips for firm at the verge of exploring a previously unknown market. Core of these concepts were linked to established theories of Hall’s high and low context of communication, monochromic vs. polychromic and of Trompennar’s universalism vs. particularism, specific vs. diffused relationships, sequential vs. synchronous, neutral vs. emotional features. Grounded in this trilogy, Lewis has developed a cross-cultural assessment tool that identifies personal cultural profiles. It is quite a clear and easy applicable model to manage and interpret cross-cultural behavior and interactions. Nevertheless it also provides the user good understanding of his or her own culture and how it fits in the global context. By facilitating the interactions between different cultural profiles an organization could be assessed in terms of the commonalities between the cultural horizons as well. A rough guide portrayed by Lewis model global cultural variations has been arranged in a triangle as seen in figure 2. Here the countries are placed according to their dominant characteristics within the tree cultural types identified by him.

![Figure 2: The cultural type: Lewis Model (Lewis, 2005)](image)

Linear-active cultures generally demonstrate task orientation and pursue one thing at a time. They look for technical competence, place facts before sentiment, logic before emotion, introverted and highly organized planners. Since they are deal-orientated the focus is more on immediate achievements and results. Very orderly, stick to agendas and inspire people with their careful planning.

Multi-active cultures consist of people that are much more extroverts, rely on their eloquence and ability to persuade and use human force as an inspirational factor. Often human
transactions are completed emotionally, impulsive, invests time no developing contacts to the limit. Such multitask oriented people are dialog oriented, great networkers, working according to people-time rather than clock-time.

Reactive cultures are equally people-orientated but dominate with knowledge, patience and introverted. They display modesty and courtesy, despite their accepted seniority. Very good listeners and create a harmonious atmosphere for teamwork while react carefully to proposals. They know their companies well, providing them the needed balance and the ability to react to pressures or stress.

![Figure 3: The interactions between cultural type: Lewis Model (Lewis, 2000)](image)

In analyzing the relations between these three groups as shown in figure 3, Lewis (2000) states that linear-active and reactive would take place at a satisfactory level. Though linear active people find reactive tactics hard to fathom some common characteristics helps them to deal each other better. Linear-active and multi-active is being difficult as linear thinking cultures would have difficulty in adopting to multi task oriented, highly uncertain settings. This creates situations where both being irritated by each other. At the same time interactions becomes time consuming between a multi-active and reactive cultures: as a reactive listener finds the extroverted behavior of a multi-active inscrutable and gives little or no feedback. Therefore compromise and understanding of each other’s culture is critical for any strategies to succeed in the global environment. Sweden as country falls in to the cluster of linear-active culture as shown in figure 2, with its characteristics that are specific to it. Thus it would be interesting to observe how the Swedish firms react to other cultures and how their processes of internationalization take place under such circumstances.

In this model he argues that people of different nations exhibit characteristics from each of these groups to different degrees. These classifications is based on whether the nation is being task oriented or people oriented, highly organized or loosely organized, introverted or extroverted, time-oriented or task oriented, confrontational or reserved. Thus as every model this also has its limitations in representing other dimensions of these regional cultures. Although this model is beneficial in some settings, people might have the tendencies to rigidly categorize people to certain cultures with predefined values. Stereotyping is dangerous, but it is also a fair guide at the national level (Lewis, 2000, p. 33). In spite of its shortcoming and criticism it is the latest and most favored by the trainers and managers. Especially for firms that has no knowledge or experience in a particular culture. It is very easy to use and practical
tool for managers and leaders to analyze broad cultural framework while embracing the
differences and work successfully across a diverse business culture

Despite these facts this model is used since our focus is to evaluate the overall cultural
influence on the process of internationalization but not to any specific foreign market. It is a
useful tool that is deep enough to evaluate the national culture while giving an overall analysis
on the cross cultural aspects of the participating firms and their behavior towards
internationalization to succeed in multicultural business environment.

2.2.5. Discussion on theories on cultural analysis

The search for literature has been as complicated as the subject culture. The diversity and
different disciplines area of study makes it difficult of obtain quality materials. The
implications for cross-cultural interactions, cognitive processes, leadership approach,
communication patterns and managerial styles are boundless. Therefore this thesis focuses on
the widely accepted and recognized theoretical frameworks published by well known
researchers. Significant in their contribution to better understand the cross-cultural
differences, these notable frameworks have their limitations as well.

One of the major weaknesses of the above models would be its inability to transcend the
tendency to equalize cultures with the concept of national states. Further these approaches are
out of phase with global business today with transnational firms facing the challenges of the
management of global knowledge, network and multicultural project teams. Where the
interactions and collaborations takes place across borders using new communication
technologies.

The common observation is that most of the cultural research was made years ago. Cultures
are dynamic and many of these culture specific categories might become outdated. Though
some of them have been modified but it does not really addressed or has adapted to the fast
development or internet development and integration of the world economies. Considering
how the social media has induced social revolutions in the middles east in the last few years
of this decade. One must keep in mind that the culture might be affected by these phenomena
as well. Still the basic underlying assumptions in a culture rarely changes and when they do
they last for a very long time. Changes in the population, technology, environment and
demographics may affect how cultures may be categorized.

Furthermore it could be argued that many of the above researchers have displayed a very
stereotypical view of the cultures. They all seem to be at the disposition of categorizing
culture in term of time, space and power. However cultural biases are inescapable. The treads
or tendencies presented above will not be viewed as defective or create negative stereotypes,
but are to be recognized as different patterns of thoughts and analysis. Hence while trying to
absorb the literature behind culture, we would keep an open mind towards it in our research
and data collection.

2.3. Summary of the literature review

In order to give the reader a better understanding of how all the theories previously exposed
are link between each other, we will conclude the literature review chapter by building a
framework as in figure 4. This framework will also be used to link the theories exposed in the
literature review with our empirical results that will be presented in the analysis section. In
addition, this framework will also help the reader to get an overview of the whole thesis when analyzing the present paper.

<table>
<thead>
<tr>
<th>Stage</th>
<th>Key factors</th>
</tr>
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| Motives toward the internationalization | • Manager's positive attitude toward internationalization  
• Growth of the whole company  
• Improvement of the financial structure of the company |
| Decision to expand internationally the activities of the firm | • Detection of an opportunity in a foreign market  
• Awareness of a competitive advantage over the foreign competitors |
| Facing the cultural differences | • Appearance of uncertainties increasing the risks of this international expansion  
• Need to gather market knowledge |
| International expansion | • Decision to penetrate or not the foreign market  
• Development of a strategy adapted to the foreign market and its culture |

Figure 4: Influence of cultural differences on the internationalization process of firms

According to the literature several motives will push managers and encourage their decision to internationalize the activities of their company. As mentioned above, the main reasons to orient internationally the activities of a firm are to grow the business, to improve the financial structure of the firm and to keep a comfortable position on the market when facing competitors. However, it is clear that this expansion can be pursued only if an opportunity is detected in a foreign market and if the firm can develop competitive advantages over all its competitors.

When expanding abroad, firms will have to face differences between the ways business have to be conducted in the foreign market compare to the home one. This will be the result of a country’s culture which will create uncertainty and consequently increase the risks of pursuing activities in a country different than the home one. All the above scholars have recognized that each culture, including our own, has its own unique characteristics that function as a “moral compass” guiding the way they meet the challenges of life. These models and theories are useful in preparation to synthesize firm’s own strategy and tactics to its new market. In addition understanding the common denominators discussed above and how it’s seen in different cultures is essential foundation in building strong and healthy international network while meeting their different cultural expectations. It is critical that all cross cultural acquaintances seek “not to judge, but to understand” and use this understanding to help each other to establish clear goals and objectives, to communicate a commitment that is highly
relevant to each member. Compromising on less important issues and clear understanding and acceptance of the rules and practice of different culture should be a rule of thumb for an international firm.

The cultural differences will then influence the internationalization process of firms. Indeed, it seems that the greater the cultural differences are, the harder the expansion to a foreign market will be. In response to those difficulties, it appears that companies will intend their international expansion in a gradual way instead of one big step. This gradual establishment to a foreign market is explained in the literature through the Uppsala internationalization model. This progressive commitment of firms in their foreign market will help them to gather knowledge and gain experience and thereafter lessen the uncertainty and the risk involved by cultural differences. In that case, companies will progressively build their strategy and use the Uppsala model as the outset of their internationalization process.

The basic belief in this thesis is that no culture could be defined and represented as a whole. Culture is highly individualistic and very specific to nations, regions and small ethnic groups. At the same time it is understandable the theoretical concepts would be the only way to simplify such complex subject matter. Therefore it is necessary for us to use this predefined concepts to decode at least some part of it while maintaining an open view. Those concepts will actually help us to determine the cultural distance and indirectly the psychic distance and analyze their influence on the internationalization of firms.
3. **CHAPTER 3: Methodology**

In this section we will discuss our preconception of the research topic, choice of the sample and followed by our perspective in conducting this research. Consequently we have concluded it by addressing the details description of the methodological choices, research design and conduct of the research itself.

3.1. **Preconceptions and the choice of subject**

The objective of this thesis is to provide a better understanding of the cultural influence and its influence on the international expansion and its process. Indeed, out of various different factors which influence the internationalization process of the firms, this thesis focus mainly on the cultural differences. Furthermore we have aimed our study to analyze the influence of the cultural differences in the internationalization process of Swedish firms and what greater differences imply to the firms during its establishment in the foreign country.

The preconceived notions behind our research are not only defined by our educational background but also from our previous experience and cultural background. All individuals are part of the social reality and there is a major difference on how they interpret and reflect over the world and its events. Preconceptions of the course of events emerge through experience and past events. As authors’ of this thesis origin of cultures is from occidental and oriental parts of the world would be an essential input towards the observation of the research. Further our educational background grounded in different countries but lately adopted to the Swedish system has influenced our theoretical framework of reference in this thesis. Our primary preconceptions are connected to our personal experiences developed through cultures, travel and societal influences has a major effect on our individual preconceptions. On a secondary level preconceptions, conditioned and modified through knowledge gained by lectures, text books, scientific articles and other related sources from Umeå School of Business and Economics and previous educational knowledge from France and Sri Lanka.

The choice of the topic itself is partly influenced by the lectures conducted during the first semester in the Business Development courses with regard to the Inter cultural communication and business internationalization made the authors to decide the focus of the thesis is somewhat would be based on either of these concepts and its constituents. When the time came, the decision on combining both these concepts appeared as a very interesting combination. During the discussion and literature search authors recognized the lack of direct materials on the topic and importance, relevance to the highly escalated globalised environment lead to finalizing the current topic. Further the authors were not only keen in understanding the connection between them in depth but also considered it to be a useful knowledge to take along when entering professional world. With the keen interest in working in the international environment, authors felt that the knowledge gained would be of great value for their future. At the same time it also creates a great opportunity to learn and gain knowledge from the experts in the field, meaning the Swedish firms with several years of experience and exposure in the international market. Cultural curiosity created by coming from countries of vast difference in culture and the exposure to the Swedish culture add to the purpose. This indeed was beneficial in analyzing the Swedish international firms’ point of view toward expansions in other cultures as an independent observer. Consequently it also helps the authors to remain objective and independent during the course of this research process.
3.2. **Philosophical stance**

The research philosophy is related to sources and development of knowledge that is based on assumptions aiming to understand the world phenomena. This philosophical understanding guides researchers to develop research strategy, process and data collection. To reach a critical understanding of our topic and to answers the research question we take the interpretivist position with constructionist concerns. Due to the complexity nature of the subject matter it is essential that we grasp the subjective meaning behind the decisions to clarify the decisions made during a process of internationalization with cultural concerns in mind. Under the epistemological position interpretivism focuses on absorbing the subjective interpretation of a social action as oppose to an objective one in positivism (Bryman & Bell, 2011, p. 16-17). Further we believe that the application of natural science methods to the study of social reality would not let us reflect upon the hidden meaning concepts. On the other hand, unlike the objetivism constructionism believes that social phenomenon and its substance are created by the social actors through interactions, as an ontological consideration (Bryman & Bell, 2011, p. 21-22). Objectivism emphasis in the independent existence of the social phenomena and its meaning (Bryman & Bell, 2011, p. 21). Though we cannot separate the meanings from its social action in our research if we are to acquire a deeper understand of the topic and its concepts. Hence that leads us to take the constructive position in ontological philosophy. The combination of interpretive and constructive point of view helps to present the interpretations and the phenomena determined by context and the inter-subjective meaning of individuals’ opinion regarding a firm’s internationalization and cultural effects on this process. It also challenges the fact that factors related to our topic are pre given but accomplished by social actors through knowledge and experience. Nevertheless positivist objectivism is constrained in its ability to explore the context of the respondent’s answers.

As this study strive for a holistic view of the chosen topic and wish to focus on its complexity rather than studying a more confined area. Positivist objectivism is inappropriate for nature of this study and the chosen topic. Cultures are ever changing concept in a society. It is created, revised and interpreted by people everyday. “Instead of culture being seen as an external reality that acts on and constraints people, it can be taken to be an emergent reality in a continuous state of constructions and reconstruction” (Bryman & Bell, 2011, p. 21). Process of internationalization itself takes form according to the product, market needs and several other factors that defines leads it. Thus the difference in cultures and a firm’s adaptation during their internationalization is complex and ever evolving process. The concept behind these factors could only be conceived by interpreting the meaning of these concepts and the social actors that create them. Thus it is not a fixed reality but a practice that is common to any international firm. In order to understand this relationship, we rather take the interpretive meaning of the social action which is being continuously recreated to arrive at a causal explanation of its course and effects.

3.3. **Research approach**

Most common approach is either deductive or inductive to evaluate the collected data. Deductive where research is conducted to answer or test the hypothesis posed by theoretical considerations; inductive takes an alternative position where theory occurs as an outcome of the research from general observations (Bryman & Bell, 2011, p. 11). Typically deductive approach is linked to quantitative and inductive to qualitative research. Ironically though this approach is associated with qualitative research, it does not necessarily produce theory at the end while theory is often used as a background to qualitative investigations (Bryman & Bell, 2011, p. 13). Hence the thesis takes an inductive approach where it builds generalizations out
of observations of the specific topic. Hence the generalizable proposition will be developed through facts gained from pure dispassionate and neutral observation rather than on preconceived notions as in deductive approach.

The purpose of this research is to answer the research questions through the finding generated from analysis of the data collected and compared against proposed theoretical consideration. It is more tuned towards observing and understanding the nature of the relationship than testing a hypothesis through empirical scrutiny. Interpretive constructivist point of view also makes this study a more explorative with a view of creating a new knowledge than testing an existing theory. To understand the deep contextual meaning of the identified variables and conclude the thesis qualitative research with an inductive approach is vital.

Qualitative research on the other hand gives significance to words during the collection and analysis of the data than quantification (Bryman & Bell, 2011, p. 27). A research can take either qualitative or a quantitative path. Quantitative research focuses on quantifying the data collation and analysis (Bryman & Bell, 2011, p.717). The emphasis is made through implementing statistical methods to measure the causality between the dependent and independent variable. Which is more suitable strategy to use for testing existing theories but not suitable to observe and evaluate richness of the data related to our topic. The firms’ cultural influence during the internationalization process is examined by the participant’s interpretation of the concepts. It is essential that we choose a qualitative research strategy to gain an in-depth understanding of the topic through the eyes of the research participants. The strategy would help the thesis to reveal the inherent pattern that unfolds within a firm and how it interprets the social realities during its internationalization in different cultures. It will enrich our findings by arriving at generalizable inferences out of the research by making sense of the complicated interactive process of internationalization.

3.4. **Research design**

The framework for collection and analysis of data is provided by a research design (Bryman & Bell, 2011, p 40). In general there are five types of research designs employed by researchers. The choice of a research design depends on certain priorities attached to the research process. In experimental design its usually has a experimental group that’s expose to treatment and a controlled group that is not, where an analysis on dependent variable is conducted before and after experiment (Bryman & Bell, 2011, p 714). Due to the nature of the focus of our research and culture being an unavoidable factor during an internationalization of a firm, this strategy does not fit our research need. Furthermore the complexity of the study, the unlimited number of factors that cannot be controlled along with and in the inability to isolate the dependent variable makes further difficult to implement. On the other than longitudinal study the data are collected over period of time to observe the changes in the subject (Bryman & Bell, 2011, p 715). Due to the limitation of time and resources this methodology is unsuitable for a thesis research. Although it would have been interesting to observe a firm’s changes all throughout its stages of internationalization in a new culture, which could be a suggestion for further research. Cross sectional and comparative design are not specifically suitable in answering our research question either. The thesis does not involve a social survey based on cross sectional research neither is a comparative study to examine any contrasting cases.

The thesis is focused on examining the Swedish firms with international presence towards finding solutions to our research question. It seems logical to conduct a multiple case study to observe more than one sample firm and its approach on the topic to achieve multiple generalisation. Case study in simple term is defined as detail study of a single case (Bryman
Multiple case study involves analysis of more than one or two cases that would help this research to predict the common behavioral trend in our selected sample. Furthermore, this type of study falls perfectly in line with the previous discussed scientific ideology and inductive oriented qualitative research strategy. In addition, its focus on exploring the complex nature of the cases will help to compare results across different companies within the sample. This is critical since such findings will help us to explore the variation and the similarities that exists within these Swedish international firms and to establish a causal relationship between the variables. It is ideal research design to implement the qualitative research methods to conduct semi structured interviews and observations of participants and in their setting during the research. Due to the complex nature of the topic, case study would facilitate generate moderately an intensive examination of the cases within the bounded situations and systems. Case study is a good way to gather data while providing a more complete picture of the cultural impact in the process of internationalization will strengthen the thesis and gain more knowledge on the topic.

3.5. Case selection

Our aim is to analyze and get a better understanding of the influence of the cultural differences on the internationalization process of firms through a qualitative approach of the subject. Therefore, we needed to compose our sample with respondents matching certain criteria in order to fit this research. Taking into account our rather short time and financial constraints, we have used a convenience sample in order to pursue this research. Bryman and Bell (2011, p.190) explain that this kind of sample is the one that is easily accessible to the researchers, in that case us, in terms of its accessibility. In other words, the selection of the respondents is here simply based on individuals matching the criterions set for this thesis and their level of accessibility. However, we have to acknowledge that this method of sampling might not guarantee that this will be representative and allow a generalization of the findings into theories since that selection is based on our own judgments. Indeed, as Bryman and Bell (2011, p.190) highlight in their book, even if this methods permits to get interesting findings, this sampling strategy make harder the generalizability of the findings since we do not know of what population this sample is representative. Nevertheless, even if this method of sampling can have some weaknesses, it was the one that allowed us to gather the most easily the information needed to complete this thesis regarding our constraints.

We started our search for appropriate respondents by asking at the University of Umeå for a list of companies with which the University has some contacts. The thesis coordinator of the University then helped in our search by providing us a list of several companies established in Sweden. From this list we started to select some companies that could fit to our research and that meet our criterions selection. Indeed, we decided to answer our research question from the perspective of international companies’ manager. Therefore, the firms included in our research needed to be international businesses that have pursued their internationalization gradually in several countries and at a later stage after their foundation. In other words, we built up a database from the given list with all the firms that have been founded first in Sweden, that have initiated their internationalization at least three years after their creation and that are today establish in more than two foreign markets. In addition, because of the constraints mentioned above we needed to limit our study, so we thought it would be interesting to choose companies that are present in the region of Västerbotten, as long as we were living in Umeå at the time of the research. Nevertheless, it is important to mention that this limited area was still very interesting to study since the region of Västerbotten valued its international exports to 38 414 million SEK in 2011, which allowed the region to be ranked number 10 out of 21 in terms of export value. In addition, the region had the highest growing
export activities with 40% in 2011 compared to 2010. It is then clear that the region have an important potential for studying international firms.

After we establish a database of potential respondents that matched the above criterion, we started to contact them by email. Most of the time, we contacted CEO of the companies by explaining them the purpose of our study and asking if they would be willing to concede us 45 minutes of their time to answer our questions. In total, this method resulted in a selection population of the following five firms: Indexator, Komatsu Forest, Normmejerier, Umetrics, and Volvo trucks. Indeed, all of them reacted positively and were agreed to share with us some of their time for the purpose of our research. Time and date of the interview was then set by email in accordance to the availability of the respondents.

Hopefully, as such multiple case studies imply a narrow sample, we have been able to interview a very selective sample. The five companies we selected allowed us to gather accurate data which have been useful in the analysis of our research topic. Indeed, that kind of companies permits us to analyze the influence of the cultural differences on the different steps of their internationalization process. By being established in several countries, it was actually very interesting to observe how firms handled the cultures of their foreign markets during their international expansion. In addition, it is important to mention that we have first tried to interview CEO of the companies investigated because they usually participate very actively in the internationalization process of their company. However, if the CEO was not available or if the company delegated international activities to a special individual, we were not forced to see the CEO.

3.6. Data collection

After defining the philosophical stance, the research approach and design we needed to establish an accurate method in order to collect and gather our own data. Since the research is a multiple case study, our data collection was finally very limited. The object of such research is not to deduce a general tendency by gathering a lot of figures from different firms, as a quantitative study would do, but rather having an in-depth analysis of what is the influence of the cultural differences on the internationalization process of companies, by taking the opportunity to make clear some aspects of the study with the interviewee himself. It permitted us to collect some complex information to try to really understand the mechanisms and the link that exists between the cultural differences, the firms and their internationalization process. Of course, in order to gather the information to answer our research question we have interviewed persons that have been involved in international activities of the firms investigated. The first step of the process was to develop a questionnaire as well as getting in contact with the respondents and then administrate the questions to those lasts.

Since we have decided to intend a qualitative research, perform interviews appeared as a logical way to collect our empirical data. Therefore, conducting interviews was our primary data collection method while accommodating other secondary data that are available and that could be used to achieve the aim of our research. However, as Saunders et al. (2003, p.343) highlight in their thesis there is a differentiation in the possible interviews’ shape. In order not to influence the answer of the interviewee we wanted to let them speak freely and widely about the given theme approached during the interviews. Consequently, for the data collection we then have decided to use semi-structured interviews. According to Bryman and Bell (2011), semi-structured interview has less error, more accuracy, less probability of missing data than self-completion questionnaire (Bryman & Bell, 2011, p. 233 - 234). This point motivated our choice on pursuing interviews. In addition, we had the feeling that with structured questions we could have lost some ideas and the meanings that are close to the
respondents and their reality. Through semi-structured interviews we therefore have been allowed to obtain a deeper understanding of our subject by accessing the ideas and their meaning. Our ambition to discover the ideas and their meanings is actually an essential factor in the kind of interview we decided to conduct and thereby the flexibility was a central concept. The flexibility was required both from our side, as interviewer, and from the side of the respondents. In effect, for the interviewer, flexibility is needed in order to ask questions that are in accordance to what the interviewee is focusing on (May, 2001, p.113). Therefore, the questions we were asking did not necessarily follow the exact way it does in the guide and some questions not included in the guide could have been asked to clarify some points. But all the questions were asked in a similar wording. Concerning the respondents, flexibility was also required as they did not have the precise questions in advance and thereby are not able to prepare themselves (May, 2001, p.113). This allowed us to get spontaneous and so not influenced reply from the respondents. Then, this semi-structured interview permits the maximum interaction between the interviewee and us during the collection of information.

3.6.1. Development of the interview guide

The first step on the process of data collection method was to develop questions in order to build our interview guide. In our opinion, the creation of the interview guide was one of the trickiest parts during the elaboration of all the work in this thesis. Some rules in the creation of the guide actually needed to be respected to collect the good information and give credibility to our study. The most difficult part was to formulate the right question in order to answer our research question and the point that we wanted to evaluate in this thesis thanks to our empirical results. According to Bryman and Bell (2011, p.475) a semi-structured interview in a qualitative approach must follow some principles. Therefore, it was first necessary to formulate topics and questions which allowed us to answer our research question but without making too specific questions. Indeed, the objective was here not to ask leading question which could have influenced the reply of the interviewee. In addition it was necessary to make those questions with a language that is relevant and comprehensible to the respondents. Secondly, we needed to create a certain amount of order on our topic areas in order to give a good flow between each questions of the interview guide. Therefore, the interview guide we settled aimed to gather information about the main themes we had to review with the respondents, which are in line with the theories we have approached in the literature review. The objective was to be in accordance with the assertion of Saunders, Lewis and Thornhill (2003, p.343) who state that in a semi-structured interview the list of questions must be in accordance with fairly specific topics. However, we would like to highlight that there are some theories we did not use to make our interview guide. Indeed, all the cultural analysis models presented in the literature review has not been used in the interview guide, it was rather used to analyze the consequences of our findings by using those theoretical framework. In other words, the cultural type framework of Lewis (2000) was not directly mentioned in our questions and the objective of this model was more to establish the cultural differences between Sweden and the countries in which the companies investigated are established as well as the influence of those differences on their internationalization. Nevertheless, the theme of culture has been obviously approached through our questions. It is the same when it comes to the Uppsala Model of Internationalization (Johanson & Vahlne, 1977), this model has not been directly mentioned and questions on the theme of internationalization aimed more to analyze if this model was still followed by companies internationalizing their activities at a later stage and facing culturally different markets.

In the creation process of our interview guide we have endeavored to respect all the above principles and rules. We therefore have organized this guide in a precisely way and divided it into several parts in order to gather the information needed to answer our research question. In
effect, after introducing and explaining the nature and the object of the interview to the respondent, the first part was covering the background of the company and respondent himself. The objective was here to know more in detail the activities of the enterprise and how business was conduct. In addition, this part allowed us to light on the exact role of the respondent in the company as well as his experience and how he was involved in the international activities of the company investigated.

Then, the first topic of question was focusing on the motives toward the internationalization. Several questions were here asked to the respondents in order to understand the reasons that influenced them to see international expansion as a development opportunity. Indeed, as mentioned in the literature review part, the main motives that push managers to think about internationalizing are first their own attitude (Cavusgil & Nevin, 1981, p.119 ; Calof & Beamish, 1995, p.129) then the growth of the company (Orser et al., 2008, p.2 ; Luostariner, 1979, p.13) and finally the improvement of the financial structure of the company (Orser et al., 2008, p.2 ; Rammer & Schmiele, 2008, p.3). This part of the interview guide was establish to check if the motives highlighted by the different scholars in the literature was actually still the reasons that pushed manager to think about internationalizing their business and above all analyze if cultural differences can modify or alter those drivers to the internationalization process.

The second part of the interview guide was focusing on the internationalization process itself. The questions were here established to understand how the companies investigated has developed their internationalization process over the years. As we have studied companies that expand offshore at a later stage after inception, by which we wanted to apprehend if their internationalization process was followed the principles of the Uppsala model of internationalization (Johanson & Vahlne, 1977). Actually, the questions from this part allowed us to learn in which countries and in which way companies were pursuing their activities abroad in order to link it with the cultural aspects. By knowing in which countries the companies are establish and the order of entry, we will be able to analyze the cultural aspect by assessing the psychic distance, one of the component of the Uppsala model of internationalization, between Sweden and others countries.

The next part of the interview guide was focusing here on the barriers faced by companies when expanding abroad. The questions from this part were not directly link to any theory discussed in the literature review part. However, the objective of this part was to ask the interviewee to tell us extensively about the main difficulties that the company had to face during its foreign expansion. The objective was here to check if the cultural aspects were mentioned as a breaking point toward the internationalization by the interviewee but so without we mention the term culture. In that way, we felt that we gave the respondent the flexibility and freedom to express what he felt as difficult in the internationalization process without any major influence from us.

After this, the following part was entirely concentrating on the culture itself. Several questions have been made up to get a deep understanding of the link between the cultural differences and the internationalization process. Throughout the questions of this part, we then tried to analyze the affection of the cultural differences on the different steps of internationalization and how firms responded to this component. The aim was here to learn more about the way firms gathered information about their foreign market in order to penetrate them successfully. Indeed, as explained in the literature review, the Uppsala Model has been criticized in the literature by scholars. Moen and Servais (2002, p.14), criticized one of the basics of the Uppsala model when they argue that thanks to the globalization, market knowledge has increased and so uncertainty has decreased. However, it is important to mention that their
research was focusing on born global established in high technological industries. Therefore, thanks to these questions, we were able to check if this affirmation could be valid for firms establish in different industries and internationalizing at a later stage. In addition, this part also allowed us to analyze if there were any link between the countries of establishment and the psychic distance between those countries and Sweden.

The last part of the interview guide was made in order to conclude in an appropriate way the interview. This part aimed to discover the future orientation of the companies in their international strategy. Questions were here focusing on the new markets companies intended to penetrate either in a near or far future. These questions allowed us to analyze if there were any link between the cultures and the order of entry in the countries, and so in the past as well as in the future. After, this we were of course concluding every interview by thanking the respondent for the information and the time they concede to us.

Conclusively, we think that we have built up a good interview guide for our study. Indeed, all the rules and the principles in the establishment of the interview guide in a qualitative research, mentioned above, have been respected and so by making questions leading to the analysis of the research question of this thesis.

3.6.2. Interview process

After having created the interview guide and prior starting the interviews we discussed how to manage the fact that we were two interviewers. We first wanted to both take part in each interview and divide the questions in regards to the different topics approached during the interview. But we finally decided that only one person at a time will conduct an interview. Indeed, we divided the interview between us, and alternatively one of us was responsible for a whole interview. Therefore, after presenting ourselves and introducing the context of the interview, only one of us was in charge of the conduction of the interview, taking only brief notes when the interview was going on. During the same time, the other was in charge to take extensive notes and carefully observe how the interview was taking place. Nevertheless, we were agreed on the fact that the “passive interviewer” was allowed to interfere at any time during the interview if he felt that an issue needed to be clarified or if a question needed to be further developed. According to Bechhofer et al. (1984) having more than one interviewer to interview each respondent can have both advantages and disadvantages. This method can actually allow the “passive interviewer” to evaluate the overall development of the interview, supervise the topic discussed and take over the interview at the appropriate moment if he discovered a problem (Bechhofer et al., 1984, p.97). On the other hand they claim that, depending on the respondent, having two interviewers can be a factor that intimidates the interviewee (Bechhofer et al., 1984, p.98). However, we felt that each respondent was looking confident and had a natural flow during the interviews. Sometimes it even appear that the interview was akin to a discussion between us and the interviewee which contributed to a more informal atmosphere leading the respondent to feel more confident and relax. At the end, we were pleased with the method that we adopted as long as it worked very well in our opinion.

Concerning the courses of the investigations, two methods have been used to conduct our interview. Indeed, out of the five interviews, three have been pursued in face-to-face and the two others through the phone. Even if we have tried to encourage face-to-face interviews, in two cases we have been forced to make phone interviews. This was due to the fact that people we wanted to interview were traveling abroad Umeå. Then, waiting for a date that allowed the interviewees and us to physically meet would have postponed the interviews too far in the time and make it harder for us to analyze the results afterwards.
Bryman and Bell (2011, p.209) argue that the quality of data derived from face-to-face interviews is superior to that of comparable phone interviews. Nevertheless, after having conducted all the interviews, we were satisfied with both methods and we have to acknowledge that respective advantages and disadvantages compose these two methods. In effect, it is evident that the phone interview was quicker to administer as long as we did not need to travel between the respondents. This method also enabled us to diminish the influence that we could have on respondents’ replies due to our mere presence. In accordance to this point, Bryman and Bell (2011, p.206) argue that the physical presence of the interviewer in front of the respondents may push them to answer in ways they feel it is desirable for the interviewer. Further, when asking sensitive questions by telephone, the answer may have been more effective since the respondent may felt more confident without our presence. This point is actually highlighted by scholars who claim that through the phone the anonymity of the respondents is increase and therefore encourages them to speak more freely (Bryman & Bell, 2011, p.489). On the other hand, it is important to mention that phone interviews did not allowed us to observe the body language of interviewees, which is an important component because through the later the interviewer will be able to discern confusion, puzzlement or discomfort of the respondent during the discussion (Bryman & Bell, 2011, p.489). In addition, we acknowledge that we felt easier to establish a closer relation with the respondents during face-to-face interviews. Indeed, this method permits us to take the conversation in quiet environment were the respondents appeared to feel comfortable when giving their answers. Conclusively it is here evident that both interview methods have some pros and cons that we inevitably needed to deal with. Both of these methods were actually very effective for us in gathering in-depth information. They enabled us great flexibility since we were always able to clarify and ask additional questions to the interviewees. These points have enhanced the quality of respondents’ replies.

All the five interviews have been conducted in quiet atmosphere and place. Indeed, out of the three face-to-face interviews, two were conduct in the respective respondents’ office and one in a room that we booked in advance in the University. Indeed, here one of the respondents came to the University of Umeå to meet us. Concerning the two phone interviews, they have taken place in our student room. Here one of our mobile phone were used to call the respondents and the discussion was conducted with loudspeaker to allow both of us (as interviewers) to listen the discussion. This private and quiet atmosphere was of major effect on the quality of our interview since scholars argue that respondents will feel more confident as they are not worry about being overheard (Bryman & Bell, 2011, p.476). In addition, this factor improved the quality of our recordings. Indeed, all the interviews were recorded with the respondents’ permission. Face-to-face interviews were actually recorded thanks to a voice recorder pre-installed in ours computer, and the phone interview were directly recorded in the phone used to pursue the interview. This actually allowed us to improve our empirical results and their analysis as correct transcriptions of the exact respondents’ terms, were thereafter facilitated. Furthermore, after each interviews we ensured that we could contact again the interviewee if any additional information were needed. In that way, we think that we did our best to transmit truthful information from the interviews.

### 3.6.3. Secondary data

During the advancement of this thesis, the secondary data sources were very important to strengthen the quality of the thesis and were an asset without which it could not even have been possible to start the work. Indeed, secondary data helped us to produce trustful and useful information. Thanks to this type of sources we developed new knowledge that we did not have beforehand and the most important was that it permits us to create a ground on which the thesis was further built on. Bryman and Bell (2011, p.318) acknowledge that secondary
sources can be an additional source of information with high value and that there can be a
good opportunity to have access to data regarding cross-cultural analysis. This shows clearly
that the secondary data had a great significance for our thesis, we therefore think that it is
important to explain the reader how we use this kind of sources and where we found them.

Secondary data played an important role in the achievement of our research. Actually,
searching and examining secondary sources engaged directly the quality of the whole thesis as
its development has been based upon the sources elected. Gathering those secondary sources
took an important amount of time as we enforced us to find qualitative material. In order to be
in accordance with the findings of Bryman and Bell (2011, p.545) we considered necessary to
find sources that fulfilled the criterion of authenticity, credibility, representativeness and
meaning. For this reason it was very time consuming to find secondary sources, however, it
was a factor improving the overall quality of our thesis.

Many relevant scientific articles were extracted from to the international business
development course that we both take during the first semester as long as this class was in link
with our research topic. Nevertheless, in order not to restrict our sources to those articles and
find some others even more link to our research question, we have also used the database
Business Source Premier accessible from the library’s University. Search words as
“internationalization process, cultural differences, cultural distance” or again “psychic
distance” were mainly used to find accurate articles. Those articles helped us to a large extent
to build up our literature review part, and, especially for the culture part, some books have
been used as well. Concerning our methodology part, here again we principally used a book,
which was recommended to us by our supervisor.

Some internet websites were also used in this thesis. Indeed, we found interesting statistics
and figures about the international activities of Swedish firms. In addition, internet allowed us
to discover more about the companies interviewed, their business and their products through
their respective website. However, aware of the fact that companies’ website usually gives
positive description, we did not use the information found on those website but we used them
more to be prepared before each interviews.

3.7. Data analysis

After each interviews, we were spending time to save all the information collected in order to
keep a track of our findings. The work started first in adding, next to the notes taken during
the interview, our general impression and feeling of the overall interview progress. Then, we
started to transcribe on a word document the audio record of the interview. In order to
minimize the risk of misinterpretation and keep an accurate track of the data collected, we
strived to do the transcription in close connection to each interview as the conversations were
still fresh in our mind. In line with the statement of Bryman and Bell (2011, p. 481), we
recognize that this procedure was very time consuming and annoying. But we were afterward
very satisfied of this method which has several advantages. Indeed, as Heritage (1984, p.238)
explain, this methods helps the researcher to organize its empirical findings and thereafter
build a narrow analysis since it permits to examine the interviewees’ answer. Such a method
actually allowed us to remember and analyze more deeply what people said and so in their
proper terms. However, we must acknowledge that we did not transcribe everything and were
a bite selective although we transcribed most of the interview. Sometimes during the
interview people were going off the topic of research or on a big explanation of the technical
aspect of their product. We though here that there were no point in transcribing as long as it
did not help in any way our research. This was motivated by the advices of Bryman and Bell
(2011, p.485) who states that it would be better to listen several times the records and then
transcribe only the relevant portion for our research. Doing this helped us to decrease the time consuming aspect of this method.

The next step in the management of our empirical results consisted in organizing and sorting out our findings into different theme parts. After reading several time the transcription of our interview and from the answers of the respondents we then establish some themes area that are also in close connection with the different part of our interview guide. Since the material is here neither structured nor organized this extensive process was necessary for us to present the empiricism that we gathered. According to Bryman and Bell (2003, p.381), the researchers can classify the findings obtained from their research into meaningful parts. Those parts must be nevertheless organized in a logical way between each other and be significant to the findings. This allows the research to be structured and help the researcher to pursue its analysis. Therefore, in accordance with those principles we have presented our empirical findings under the following subheadings: “Overall internationalization strategy, Order of country entries, assessment of the culture by the company”. The same subtitles were used for each company investigated.

After having considered the empirical findings and compared against the theoretical frame of reference. Initially the cases are examined and compared to each other to highlight the similarities and the dissimilarities between them while identifying a pattern between the cases examined. Eventually the emerging themes of the data that affects and forms the pattern would be identified analyzed in under separate sections of internationalization process and cultural influence. This would helps to analyze these two concepts in detail while continue to compare and use the findings from the empirical and theoretical framework to understand the factors that affect them.

3.8. Ethical Consideration

It is usually fined as codes and conducts within which every researcher should conduct the research. Ethical issues in research often concerns with how the respondents were treated during the research and activities which the researchers should or not engage in their relations with the respondents (Bryman & Bell, 2011, p.122). The four common ethical principles: whether there is harm to participants; lack of informed consent; whether there is an invasion of privacy; any involvement of deception in a research (Diener and Crandall, 1978). During the course of the thesis all the major ethical concerns are thoroughly addressed.

The participants were informed by email on the background of the research as well as the researchers when request for interview was sent. Before the interview started an introduction was given and their consent was obtained to record the interview for the purpose of the research. The interview its self was conducted without any deception and invasion of privacy on behalf of the participant. During our data collection, management and sharing process to maintain the data security, protect against unauthorized access or its usage, we are planning to store personal identifications separate from the related information. To minimize the harm on the interviewee and the information provided by keeping the anonymity of the interviewees. Hence the participants’ identities are held back during the publication of the findings.

Moreover, none of the participants were deceived in to taking part in this research. In addition potential risk of any corporate influence on research is none as we are solely associated with Umeå University. At the same time we have strictly followed all the required guide lines of the thesis manual to avoid plagiarism every on every step of the way. All third party materials that have been used in this thesis are properly acknowledged and referenced.
4. CHAPTER 4: Empirical study

In the empirical results part, we will present all the findings and information that our interviews allowed us to gather. All the investigation showed findings that are slightly different upon the companies investigated. Therefore, in order to arrange this part, we have decided to present the results company by company. In addition to this, after describing briefly the company and the person that we interviewed, the findings from each company will be divided through the following subheadings: “Overall internationalization strategy, order of country entry, Entry barrier and assessment of the culture by the company”. The same subheadings will be used to present the findings of each company investigated. The objective of this subdivided presentation is to make this part easier and more interesting to read. At the end a summary of the dispositions is briefed in the table for the convenience of the reader.

4.1. Komatsu Forest

4.1.1. Company background

The firm established in 1961 and the head office is located in Umeå. The firm is highly specialized in mechanized logging. The firm manufactures forestry machines and sells them to the logging department of forestry companies establish around the world.

The respondent is the General Manager of the firm with 31 years of experience within it. His experience includes starting up firms, managing exports, sales and information. Though he was not located outside Sweden permanently his international working experience includes continent such as North & South America, Asia and Australia and New Zealand. In addition to Swedish and English the languages familiarity includes German, Spanish and French.

4.1.2. Overall internationalization strategy

Initially market information was gain by own knowledge about the country, market intelligence on secondhand data and finally through direct visits to the interested target market. The gained market information is a determinant factor that permits the company to detect the potentiality of the opportunities in the market. During these visits information on the target market is collected and analyzed to evaluate the market potential. Part of the knowledge is acquired through network within the industry and local contacts from the targeted countries.

After identifying an opportunity the company starts to look for people locally with whom they would like to work with and in order to get more information. Then when the company gets positive notion of the market it launches the business by appointing a local representative through whom the contacts or the network establish and start to sell and expands within the country.

As it is a necessity to appoint a local partner to provide service support to the clients in terms of training, spare parts availability, logistics, after sales service etc before product is marketed and sold. The international expansion progresses on a similar manner to other countries. Over a period of time after facing different experiences gained helps the firm to become aware of the differences between several markets and approach it in the best possible conditions. In addition it allowed the company to approach the market with the good business practices and an adapted in attitude.
4.1.3. **Order of country entries**

The firm started mainly in Nordic countries at first and then gradually to the European market in the beginning of its history and thereafter they detected opportunities in the rest of the world (America / Australia / Asia). The firm started in North America, then South America, Australia and finally Asia. Hence the order of entry country wise has been from Sweden, Norway, Finland, Germany, France, UK, Spain, Italy, US, Canada, Brazil, Australia, Japan and Indonesia. The biggest markets starting are Sweden, Finland, Germany and Brazil.

It has its own dealer or office in Finland, Norway, Germany (European main office), UK, North America, Brazil, and Australia (number of employees 400 in Sweden and 1000 worldwide). In other countries such as Russia, Spain, Hungary, Indonesia the company has partnership with dealers that sell or distribute the machine to the end user. The decision to have own office or dealer is decided on volumes of sales.

The internationalization has been pursued slowly step by step in a progressive manner based on the firm’s capacity and interest in mechanizing the process within the industry. Expansion is concentrated on forestry industry, meaning where the trees are planted for industrial manufacturing purposes. It was stated that the more far the market the more differences and difficulties it created to launch the product. Therefore it was logical to launch it in Nordic, Europe at the initial stage and progress gradually by saving in cost and establish from the home based. In the instances where the cost of manual labor is cheaper than the price of a forestry machine the sales becomes a daunting task.

Future plans and development is to continue to develop the countries like Russia and China. Mainly the east part of the country has already implanted a lot of trees and has huge potential in the west of Russia. Develop in the long term export in china as well. The market is just emerging and very young with huge growth potential.

4.1.4. **Entry barriers**

The hardest was transfer of knowledge that is product specific and train mechanics on product usage. “The situation is different of the exported product is less complex and easy to use”. As the machine are very complexed and different from what people are used to, makes it a necessity to train and provide information about the technology because people aren’t necessary familiar with the machine and the usage. Start up challenges also involves on creating spare parts network for the end user. Create a network and find partners who are interested in the business in order to deal and educate them is an additional challenge.

Language is not a barrier since most of the countries speak in English and often local partnership comes handy in getting over this barrier. Hence it is necessity to have a local partner to understand the local mechanism. It was stated as a very useful strategy when the market and its practices were hard to understand. Hence it is not only to overcome the entry barrier but also makes it easy to serve and control the market.

4.1.5. **Assessment of the culture by the company**

According to the respondent the cultural differences are higher the far away the firm goes. Intercultural knowledge helped the company to become aware of the difference and then face it when you are there. It helped to adopt the right business practices from the beginning. The cultural differences don’t play such a big role as the market is very narrow. But it needed some adaptation to the country, the practices and the way of doing business during the expansion is less impacted by the culture but more about different point of view.
Still no international expansion is pursued due to similarities in culture but because of the opportunities detected and adapt to the differences. To be successful in the long term the firm will stay successful by being modest, adapting to the others and by compromising when doing business.

People are quite similar around the world, especially in the specific area such as forestry industry. The industry specific thinking and behavior are quite similar around the world.

In general there are no real big differences in expectations in a culturally distant country as people are aware and learn them before entering that kind of market. However, sometimes surprised by country where you consider it to be similar but realize that there is a big difference how things are done.

The respondent stated the experience in Brazil being very exciting differences, positive experience though they are so far apart and didn’t face any conflicts. Whereas the experience in Japan being the most difficult or worst, where it was expected to be similar due to the behavioral similarities in being organized, systematic approach like in Sweden. Expressed Swedish, German, Japanese being cold and Brazilians being warm and easy going, where they did not need to tip toe around. At the same time expected the French to be different and aspects that are not compatible to Swedish culture. Finish on the other hand were more straight forward and up to the point than a Swedish and being the neighbor the expectations on being similar was at fault as well. While in Asia, every step was taken in carefully and different angels of strategies were implemented to reach the Indonesian client base. American was stated to have a strong American culture. The expectations were similar as “we look the same and talk in English” but it was not. It was stated that “Difference were very important to understand, if you can’t beat them then join them”.

Everybody has stereotypical thinking of another culture, “It is naive to say that people don’t but people should not stick to it”. After the first meeting the person need to be open minded and understand, adapt to the new culture. “The first impressions are not always correct”. If the new business partner is kept within the stereotypical thinking creates lot of problem or conflicts in the future. It should not be treated as a threat but should know that it’s part of the culture. “No culture is good or bad and better or bad”. “Human behavior overrides the cultural behavior”.

The only way to handle the differences is to be polite and adopt it. “You need to be modest, flexible and be an expert in compromising in knowledge, behavior and culture”. Hence it is important who is selected to represent the firm internationally as not everybody could manage it well. The company does not do any formal preparation for cultural difference but learnt through experience and appointing the right people to represent.

4.2. VOLVO Trucks

4.2.1. Company background

The firm Volvo started in the 1920s and founded Volvo Trucks in 1927, built its first truck in 1928 and now they are one of the world’s largest manufacturers of heavy trucks for commercial use and diesel engines while creating reliable transport solutions for customers worldwide. Initially Volvo trucks were an assembly plant and in the 50s changed towards mass production. Hence internationalization came into Volvo quite automatically.

The respondent holds the position of the process manager within the company and specialized in the surface treatment process. The international experience includes working as a project
manager for 3 years in Brazil and US. Network global manufacturing, support, technical issues, been part of international ventures. Languages familiar with are Swedish, German, English and Portuguese. As the respondent has been involved on expansion of manufacturing plants internationally the focus of the information is based on the experienced gain through internationalization of Volvo trucks manufacturing.

4.2.2. Overall internationalization strategy

In general the firm’s expansions are sales motivated and partly manufacturing depending on the need. Eighty years of experience has given the firm to build such strong brand globally and plenty of access for good information and market knowledge from its own experience and other third party sources. Global standardization products and sourcing standardization strategy helps the firm to penetrate and be represented equally around the world.

Most often network or expansions starts with independent dealership then own dealership and then finally invest locally after a specific period of time learning the local regulations and its market. Though it’s highly represented around the world the Trucks are not highly consumed. More time and dedication is needed than a car due to the complexity of the product.

The firm needs to be mindful of the international atmosphere for trucks in terms of new engine, environmental demand, International regulations that are applicable to the product. The tricky part is to get information in a protected market. Control mechanism within the countries such as local protectionism, exemptions on imports or necessity to invest locally to take advantage of the local benefits also drives the firm’s internationalization. At the same time people also fail to have a whole picture of the subject matter. Most often people are too focused and closed hinders the internationalization process. Hence knowledge gain and understanding of difference in these factors can affects the firm’s decisions on sales or manufacturing oriented expansion.

In term of relationships it is not difficult to get or build new contacts in the foreign markets. Network is developed through common interest and it is necessary to be pursued to be successful in the long term. The link could be made through networking alike specialized people to gain benefits, though langue is a burden.

Differences in expectations during the internationalization are affected by the changes on economy or other uncontrollable factors. Changes can affect the extent that the firm expands as planned. In a way it also has positive effects on the company as it brings different perspective for the future. Good investigation and adaptation is important. New changes and set ups makes the firm to be more dynamic.

4.2.3. Order of country entries

The firm expanded internationally in terms of sales first in Europe, then Middle East, North Africa, Brazil (SA), US and China. The trucks are sold in 140 countries around the world through 650 dealerships and have 1450 workshops. The biggest markets for Volvo are EU, Eastern Europe, Brazil and US. The company also has 9 assembly plants and 8 factories owned by local partners. The international market is approached in terms of three regions, Region1: south and north America, R2: EU, Middle East, Africa, R3: Asia pacific. Each region is self supported in all areas of operations and continues to adapt in such a manner.

Volvo usually takes its time and careful in every step of the way. Especially opening international manufacturing plants due to the risk associated with it. The firm has never been an aggressive approach to internationalization in manufacturing. Hence it is more of a
progressive expansion. In terms of the future internationalization is always on progress. The developments would be in Asia, Brazil, Russia, India, China is the new and upcoming markets. The firm would play an equal role around the world.

4.2.4. Entry barriers

According to the respondent the major entry barrier is the organization cultural differences that are harder to handle than the national cultures. There are lot of differences in how the organization operate around the world for a firm like Volvo. In Sweden Volvo practices matrix structure that helps it to handle other higherarchical organization structure oriented firm with ease. Further states that “Organization cultural differences are not visible quite often as the national cultures”.

Language is another biggest barrier to come over. Especially for example if we the to use specialized knowledge from Brazil to another part of the world or vise versa is quite difficult when the specialized engineers are not multilingual, where communication becomes a major issue. It is not a barrier at the higher level as most of the people can speak in English. Firm overcome such barriers through adaptation as it is a necessity and learn from experience. They absorb and combined their various experience and implement it in new markets.

Competencies are developed through data collection & analysis, preparation before the launch of a business and it was also stated that it is common sense to observe and understand. Development of competencies and learning works both way for the firm and its clients. “Understanding negative things in a new environment and focus on the differences help learning while you simultaneously recognize the similarities as well”. Then you can adapt to new cultures. Understand the cultures before you notice the differences. Through traveling people are very easily exposed to different cultures. Experience also helps over period of time to be prepared to face the unknown environment.

4.2.5. Assessment of the culture by the company

According to the interviewee’s experience in setting up manufacturing plants and operating and coordinating other subsidiaries around the world he believes in organizational cultural difference being the important factor than the national cultural difference.

In their last joint venture with Renault trucks and Volvo trucks has gone through a difficulties period due to its vast cultural differences. Two companies with long history and previously being competitive was hard on both firms when it was combined. Lot of issues popped by because of miscommunication and misunderstanding. Main differences were due to the organizational culture and the work style. Renault was very higherarchical and Volvo practices matrix oriented structure. Hence it was not just national culture but the organizational cultural differences that created conflicts between these organizations. Compromise and combine the benefits from both side was the best strategy to get over it and global approach with wide market also helps to strategically overcome it.

“Emphasis has to be made on delivering clear message or information”. Clarification in communication is important. Most often people lack the time to communicate. Misinterpretation and miscommunication creates blunders. It is over come through proper procedures, project models controls points.

To overcome the cultural barriers and stay successful in the long run it is important to be sensitive and adopt to local culture while preserving the best out of them to modify the firm’s
international strategy. This is quite important and challenging as well. Still the firm has stayed successful in the long term by creating such synergies through its global partnerships.

4.3. **UMETRICS**

4.3.1. **Company background**

Umetrics is a firm that develops software for design of experiments and multivariate data analysis, for the individual user as well as for on-line continuous and batch processes. Their vital client tales are the large Biopharmaceutical companies. Essentially their transactions are Business to Business. It is involved from the development and researches of new drugs to the production of the drugs itself. It was founded in 1987 in Umeå University and expanded in Sweden and Internationally.

As a General Manger the respondent had the overall responsibility of the firm from cost to gaining income for the firm. The firm initiated its process of internationalization in 1999 and has 25 years of experience in the field. In addition he has 6 years of working experience in the US along with EU & India for 2 years in sales and speaks Swedish, English and French.

4.3.2. **Overall internationalization strategy**

The Biopharmaceutical oriented customer bases are very limited in number around the world. Hence their international growth is quite dependent on the expansion of their current and potential customers. The firm launches or expands itself in countries where its client tales is. Internationalization pursued through sales and development by providing solutions to business clients. Be closer to clients and be available on travel local time.

Market knowledge and information is accessed through networking and other second hand data to keep them updated with all the changes within their specific market. Being concentrated in a very specialized market it is important for the firm to build and maintain their relationships with its customers. The firm most often hires people with local knowledge in every country to serve their market. Currently 80% of its business is conducted through own representatives in the client’s countries and rest through independent sales agents. It is impossible to operate remotely and stay successful. Hence international reach is possible through equal partnerships, resellers, distributors etc. The customer also wants the firm to invest in the product to facilitate the flow.

Relationships are built by close customer contacts within its network. Sales people quite often visit current business strengthen it. Global product managers visit from Sweden around the world to build up the network and relationship internationally.

4.3.3. **Order of country entries**

The firm first expanded in Sweden when it was launched and then they first entered the UK, a year later the USA and so in parallel while continuing growing in Sweden. Thereafter it’s expanded in Singapore, Japan, and Germany accordingly. In 2006 it was bought over by a US firm and currently the head office is located in US and other two main offices are located in Sweden and UK with 50 employees in total. Out of its total turnover 20% (8-10% in Sweden) of its revenue is from Nordic countries and 80% (30% US, 5%-10% Asia, 50% Central Europe) other international markets.

The reason for the above order of internationalization is due to the industrial needs of Pham biotechnology and competencies in house. In addition the norms of the potential customers, different regulatory needs and financial strength of the clients are other factors that are largely
influential. The reason for not exploring other part of the world is simply because the business clients have not expanded or exploited it. Internationalization of the firm is purely focused in exploiting new business opportunities and gaining market share. Speed of the internationalization is quite high and flexible to adapt to the requirements of its client base.

Future plans as in next 10 years, it will penetrate more of Asia as enormous developments are taking place and large investments are being made by their customers. A new entrant like Samsung is going to make it more competitive with the bio tech markets. South Africa would be another market the firm would be interested on due to the rising opportunities.

4.3.4. Entry barriers

The health care systems, industrial regulations, cultural differences, nature of the agreements are the biggest barriers for the firm. Language is generally small since the industry consists of people well spoken in English. Quite often these difficulties are overcome through the Mother (US company) and its connection and network of people they know. Still it makes more of a necessity to have local contacts or distributors to deal with these common barriers.

Especially it helps to overcome the cultural barriers by hiring people with local knowledge and understands the unwritten rules and norms of the society and language issues if at all any. It is easier to train in the technical skills for a person comes from a local culture than sending some to get trained the cultural aspects. Over a period of time the firm’s new competencies are developed through past experience of being in the market so long.

4.3.5. Assessment of the culture by the company

Cultural differences play a big role even if the solution provided is very similar between countries by the firm. Still the path within which the firm or the each representative takes is very different. Respondent pointed out that, “It’s easier to deal with a culture where you expect to be different than in a culture that you already think that you are very familiar”.

According to his experience, in comparison “You would think that Denmark is very closer than Germany in terms of thinking and working style regardless of being geographically closer”. “When the written agreements are finalized and concluded it is finalized in terms of Sweden but written agreements are just a start for further discussion and negotiations in Denmark”. This created a lot of stress and uncertainty from the point of view of a Swedish firm, when the debate and discussion started on the written agreement. Surprisingly German attitude is very similar to Swedes unlike the Danish neighbors. It was stated as a conflict of similarities. In Singapore or Japan the expectations are perceived to be cultural difference. “You are on your toes to understand and catch up on cultural differences”.

Respondent stressed on the fact that the perception is what that creates the problem and always expect different behavior when you are in a new country.

Difference in cultural oriented expectations differs and depends on person on person representing the firm. It can be quite smoothly on one way and create some issues on the other hand. People are quite experienced enough to handle it. The differences are going to be there but the firm does not have any procedures or formal preparation with regard to culture during it international affairs. Some individual prepare more to understand the cultural difference and some don’t.

Culture differences are not a hurdle that ruins a process of internationalization but it is necessary to show mutual respect your counterparts and understand the differences. Need to be flexible to adapt to new circumstances and appreciate the differences. It is important to
show respect and interested and gaining knowledge to gain credibility and trust with the business partners. This helps the firms to develop strong relationship with the people and work with them.

Another incident is such that the firm had to discontinue its sales operations in Portugal due to various reasons. It is partly cultural oriented and other reasons that didn’t work well within the partnership. “The preconceptions didn’t seem to have matched and the firm seems to have lost trust” with its business partners in Portugal.

4.4. **Norrmejerier**

4.4.1. **Company background**

Norrmejerier is a Swedish company founded in 1971. Today the company is located in Västerbotten, North Sweden. The company is establish in the food industry and is specialize in the dairy products. Indeed, Norrmejerier produces milk in its dairies implanted in Umeå, Luleå and Burträsk and manufactures products like milk, yoghurt, cream and cheese. Those products are selling through supermarkets. Furthermore, Norrmejerier started to internationalize its activities in 1995.

The respondent of the interview is today the CEO of Norrmejerier and works in the company within this position since 6 years; however, the respondent has been involved in the activities of the company since 21 years in total. He acquired experience in internationalization within Norrmejerier since he has been part of the decision making concerning this process. The respondent speaks English fluently and Swedish is his native language.

4.4.2. **Overall internationalization strategy**

The company Norrmejerier intended its internationalization process in order to increase its market shares, improve the financial results of the company and cover the investments that has been done in the past when developing the production chain. As the respondent said, the internationalization was seen as a way to increase sales in order to use the overall production capacity and therefore reduce the cost of production of the different products. This allowed the company to improve its financial structure both in increasing the income and decreasing the expenses.

Convince that the internationalization could only be benefic for the company the respondent claimed that they first started to look for opportunities abroad. After searching and scrutinizing foreign markets the company identifies opportunities for some of its products. The respondent actually explains that their research allowed them to detect a potential for increasing sales abroad with two of their brands: Gainomax, brand under which the company produces and sales energy drinks made from milk, and Västerbottensost, brand under which Norrmejerier produces and sales cheese. In order to identify opportunity abroad and before expanding in foreign markets, the respondent claimed that many information regarding potential distributors, the general rules of the market and the business practices are needed. Therefore, to obtain the needed information the company is used to source it itself thanks to internet, international reviews, in fairs or trade shows and sometimes thanks to its own network. In addition, the respondent explains that the Swedish trade council is a useful organization since it can provides contacts and accurate information about the foreign markets targeted by Swedish firms. The respondent mentioned that these information are determinant for pursuing the internationalization. Indeed, if the information gathered allow identifying an
adequate distribution channel for the products and therefore potential sales, then Norrmejerier intend expanding to the foreign market concerned.

Gathering information allowing identifying opportunity as well as potential distributors in the foreign markets was the first step. Indeed, after being convinced of the advantages that entering a foreign market could concede, the company starts contacting all the potential partners identified. The respondent explained that next, negotiations are engaged and the partner that offer the best conditions is then elected as distributor of Norrmejerier’s products. Indeed, the products are here sold in business to business and the partnerships are created with supermarkets establish in the foreign markets. Then that kind of distributors are in charge to sell the product to the final customer.

Further, the respondent explained that this internationalization in several markets have pushed the company to continue investing to modernize the production facilities. Indeed, with the progressive internationalization of the company, the market shares increased and subsequently the sales volume followed the same trend. Therefore, in order to produce enough products, in recent years investments have been made to increase the cheese production capacity, which reached 100% after the expansion in several foreign markets. However, it is important to clarify that the manufacturing facilities are only implanted in Sweden and only sales are pursued abroad.

4.4.3. Order of country entries

The company is pursuing sales in several international markets and penetrates the following countries: the USA in 1995, then England in 2000, Finland in 2004, Norway in 2005, Germany in 2009 and more recently Norrmejerier penetrated Holland in 2010.

The respondent comments this internationalization pathway in saying that the penetration of the USA was a random decision. The previous CEO of the company had an extensive network in the USA which allowed the company to start exporting and selling its products through those contacts. Concerning the other countries, the respondent explained that the reasons for expanding were more scientific: the decision to enter those markets was taken after analyzing and identifying a potential opportunity in terms of sales.

Today the biggest foreign market is Finland. In this country, the company has combined sales agents (supermarkets) and a wholesaler, which allow the company to sell big volume of products through those distributors. However, the respondent claimed that if the company does not conduct international business with direct investment in the foreign country it is because the company still remains a small business with frail financial means. Therefore, the risk of bankruptcy when implanting its own facilities in the foreign market is too high if any problem happens. However, the respondent expressed that further internationalization in more numerous countries is already planned in order to continue increasing the sales volume and therefore the turnover of the company.

4.4.4. Entry barriers

An interesting fact during this interview was that the respondent mentioned the culture as one of the main entry barrier without we even mention this terms in our question. Indeed, after asking what were the main difficulties that the company faced when expanding abroad, the respondent said: “the biggest difficulties were to understand the business culture of the market and sometimes be able to reach an equal basis in term of language”. Indeed he explained that when the company intended to enter its foreign market it was necessary to take into account those two market components. Another difficulty that was faced by the company was to
identify the forces that drive the foreign market and the country. The respondent explained here that it has been sometimes difficult to access that information and build knowledge over it in order to penetrate successfully the targeted foreign markets.

It has been explained that the faced above difficulties were overcome thanks to the information that the company gathered, analyze and learned about the new international markets. Developing language skills was also a basic requirement to expand abroad and be able to communicate with people. The respondent stated that he needed to improve his English skills in order to be able to negotiate and conduct international activities. After getting the necessary knowledge to penetrate the foreign market, the company adapted its attitude and practices to the correspondent market. Indeed, the respondent specified that sometimes it has required the adaptation of the company to the foreign culture which, regarding to the respondent, affects the market’s rules and customs. However, regarding to the respondent it is impossible to learn everything about a foreign market and its practices as experience is needed. Indeed, he acknowledged that nothing was better than the experience gathered through the year, when doing business within the foreign market. He illustrated this by explaining that sometimes the company needed to experience things by itself and take few risks in order to fully understand the business practices in the foreign market. To do this the company sometimes tried to push the border to become the market leader and check if their practices were working or not.

**4.4.5. Assessment of the culture by the company**

The cultural differences played a big role during the foreign expansion of Norrmejerier. Indeed, the culture of the host country needed to be compatible with the company and its product. Regarding to the respondent it was necessary to be aware of the cultural differences in order to take the decision of entering the market or not and check if their brand could be adapted to it. Even when negotiating with a potential distributor, the respondent precise that it was necessary to overcome the cultural differences in order pursue a deal and reach a common agreement. However, it is important to mention that the company intended its internationalization in countries and markets where the culture, in terms of food habits, is close to the one in Sweden. Indeed, according to the respondent the culture of foreign customers is very important since their behavior toward dairy products is very link to this component. Therefore, according to the respondent it is impossible for the company to export its products in markets where the consumers do not have a similar attitude toward the dairy product than in Sweden.

To overcome the effects of the cultural differences when the firm expand in a foreign country, the company and its employees strived to develop knowledge and understand the cultural aspect of the markets. Actually, the respondent explained that the company has been successfully in its foreign markets because the information needed about the market was well gathered, well analyzed and so well understood. This allowed the company to enter successfully the foreign markets by adapting to the local business practices, the customs and the culture. In addition, the acquisition of those information and knowledge was a determinant factor.

According to the respondent, in order to stay successful on a long term view in a country were the cultural differences affect the business activity of the firm, the company must continue to gather information about the market. This allows the firm to keep an adapted attitude to the market concerned. The respondent came to the conclusion that when the company is growing
abroad and when the executives are used to manage the differences in terms of cultures, it is easier to continue to pursue business since the firm knows increase its knowledge of the foreign market and its practices. In other words, the experience in terms of culture that the respondent acquired allowed him to deal better with this component. Indeed, the cultural differences appear to be smoothed and so impact less the foreign activity of Norrmejerier after several years of activities in its foreign markets.

4.5. **Indexator**

4.5.1. **Company background**

Indexator was founded in 1967 in Norrtälje but have been later relocated in Vindeln, in the north of Sweden. Initially, the company was producing hydraulic coupling but it went bankruptcy. Then, another company: Cranab, which was the main client of Indexator, decided to take care of Indexator and made it a daughter company. It is during the 1970’s that the owner of Cranab decided to sell this company and focus only on the development of Indexator. Today, Indexator is the world leading manufacturer of rotators that is a hydraulic motor which permit to rotate and harvest things from the ground. The company produces rotators for forestry machinery, general cargo, materials handling and recycling equipment.

The respondent of the interview is the CEO of Indexator since recent years. However, he has been involved in this company since 17 years and was before the marketing manager of Indexator and another company located in Canada, thanks to which he gained extensive international experience. The respondent is therefore fully involved in the internationalization of the firm as he is part of the decision making in terms of international expansion. As a major actor of the international activities of the firm, the respondent is fluent in English and has good skills in German.

4.5.2. **Overall internationalization strategy**

The motivation that pushed the firm to internationalize their activity was to grow the business. The respondent stated that the company decided to enter international market to improve the sales and develop its market shares in order to keep a major position on this niche market. Therefore, when an opportunity for the product was detected in another country, the company decided to penetrate the market as soon as possible to weaken and limit the risk of potential competitor entry.

Before starting pursuing activity in the country where a potential opportunity was detected, the company aimed to gather numerous information about the foreign market targeted. As the respondent states different sources are used when intending to enter a new foreign market. Indeed, the company uses the Swedish trade council in order to gather information about the country and its business practices. In addition, in order to measure the size of the opportunity detected the company visit trade fair in the targeted country which allows the company to identify major actors and potential customers of the market. Subsequently a representative of the company is sent in order to introduce the product and to develop a network in the foreign country.

When the opportunity detected and the sales potential are satisfactory then the company decides to enter the foreign market. The respondent explains that in order to limit the risk, involved by the financial investment needed, the company always establish progressively its activities in the new market. For this reason, the respondent state that international export is first developed in every new market through representative sellers or distributors. If the sales are satisfying and after improving knowledge and experience of the foreign market, then the
company set up its own subsidiary. In some cases, only if the sales volume is important, Indexator go until establishing manufacturing facilities in the foreign market. However, the respondent stresses that it happens frequently that clients, from country where the company is not establish, make the initial contact. He acknowledges that this is due to the fact that the company is known as the largest company of rotator manufacturer and to its presence in many exhibition shows.

In addition, the respondent explains that to stay successful in the international market, the company maintains a regular dialogue with all its customers through the year. Indeed, the employees of Indexator visit or contact at least once a year every customers of the company. This allows the company to keep gathering valuable information about the evolution of the market and the needs of its customers.

**4.5.3. Order of country entries**

The company Indexator has progressively spread its activity from the country close to the home market (Sweden), in terms of geographic distance, and then move to the more distant countries. Indeed, after 4 years of activity in Sweden during which the company developed a functional product, Indexator started first to penetrate Scandinavian countries, namely Finland and then Norway. The next step has been to move in East Russia and then middle Europe. Here the company has first penetrated Germany, next Switzerland, Austria, Spain, France, Italy, Great Britain and after Holland. After establishing activities in many European countries, the firms continue to expand its activities in North America, i.e. Canada and USA. Next to this, the company moved to South America in Brazil. Later in Africa and more recently in Asia, that is to say Indonesia, Malaysia and India. According to the respondent, it is a characteristic in international export that the activities start in the markets close to the home and thereafter move onto markets with greater distance.

In line with the internationalization progress, the biggest markets of Indexator are in Scandinavia (1st Sweden, 2nd Finland and 3rd Norway) then in Western Europe (1st Germany, 2nd Great Britain, 4th Austria, 5th Switzerland, 6th Spain, 7th France, 8th Italy and 9th Holland). After Europe comes North America (1st Canada and 2nd USA). South America, Asia and Africa arrive last and are quite similar in terms of sales volume, the respondent acknowledges that this is mainly due to the fact that those regions have been penetrated later, but he recognizes that their growth potential is very important.

Today, the company Indexator is established internationally thanks to distributors and sales representatives in Asia, Western Europe and Brazil. The company has set up its own subsidiaries in Canada and USA. In addition to this, Indexator also established directly in Great Britain and Canada some manufacturing facilities. This international establishment is however the result of a progressive implantation in those countries and the company never moved into those markets in one big step. The respondent explained that experience and precise knowledge were needed before pursuing direct activities in those countries.

Concerning the future international strategy of the firm, the aim is to increase its commitment and activities in the developing regions, namely South America, Asia and Africa since those markets have the higher growth potential on the long term. More precisely, the company is also now trying to expand its activity in china.

**4.5.4. Entry barriers**

The respondent claimed first that the entry barriers face by the company during its internationalization process were very limited. However, after reconsideration he admitted
that certain difficulties have been faced by the company when expanding abroad and give us some examples. The respondent explained that it has been sometimes hard to understand the governing principles of foreign markets. When asking which governing principles were hard to understand, he specified that the entry rules, the practices and the customs in Brazil and Russia have been very difficult to deal with. In addition, the mindset of the customer was another component to deal with when expanding abroad. The respondent explained the mindset as the way people will be interest and focus on the product. He gave us the example that in France his customers were mainly focusing on the price of the product while in Sweden the focal point was the characteristics and the advantages of the product before its price. Furthermore, the respondent mentioned the language has the last barrier that the company faced. Nevertheless, he explained that this difficulty tends to be lessening since the English appears more and more as the international business language.

In order to overcome the differences in terms of governing principles and mindset, the company developed knowledge and experience thanks to networks and contacts directly establish in the foreign countries. Concerning the language barrier, the company learned new languages, especially German and English, and used interpreters working at the Swedish trade council when expanding in Asia.

4.5.5. Assessment of the culture by the company

The respondent’s point view regarding the culture mainly focuses on the sales and negotiations aspect when intending international activities. As he explained, he has to deal with the cultural differences during the international expansion both on country and company side. It was interesting to note that the respondent came back on the entry barriers that he expressed before when we approached the notion of culture through the questions of the interview guide. Indeed, here again the notion of entry rules, the practices and the customs came out when we asked him about the role that cultural differences played on the internationalization of his firm. It appears then clearly that he made a parallel between the governing principles expressed before and the notion of culture, which are for him very link to each other. The respondent went further on the explanation and gives here another example with a communication difficulty that he experienced with an Indonesian customer. He explained that when he was negotiating a contract with this Indonesian customer, some points of the contract that he thought had been covered were actually not for this customer. Indeed, the following day, when continuing the negotiations, this customer came back on certain points of the contract that were already clearly decided the day before from the respondent point of view. However, the respondent states that the cultural differences are not necessary the reason of difficult negotiation since he already encounter difficulties to deal with a Swedish customer while an Italian one could have been very easy.

According to the respondent, the cultural differences affect more his employees in terms of business relation, due to the governing principles mentioned above, than the product itself. Indeed, he believes that being establish in a niche market its product does not need to be adapted when entering a new market but instead can be sales as its own regardless the market culture.

However, the respondent concludes in explained that neither the entry barriers nor the cultural differences ever stop the company to establish activities abroad. Instead they are approach as a challenge to face by the company. Therefore, every foreign markets are penetrated when an opportunity is detected or when a customer solicits indexator. Furthermore, the respondent states that over the years the company has developed a strong experience in entering new international market. Therefore, he claimed being aware that
thanks to sales distributors or representatives and a strong network, the affection of the culture when expanding abroad can be decrease.

4.6. Resume of the empirical results

All the above information and discussion is summarized in the following grid to give an overall view of the findings. The firm that participated in our case study is listed on the top row. The major factors that has been part of the empirical study and to be analyzed and discussed in the analysis chapter is listed on the far left of the column. In addition to displaying an overall view of the finding the table 1 would also help the reader to compare and highlight the empirical findings with the analysis when reading the coming chapters of the thesis.

Table 1: Summary of the empirical findings

<table>
<thead>
<tr>
<th>Position</th>
<th>Komatsu</th>
<th>Volvo Trucks</th>
<th>UMETRICS</th>
<th>Norrmejerier</th>
<th>Indexator</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Position</strong></td>
<td>General Manager (Marketing &amp; Information)</td>
<td>Process Manager</td>
<td>General Manager</td>
<td>CEO</td>
<td>CEO</td>
</tr>
<tr>
<td><strong>Interviewees’ years of experience within the firm</strong></td>
<td>31 years</td>
<td>31 years</td>
<td>6 years</td>
<td>27 years</td>
<td>-</td>
</tr>
<tr>
<td><strong>Nature of the Product produced</strong></td>
<td>Forestry machinery.</td>
<td>Truck Cabs</td>
<td>Software for data analysis</td>
<td>Dairy products</td>
<td>Forestry machinery</td>
</tr>
<tr>
<td><strong>Firm existence</strong></td>
<td>51 years</td>
<td>80 years</td>
<td>25 years</td>
<td>41 years</td>
<td>45 years</td>
</tr>
<tr>
<td><strong>Overall internationalization strategy</strong></td>
<td>Slow and progressive internationalization, sales oriented (B2B), through local agents &amp; own offices.</td>
<td>Slow and progressive internationalization, sales &amp; manufacturing oriented (B2B), through local agents &amp; own offices.</td>
<td>Fast and flexible internationalization, sales oriented (B2B), through local agents &amp; own offices.</td>
<td>Progressive internationalization, Sales oriented (B2B), through local supermarkets</td>
<td>Progressive internationalization, Manufacturing &amp; Sales (B2B) to machinery producer</td>
</tr>
<tr>
<td>Order of country entries</td>
<td>Finland, Norway, Germany, UK, France, Spain, Italy, North America, South America, Australia, Japan.</td>
<td>Europe Middle East, North Africa, Brazil (SA), USA, China</td>
<td>USA &amp; UK Singapore Japan Germany</td>
<td>USA, England, Finland, Norway, Germany, Poland</td>
<td>Finland, Norway, Russia, Germany, Switzerland, Austria, Spain, France, Italy, Great Britain, Holland, Canada, USA, Brazil, Africa, Indonesia, Malaysia, India.</td>
</tr>
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<td>---</td>
</tr>
<tr>
<td>Entry barriers</td>
<td>Transfer of product specific knowledge.</td>
<td>Organizational cultural difference than the national culture.</td>
<td>Health care systems, industrial regulations, cultural differences, nature of the agreements</td>
<td>Differences in business culture / language</td>
<td>governing principles / Differences in, entry rules, practices, customs of the market, mindset of the customers / Language</td>
</tr>
<tr>
<td>Assessment of the culture by the company</td>
<td>Conflict is more within known or similar cultures than the unknown.</td>
<td>Organization cultural differences are not visible quite often as the national cultures.</td>
<td>Conflict of similarities in culture is born out of the difference in perceptions.</td>
<td>Major influence / Need to expand in market with similar food habits</td>
<td>Impact the company due to Differences in entry rules, practices, customs of the market, mindset of the customers but does not stop</td>
</tr>
</tbody>
</table>
5. CHAPTER 5: Analysis

This chapter analyses the previous findings from the empirical section and compared against the theoretical framework of reference. The purpose of this thesis is to understand and gain knowledge about the influence of the cultural differences in the process of internationalization for which the findings from the Swedish firms from Västerbotten, Sweden are used. Therefore, we have decided to structure our analysis with subheadings under which we will discuss first we analysis and highlighting the importance facts specific to each firm while comparing them with each other to identify the pattern within the cases. This includes the discussion on similarities and the dissimilarities that connect the firms to each other. Thereafter we divide and assess the internationalization of the firms and the notion of culture and finally we will link those two components in order to analyze the influence of the cultural differences on the entire internationalization process. These parts will be analyzed with the cultural model analysis of Lewis (2000) which will allow us to measure the cultural differences through the concept of psychic distance and its influence on the foreign expansion of firms.

5.1. Case analysis

5.1.1. Komatsu Forest

The process of internationalization of the firm has been very slow and progressive during its existence of 51 years. This could be easily related to the complexity of the product, product specific knowledge and the narrow market that it serves around the world within the forestry industry. Naturally its market expansion would depend on the where the need for mechanized logging is. Nevertheless the company has expanded first in the Nordic countries to benefit from the cost saving and the convenience of operates from home base. Then it’s expansion has been in the order of Europe, North America, South America, Australia and Asia. It’s important to point out that the firm has never entered a market without a local collaboration to facilitate its process of internationalization.

Due to the uniqueness of the forestry machinery and transfer of product knowledge creates the entry barrier but seemingly cultural difference was not one of them. Like the other firms Komatsu does not have any formal preparation to face cultural difference but high importance is given as to who represents the firm in the international market. This in turn means someone who is capable of accommodating and experienced enough in the international market to handle the cultural and trade oriented differences well.

Another interesting point that the interviewee stated everybody has a stereotypical thinking of another culture. Though it could not be avoided but should be adopted when faced with it. There is always a gap between what you previously thought about a culture and what it is in reality. Hence the conflicts are more within known or similar cultures than the unknown because, it is easy to manage a different culture since you expected it to be different than in a culturally similar situation. Nevertheless the firm did agree with the others that the one who does not adopt or move away from its stereotypical thinking would face issues in the future just because of it. It also had similar response in stating that difference in culture has not stopped or directed the firm in its expansion strategy. Emphasized that only to face the cultural differences was to be modest, polite, compromising and open minded. It should not be taken as a threat but to understand it as a part of that society. There is no perfect culture!
5.1.2. VOLVO Trucks

The firm that has the most years of experience compared to the other firms but similar in nature to the other equipment, software manufacturing in terms of serving a very selected business clients, a complexed product sold to a selected segment. It also shares the nature of being slow and gradual internationalization by entering markets through local collaboration and eventually via direct investments. Hence the firm is very careful in its long term investments. Invests lot of its time in evaluation and development of its market intelligence on relevant regulations, economical effects etc before investing on a manufacturing plant. Similar to other firms it first entered the European market but unlike others it took another route in its expansion in the following order Middle East, North Africa, Brazil (SA), US and China. Whereas other firms entered the North and South America instead of Middle East.

Unlike the other cases the interviewee from this firm was specialized in manufacturing oriented internationalization. This gave the opportunity to explore the cultural influence from a different angle. According to the interviewee’s experience in setting up manufacturing plants, operating and coordinating other subsidiaries around the world, prioritized organizational cultural difference being the biggest and the important factor than the national cultural difference. The vital observation by him is that the organization cultural differences are not as visible as the national cultures. It is easy to gain knowledge of national culture than on organizational part of the culture due to its uniqueness and less predictable nature of it. This makes it harder to be prepared or form any form of expectations before than after facing an organizational cultural difference. The firm’s strategies to compromise and combine the benefits instead of over ruling or forcing its culture on other firms are very admirable. Its point of view on gaining advantage of the different organizational cultures and implementing the best mix to rest of it branches is also a valuable insight. The major that factors triggers the organizational cultural conflicts seem to be miscommunication and misinterpretation of information, which is often managed by emphasizing on the clarity of the message delivered, protocol and procedures. As in the other cases studied this firm also stresses on the importance in being culturally sensitive, adoptive and understanding by concentrating on the difference within the culture to learn while absorbing the similarities when faced with it.

5.1.3. UMETRICS

This firm is also similar yet again to other firms in term of serving a niche market and a product that needs direct investments to serve its client. Still being the youngest out of the other case studied the process of internationalization seems to have adopted a fast and flexible nature compared to the others. This could be related to the fact that it was launched and operated during the technological revolutionary era, where the whole process of internationalization is shorten because of easy and speedy access to the international market. At the same time product is also different from the others and cannot be addressed in traditional terms. Still this product also follows the others in appointing its own representative to work in each country. Similar to the other it has launched itself first in Sweden but the only difference is that it has expanded its market in UK, USA in parallel after Sweden. This also could relate to its niche market, technological specialty and the nature of the product. The enter barrier being specific to the industry such as health care systems, industrial regulations, nature of the agreements and cultural differences. An important point is that the firm’s strategy in facing its cultural barrier through having a local representation. Recruiting a local for the firm is the speedy strategy implemented by the firm to overcome the cultural barrier, where it believes it easy to train the technical side to a local than training a technician on the cultural aspects.
Interviewee shared similar cultural experience to the Komatsu interviewee. Stated that it’s easier to deal with a culture where you expect it to be different than in a culture that you already think is similar. Specified that cultural oriented perceptions are that directs the cultural experience. Hence suggested that it’s easy to face it if someone expect it to be always different. This in turn could be related to Komatsu case to the discussion on the stereotypical cultural perceptions that is hard to avoid but essential to modify. Also had a common agreement that the people representing the firm are always experienced and capable in handling these difference, though everybody has their own way of preparing and dealing with it. As all the other firms this company also agrees on culture not being a hurdle but something that is part and parcel of a society, where the differences should be respected, understood, appreciate and adopted to survive in the international market in the long run. A step further this firm stated the importance of cultural knowledge to create credibility and trust with the business partners to build strong network within the industry.

5.1.4. Norrmejerier

The internationalization process of the firm has been initiated in order to expand the sales of the company. This process has been relatively slow and every country in which the company is present today has been penetrated one by one. The international expansion of this firm can be considered as progressive since the countries were penetrated over a certain period of time after his inception and so without developing the commitment of the firm in one big step in the foreign market. Indeed, the firms began its internationalization 24 years after its foundation and penetrated a new foreign market almost every 4 years on average. However, this firm is the only one from our sample which never went above the step of selling product through independent distributors. Actually, in all the foreign markets in which the firms developed its activities the sales are since the beginning pursued thanks to supermarkets that are in charge of the distribution of Norrmejerier’s products. The firm never intends to establish its own subsidiary abroad and conduct its sales through independent distributor since over 15 years in some countries. Nevertheless it must be acknowledge that the sales in the home market are identically developed only through independent distributor and the firm only takes charge to the manufacture of its products. In addition, the respondent stated that the firms remains a small business even after exporting sales in several country, which can partly explain the lack of financial means to establish manufacturing facilities abroad.

Concerning the countries penetrated, it is interesting to note that this firm is the only one who first penetrated the USA and then several countries in Europe instead of first expanding in Scandinavia, then in Europe and at a later stage in other continents. The respondent acknowledges that going to the USA was a random decision and the other countries have been penetrated when an opportunity arose. Consequently, we explain the fact that the company went first to the USA because the previous CEO of the company had an extensive network in this country, which therefore facilitate the firm in its expansion to this country. Concerning the other international markets the expansion process seems more logical since the respondent explain that these markets have been approached in scientific way. Indeed, confident after a successful internationalization in the USA, the firm started to look for expanding in different European countries. Here the respondent explained that the markets were analyzed and if an opportunity was detected then the decision to enter the concerned foreign markets was taken.

From all the companies that compose our sample, Norrmejerier is the company on which the cultural aspects had the biggest impact during its international expansion. Indeed, the respondent of this company explained us that one elementary condition to penetrate the offshore market was a similarity in terms of culture between Sweden and the country in which the firm export its products. The company had expanded its activities only in countries that
are culturally similar to Sweden. We analyze this impact of the culture on the expansion of the firm due to the nature of the product. Indeed, being establish in the food industry the company expanded only countries that have similar alimentary habits. The food and the consumer habits are the aspects that are the most impacted by the culture of country. Consequently, it seems logical that the firm develop its business in the countries that have similar alimentary habits and therefore where the culture is close to the Swedish one.

5.1.5. **Indexator**

Indexator started to internationalize its activities 4 years after its inception. This process can be considered as quite fast since the firm started to export only few years after its foundation but still this process was developed very progressively. Indeed the firm developed its international activities by penetrating new foreign markets one by one. Actually the company started to expand in countries that are geographically close to Sweden and then spread progressively to other continents. The company has today a strong international presence. The Scandinavian markets were firstly penetrated thanks to the development of the sales in Finland and then Norway. The firm continued to expand in East Russia and then in middle Europe. Next the North and the South American markets has been penetrated. After this the firm started to export in Africa and more recently in Asia.

In every countries penetrated, the firm developed very progressively its markets commitment. In accordance with the Uppsala model, the firm begun to sell its products through independent representatives and distributors present in the foreign markets. The firm gradually increased its commitment to its markets by establishing later its own subsidiary abroad. In addition to this, Indexator is one of the two companies from our sample that went until the step of producing its products abroad. Indeed, in some of its foreign markets the firm established manufacturing facilities to respond the demand of its clients. Nevertheless, it is interesting to note that the expansion in certain countries were not the result of a scientific approach when analyzing a market in order to identify an opportunity. Instead the activities of the firm was sometimes developed abroad after an international customer contact himself Indexator. We analyze this particular phenomenon by the fact that the firm is very visible in its market since it is the leading producer of rotators worldwide.

Concerning the culture, it appears that this component has a minor impact in the decision to internationalize. Indeed, the respondent stated that every country was penetrated when an opportunity was detected and so regardless the cultural differences between Sweden and the foreign markets. However, since several international customers solicited directly themselves the company it seems logical that the culture impacted less Indexator. Indeed, when the first contact is established by a foreign customer it appears that he will need to adapt himself to the culture of the company and not the opposite. In addition to this, the fact that the company is the leading producer of rotators and establish in a niche market, as Indexator is one of the few firms that dispose the competences to manufacture this product, will lessen the importance of taking into account the notion of culture. However, we interpret the slow internationalization process to the previous point discussed. Indeed, sell a new technic to a new market is very time consuming since the company need to promote the advantage of its product and explain how to use it.
5.2. **Internationalization process**

5.2.1. **Motives toward the internationalization**

In order to begin the internationalization of the firms, our empirical findings show that the attitude of the manager was clearly a factor that triggers the process. All our respondents explain that the internationalization was intended because it was seen as an “opportunity” for the company. Indeed, the respondent mentioned the internationalization by using the term “opportunity” to grow the company. We interpret this as a positive attitude since the internationalization is seen by the respondents as an opportunity. Most of the respondents explain that they wanted to grow their company by expanding their market share and targeting new market. However, when they explained the growth of their company, internationalization was seen as the only option and the companies investigated never intended to grow their company by enlarging their product and stay in the home market. This clearly shows that the attitude and the expectations of the executives was a key point to internationalize. Our empirical findings obtained with the companies investigated is then in support with the research of Cavusgil and Nevin (1981, p.119) who stated that the managerial aspiration and expectation about firm’s growth were one of the starting points to intend the internationalization of a firm. In addition to this, we noted thanks to our findings that the firms enter in foreign markets one by one and increase the number of country in which firms are establish over the years. We interpreted this as a positive increase of the executives’ attitude toward international expansion and consequently found support for the findings of Moen and Servais (2005, p.15) who state that the orientation of the managers toward global expansion is supposes to increase if there is a progressive development of the process. Indeed, it appears through our findings that the global orientations of the manager increase when there is a gradual development of the internationalization. The countries are penetrated one by one, and so after a successful penetration of a foreign market the companies interviewed tends to enter new foreign market one and continue the process over and over again until opportunities.

As we briefly mentioned above, regarding all our respondents the internationalization is firstly intended to grow the business. Through our findings, we found support for the motives toward the internationalization expressed by Orser, Spence, Riding and Carrington (2008, p.2) who expressed the firms’ growth intention as one of the main internationalization’s driver. At Norrmejerier, the internationalization was seen as a way to increase sales and the respondent of Indexator expressed that the company decided to enter international market to improve the sales and develop its market shares. Concerning Volvo, Komatsu and UMETRICS, the internationalization appears as well as sales oriented and motivated. We therefore interpret the internationalization here as a way to grow the firms thanks to the increase of the market shares allowing the company to improve their sales and so their overall turnover.

In the literature regarding the motives toward the internationalization process, through their findings Quintens and Al (2006) explained that the process was motivated by the fact companies intend to benefit from technological learning, cheap labor coast abroad, increase production flexibility or again improve product quality and design. We only found partly support for his research through our empiricism. Indeed, regarding our findings only Volvo and Indexator have a manufactured oriented internationalization (in addition of the sales orientation) and the respondents from those companies explain it as a way to shorter the delivery delays involved by the transport of the good when selling in geographically distant market. Indeed the respondent mention that they establish manufacturing facilities in close to their biggest market in order to respond faster and better to the demand of their client, which we interpret as an increase of the production flexibility, point in support for a part of the
research of Quintens and Al (2006). Therefore our empiricism shows that the firms investigated are mainly sales motivated and only partly motivated in terms of manufacturing activities. Indeed the development of manufacturing facilities appears here only in reaction to the increase of international sales.

If our findings allowed us to confirm some of the internationalization’s motives exposed in the literature by other researcher, we have to acknowledge that they did not allowed us to interpret and conclude on the influence of the culture on those motives. Indeed, we have not been able here to check if cultural differences can modify or affect those drivers to the internationalization process of the firms investigated. Most of the companies researched explained the motivation of their foreign expansion because of growth motives, that is to say increase the market shares and the sales. We can easily acknowledge that the culture will not influence on this aspect since the main purpose of every firms is to make profit from its businesses. Therefore it is logical that every manager is motivated to increase the profit of their company by increasing sales and so regardless their culture. However, another elementary motive that was discussed above was the positive managers’ attitude toward internationalization to intend this process. Since the attitude of every person is partly the result of his culture, we can suppose here that the culture will affect this driver to the internationalization. Unfortunately our empiricism makes it impossible to conclude on this point; therefore further research concerning the influence of the culture on the managers’ attitude toward internationalization would be needed.

5.2.2. Development of the internationalization

During our research and thanks to the findings that we collected, it has been showed that all the companies followed a gradual expansion into their foreign markets. In other words all the firms studied penetrated their foreign market step by step and therefore progressively increase their commitment into their markets. The empiricism demonstrates that none of the company studied enter their offshore markets in one big step but instead started to pursue their international activity thanks to partnership. Indeed, we note through our findings that when intending expansion in new foreign markets, firms start first to sell their product and in some cases intend continue this expansion to manufacture their product in a second time.

To pursue their international sales the companies started in exporting and selling their product first thanks to independent distributors or sales representatives directly establish in the foreign markets concerned. After a certain period of time in pursuing business through independent representatives, the companies started to increase their commitment in their international market. The firms investigated showed that when the sales volume increased in the foreign market and when the company became more familiar with this market then the sales were pursued thanks to the development of subsidiary directly implanted abroad. In addition, our empiricism demonstrates that two of the companies researched, Indexator and Volvo Trucks, went until the step of establishing manufacturing facilities directly in their foreign market. This was developed in line with the importance of the sales volume in the international market concerned. The respondent of Komatsu stated that the executives launched the international business by appointing a local sales representative through which the firm started to sell and expands within the country and later in some cases establishes their own offices abroad. The respondent of Volvo explains that most often expansions start with independent dealership then own dealership and then finally invest locally after a certain period of time. At UMETRICS, the respondent said that the international markets are reached through equal partnerships with independent resellers and distributors. Concerning Indexator, the respondent stated that international export is first developed in every new market through representative sellers or distributors then company’s subsidiary are set up and later manufacturing facilities
are establish in the foreign market. Norrmejerier is a particular case since this company carry out international sales only through independent distributors establish abroad and the company never increase its commitment abroad by going over this step. However, it is clear that the company did not penetrate its foreign markets in one big step since no investment has been done in those markets.

Therefore our empiricism is definitely interpreted as a support for the Uppsala model of internationalization of Johanson & Vahlne (1977). Indeed, through their model of internationalization Johanson & Vahlne (2006, p.69) explain that firms will follow a progressive development in their internationalization process and so on a certain period of time. This is clearly confirm in this research since our findings highlighted that the firms investigated all started their foreign expansion by selling products abroad through a sales agent, independent representative or distributor. In addition, after a certain period of time, four companies out of five have continued their international activities through subsidiaries and two companies out of five have later begin to manufacture products directly in the host country.

Another component of the Uppsala model is that the internationalization process follows incremental adjustments to changing conditions of the firm and its environment over the time (Johanson & Vahlne, 1990, p.14). In addition, one of the basic of this model is the incorporation of knowledge about a targeted foreign market by a firm before it increases its commitment in it. This actually allows a firm to reduce the uncertainty and the risks when developing production facilities abroad (Johanson & Vahlne, 1990, p.16). Our findings allowed us to fully confirm those two principles of the Uppsala model of internationalization. The respondent of Komatsu mentioned that the decision to establish company’s subsidiary abroad depend on the evolution of the sales volumes and the experience about the market that the company build. At Volvo Trucks, the respondent explained that the company follows a progressive commitment in its foreign markets after a specific period of time learning the local regulations and its market. Concerning Indexator, the respondent stated that if the sales are satisfying and after improving knowledge and experience of the foreign market, then the company increase its establishment in that market. We interpret here the changing conditions of the firms and their environment as the improvement of the sales in the foreign market. Actually, the changes in term of sales, due to the increase of the volume, pushed all the companies studied to adjust and fit to this evolution. Therefore, our empirical results are in line with the research of Johanson & Vahlne (1990) as the companies studied link the increase of their commitment in their offshore market with the development of their sales. Moreover, as mentioned by the respondents, gaining knowledge and experience is an additional condition to the sales evolution before increasing international market commitment. Indeed, when we tried to get a deeper understanding of the reasons why firms followed a progressive commitment in their markets, we noted that they needed to incorporate the knowledge gained through their experience in the market before directly invest in it. It is a way for them to assess the differences between the information they were seeking before to expand and the reality after conducting activity in this market through independent representatives. We interpret this as a mean for the companies to decrease the uncertainties and the risks before directly invest in a foreign market and expand sells through their own subsidiary. Consequently, since our findings showed that firms decreased the uncertainties and the risks by incorporating their knowledge and their experience during the increase of their commitment in the foreign market, we found here support for the Uppsala model. Indeed, when companies pass the step of selling through independent representatives to the step of selling through their own subsidiary, the experience and the knowledge gained permit them to improve their chances of international success.
In the literature regarding the born-global, scholars criticized the basic of the Uppsala model of internationalization. Actually, Moen and Servais (2002, p.14) argued that thanks to the globalization of markets, market knowledge has increased and so uncertainty has decreased which allow to lessen the risk when companies intend to internationalize their activities. For this reason they advanced that firms do not necessary follow a gradual internationalization but can expand their activities abroad in one big step and so sometimes in several countries at once. Our findings and our interpretation of them do not allow the thesis to completely support the research of Moen and Servais (2002). Indeed, we agree on the fact that information and knowledge about foreign market can be easier to access than it was 50 years ago. The respondents of firms we investigated explained us that they gathered information about a foreign market thanks to internet, international reviews or thanks to network directly establish abroad in the market targeted. Furthermore, the respondents of Komatsu, Norrmejerier and Indexator explained that when they cannot map out the market and gather enough knowledge about it to decide if it would be interesting to penetrate it, they used the Swedish Export Council. This clearly goes in accordance with the research of Moen and Servais (2002) since market knowledge will be easier to access thanks to all those different sources of information available. Nevertheless, it appears through our research that the firms studied still need to develop their internationalization in a gradual way in order to limit the risk involved in this expansion. We relate this to the fact that the information gathered thanks to the above sources concern figures, allowing sizing the market and identifying competitors, and practical facts, allowing learning the entry rules and the regulation of the foreign market. However, it seems that the firms still struggle to gather informal information and only the experience will allow them to access that kind of information. Indeed, almost every respondent mention the business practices, the customs and the habits of the foreign customers or partners as very tricky information to access and above all to understand. Regarding to the respondents the experience they gathered over the year in a foreign market was the solution to access that kind of information. We analyze it as the reason why the international expansion of the firms studied followed a gradual commitment in their foreign market. Consequently, we agree with Moen and Servais (2002) since the globalization of the market and other sources will allow firms to gather practical information and therefore detect an opportunity in a foreign market, which of course decrease the notion of uncertainty and risk. However, our empiricism shows that firms still need to progress step by step in order to gather and fully understand informal information. This will actually permits firms to successfully seize the opportunity detected by progressively adapt themselves to business practices, customs and habits of a foreign market.

The fact that several respondents mentioned the business practices, the customs and the habits of a foreign market as information which are hard to gather is an interesting point for the purpose of the thesis. In order to get access to these information the firms needed to face and experience them when conducting business abroad. This allows us to highlight that the cultural differences will have here an influence on the internationalization process. Indeed, the business practices, the customs and the habits of any individual or organization will be influenced by the education, the experience but above all by the national culture. Therefore, there is a positive link between the culture and those informal notions. Indeed, the more the cultural differences between two countries and their individuals are, the more the differences in terms of business practices, customs and habits will be. These informal information have been expressed as hard to acquire and understand by the respondents of the company investigated. They explained during the interviews that these information were very valuable since they engage the success of the company in a foreign market. In most of the cases investigated it appeared that the experience was a way to acquire and incorporate these information while developing the business abroad. Consequently, the firms from our research
tried to enter the market step by step in order to limit the risk of making a mistake involved by these differences between two international markets. Indeed, firms will progressively increase their commitment abroad and consequently access these informal information. It appeared through our sample that is was the best way for the firms to assess the differences between their home market and the markets in which they expand. This will progressively decrease the risk of a failure before directly invest abroad and improve the success by seizing the opportunity detected in the right way. We therefore interpret that as a way to adapt to different culture since it affects the business practices, the customs and the habits of an individual or an organization. Conclusively, our findings showed that the cultural differences can push companies to intend a progressive internationalization in order to access these differences which will increase the firms’ possibility of success abroad.

5.3. Culture

5.3.1. Cultural Influence

After considering the empirical findings it can be stated that there is a difference of opinion on the role culture plays for the internationalization. Still all the respondents agreed in common that the decision to enter a market is not made on the fact that the firm shares cultural similarities or they stop from entering a country just because its culturally different. The culture is analyzed based on influential factors discovered in the finding. Hence the following analysis would take place according to these factors. At the latter stage the major factors would be discussed in relation to the Lewis model and how a Swedish firm from a linear cultural background has faced and reacted to the other national cultural differences at the end.

5.3.2. National geographical distance

It could be noticed that all our sample firms started local and expanded their trade gradually to the international market. Torre and Rallet (2005) explain in their study that the kilometric distance is today more related to the time and the costs of transport, which firms must respond to, than the distance itself. They argue that proximity does not only imply being located close but also specify a strong relationship between persons who are geographically distant (Torre & Rallet, 2005, p.48). Out of the five case studies, three expanded itself first to the Nordic countries then within Europe and finally to other continents; whereas the youngest two firms skipped this process launched itself to USA and UK. First it is easily noticed that regardless of the geographical distance the firm have expanded to the liner-active cultures as they are lot similar to Swedish culture and its linear-active behavior (refer figure 2). It is vital to point out that when a Swedish firm leaves its local comfort zone it has the tendency to enter a similar culture to feel safe and easy to start their initial stage of internationalization because it is naturally more aware of the existing culture within that territory. Secondly the two firms that skipped Europe and launched in USA are accordingly to the reasons because of known networks and the demand for the product itself. These firms’ product being software and dairy related products could be the underlying reason in addition to being technologically diligent helps the organisation to be present and active both at home and foreign. Hence it could be established that the nature of the internationalization does vary depending on nature of the product and where its potential market is.

As we have already established in the literature, just because two countries are geographically close by does not assure the similarities in culture between them. At the same time being far does not always mean there is a vast difference in culture either. As showed in figure 2 some countries fall in to a similar cultural cluster across the continent while having a neighbor who
is belongs to another cluster. Ironically from our finding regardless of the geographical proximity all the firm did seek culturally close market outside Sweden before expanding themselves to other cultures. Over a period of time after gaining the experience and supported by the success achieved in these market they seem to gain the confidence to exploit the unknown cultural territory. It is hard to predict how a multi-active or a reactive firm would have such similar behavior as its beyond the scope of this thesis but as discussed in the literature characteristics of a linear-active culture is such its relationships are either difficult or frustrated with the other two clusters. Which can be a reason that it avoids the cultural confrontation and risk of failure at the beginning of the process of internationalization. Though all the interviewees deny culture has not at all influenced their decision to enter a market. Still they are unaware of the fact that they have considered it at their initial stages. Still is it true at the second stage all the firms have taken the risk of exploiting and succeeding in the multi-active and the reactive cultures. Hence though culture does not have overall influence on the geographical expansion of a firm, it does influence the firms at the beginning of its geographical selection of entry.

5.3.3. Nature of the product or service

In all instances the respondents view was specific to the nature and the complexity of the product towards culture. In total this research had four kids of product that serves the business clients. If we take the forestry machinery, Trucks and the software products it is visible that they serve a very specialized and a specific niche market around the world. As their product is specific to a narrow segment such as forestry industry or biopharmaceutical industry of the market the norms that are shared seem to be common regardless of where they come from. Similarities in thinking, product specific knowledge and behavioral aspects seem to contribute towards a common accepted behavior that does not create any conflict in terms of difference in culture. Hence in agreement with the interviews it is acknowledged that culture does not directly have any effect on these products, as all these organization is focused on the market growth, expansion and not be stopped by any cultural barriers.

Still in the case of the dairy product firm itself repeatedly stated that it could not reach a market that is not culturally compatible to their products. This itself is one of the entry barrier for the firm in addition to other regular governing principles of the foreign market. Out of their international dairy product Västerbottensost could be taken as an example to specify that, not all cultures have cheese as part of their daily consumption. This in turn is enough to state that this firm is not big enough to take the risk of experimenting in that market when there are opportunities in other countries with ample demand. Therefore culture does play role depending on the cultural sensitivity the product has towards its market. Lesser the cultural sensitivity the product has the independent it is from cultural influence and on the other hand the more sensitive it is to culture the more it influence the direction of an organisation’s process of internationalization. Hence it could be concludes that nature of the product plays a vital role on whether the culture has an influence on it or not during the internationalization.

5.3.4. Organizational culture Vs National culture

This is one of the unexpected factor that rose out of our finding that we were not prepared for. Compared to the four firms, one firm stood and highlighted on the organizational cultural differences than the national cultural difference being its major barrier. The difference being that the visibility of difference in organizational cultural is less than national cultures. Meaning that most often people the firms are aware of the different cultures that exist around the world but it’s hard to be aware and be prepared or form any expectations of a specific organizational culture. Hence its uniqueness and unpredictability puts someone quite often
surprised and caught off guard when faced with it. Consequently it triggers the organizational cultural conflicts that affect both sides of the partnerships as discussed in the empirical section.

The interesting observation of this scenario is that all the other interviewees had the background and experience in the field of exports, sales and marketing than this interviewee from VOLVO whose experience comes from manufacturing oriented internationalization. Thus the point of view towards the cultural influence and internationalization is manufacturing oriented, where the respondent’s perception was developed through experienced gained in building manufacturing plants and combining the skills around the world to launch is successfully in a market. It was essential to highlight that the effects of the culture differs depending on the nature of the internationalization. Still the interviewee didn’t deny the influence national cultures have on a firm but it could be beyond his area of specialty as the interviewee has not been part of negotiations or sales oriented expansion and difficulties that comes across. As the firm only establishes the manufacturing plant after being established in that country, by the time the interviewee enter the market the firm would have already have an established network and systems to facilitate manufacturing. Though this factor definitely plays an important role when the national cultural barriers have been overcome and the firm collaborates with local partnership.

5.3.5. Cultural perceptions and its consequence

The difference in cultural perceptions and its consequence was one of the ground breaking observations that quite repeatedly came up during the interviews in this research. It was interesting to note how conflicts can occur because of the similarities between cultures than the dissimilarities. The interviewees were taken by surprised how their initial perception of the specific culture that they are familiar with was wrong and quite opposite leading to conflicts than in an unfamiliar cultural environment. The most common observation is that when someone is faced with an unknown and unfamiliar cultural situation that person tents to be on high alert to prepare and cope with it than on perceived familiar grounds and be faced with unexpected cultural behavior. On the other hand in all the incidence discussed in empirical it could be seen that the interviewees were expected similar linear behavior in another liner country but experienced the opposite and triggered cultural conflicts that ended in disappointment and dissatisfied cultural experience. Hence all agreed that it was easier to deal with cultures expect to be different than in a culture that you already think that you are very familiar but not.

Another interesting but related factor we found during in the finding is on stereotypical view of culture. Stated that “Everybody has stereotypical thinking of another culture, and it is naive to say that people don’t, but people should not stick to it”. The stereotypical cultural perception or prejudice against another culture and people in it also plays role in this matter. It was emphasized that it is very hard to find a person who does not have prejudice against another culture. Still they stated everybody should adopt and understand their business partners for who they are and not for where they come from. A partnership that fails to go beyond this stage and modify their perception while experiencing the unfamiliar culture will stress the partnership and most often fails just because of its prejudice and attitude on the other culture.

The major reason that the above conflict occurred is because of the psychic distance each of these individuals had. As previously stated psychic distance is defined as the “The distance between the home market and a foreign market, resulting from the perception of both cultural and business differences.” (Evans & Mavondo, 2002, p.517). Further it was also stated that it
focuses on an individual level to measure differences between two markets. Essentially it is something in the mind of each person and how he perceives the world. Each of the interviewee perceived the cultural difference to be less or almost non in another linear-active country while perceived the cultural difference to be very high in the multi-active and reactive cultures. Thus in such case they were right about the unfamiliar cultures and experience favorable behavior while faced unfavorable situations within the culture they thought to be similar to Sweden. It is essential how every individuals who are part of the internationalization manage the psychic distance well to manages cultural differences. Naturally the individual also mature in handling these differences and modify their expectations with experience gained in the international environment. Thus it does not matter whether the cultures are perceived to be similar or different as every culture has subcultures and every individual is unique.

5.3.6. **People who represent the firm internationally**

All the respondents shared similar view in how to deal with the cultural difference. It was commonly expressed that the only way to handle the differences is by being modest, flexible, mutual respect, expert in compromising while appreciating and respecting the difference in cultures. In addition it was essential to show respect and interested and gaining knowledge to gain credibility and trust with the business partners to be able to adopt to new circumstances. All these factors contributes towards the characteristics of and individual and his or her ability to manage these differences. At the same time it was critical to observe that the selection of right people to represent and be part of the internationalization also vital for an organization.

As the interviewees stated that it is important who represents a firm in its international market. It could also be noticed that all the interviewees participated have several years of experience working internationally, they are all multi lingual and all their attitude in managing cultural differences has been to be modest, humble and try to learn, understand the difference to cope with it. The observation is such that we noticed that the people themselves had the characteristics of being very accommodative, flexible and very interested in culture during the interview of this thesis. Still everybody had their own strategies on how they prepare and manage the difference. This again could be related to the psychic distance and the capabilities of the individual to manage the cultural difference well. At the same time being part of the technologically revolutionary era and increase in cross cultural travel most people are well aware and informed of the other cultures. This makes the organization and its representative to be more aware and learned before entering a specific market. It is apparent that none of the firm is willing to risk its international relationship by appointing a respective who is not experienced and capable enough to manage the differences well. Hence is essential that the right person with right characteristics represents the firm abroad.

5.3.7. **Lewis model**

According to the Lewis model Sweden belong to the linear active cluster as shown in figure 2. Lewis (2000, p.280) further states that Swedes are known for their clean-cut profile as honest, caring, well-informed, efficient plodders, producing quality goods delivered on time, well-groomed appearance and stereotypically blond hair and blue eyes. In brief they fit the linear active cluster like a glove with characteristics of being task oriented and highly organized planners. Still like any culture it is culturally distant to other clusters such as multi-active and reactive cultures. The cultural distance is defined as “the degree to which cultural values in one country are different from those in another country.” (Sousa & Bradley, 2006, p.52). As previously discussed the measure of the cultural distance will be based on the cultural
differences between a home country and a foreign country, where it’s important to note that the concept focuses on measure cultural levels and not on geographical distance.

The findings has over and over again has confirmed that the Swedish firms participated in this thesis have initially expanded to countries that are liner in culture at the initial stage of their internationalization such as Nordic countries, Germany, UK, US etc. regardless of the geographical distance between some of these countries etc as highlighted in table 1 in the empirical section. Hence with such choices the firm initially has intended to reduce its cultural distance by exploiting the culturally familiar markets, where they share the cultural values and norms. Over a period of time with financial strength and experience gain with the linear-active market they have gradually taken the next steps to multi-active countries such as Brazil and other Latin cultures, whereas some firms have expanded in to reactive culture such as Japan, China, Indonesia.

The task oriented, highly organized characteristics could also be contributed to the nature of the gradual and careful internationalization process that helps them to succeed in the international market. At the same time its not in their characteristics to take any uncalculated risk or operate in chaotic manner but well planned tested strategies seem to contribute towards the expansion. As discussed in the Lewis model these firms have had difficult relationships with multi-actives and satisfactory incidents with reactive cultures. Regardless of these conflicts it has overcome because of the features that are specific to Swedes. The surprising discovery would be the conflicts that occur within similar cultures which tend to be unexpected and created strong impressions on these individual in observation during the interviews. Therefore it could be stated that whether the Swedish firms agree or not the common behavioral pattern from the finding suggest that culture has a major influence on how they take their first steps in to the international market.
6. CHAPTER 6: Discussion and conclusion

The objective of this chapter is to relate and discuss our finding and analysis to the research question and confirm whether we have fulfilled the purpose of the research. In addition, the managerial implication and theoretical contribution of the study has been discussed in detail to show the achievements of our research. Eventually we have concluded it with the limitations of the research, recommendation for further research, and finally the credibility of the thesis discussed in detail and concluded.

The focus of the research was to investigate the cultural influence on the process of internationalization. The proposed research question being,

“How do cultural differences influence a firm’s process of internationalization?”

Our research shows that the process of internationalization and the cultural influence on it is positively related. The findings and the analysis permit us to answer our research question on the influence of the cultural differences on the firms’ internationalization process. It appears that even if the cultural differences are not a decisive factor when the decision is made to penetrate a foreign market or not, still this factor seems to affect the internationalization process of firms in various aspects. Indeed, all the companies study and penetrate every market where they detected a business opportunity regardless of the cultural differences between Sweden and the international market concerned. However, the firms will need to adapt themselves to those cultural differences since they affect the business practices in a large scale. The firms appear to have similar strategy in entering the market regardless of the nature of the product and the target customer. As the first step of understanding and adapting towards a specific market it is almost vital to have domestic partnership to shorten the process of its learning curve. This helps the firm to benefit from gaining reliable market intelligence while learning the habits and customs of foreign customers before expanding themselves further. Most often the entry barrier of cultures, language, regulations, local business practices are easily overcome by appointing a local representative and training on the technical of the product than vice versa. The fact that culture is deeply rooted in all the factors that affect an internationalization process is hardly noticeable. Most often people relate culture in terms of communication and behavioral aspects in a society and do not recognize other influential factors that exist because of the culture and none other reason.

Further access to right information is very hard to achieve as well as to understand, and here the experience of the firm appeared as the best way to collect and deal with these components. Therefore to be able to fully and successfully exploit the opportunity detected, firms needed to progressively gain experience by penetrating in their international markets and avoid fatal mistakes. Consequently firms increase their commitment in their foreign market in line with their understanding of the cultural differences, which is often acquired directly through experience over a certain period of time. In addition, firms enter first to country with small cultural differences and eventually to countries with the vast cultural differences and diversity. Managers appear to be more confident and comfortable in gathering information and seem to adapt quicker to similar cultures away from their home market. Thereafter with the gained experience the firm seems to progressively reach distant cultures to launch its product. It is essential to note that the more experienced the firm is in the international market the wider its network within distant cultures are. This strengthens the organization not only in
knowledge but also in combining the best aspects of each culture in forming a successful international strategy.

Further cultural sensitivity of the product also has an influence on the direction of the internationalization. It seems that the firms are more independent when its product is easily adaptable or fits a market regardless of the existing culture but becomes quite dependent in the case of a product that does not cater or fits the needs of a specific culture. This finding highlights an interesting fact of how a culturally susceptible product could affect the not only its direction but also lead it to culturally similar countries, till the firm is strong enough to experiment and test a product in a new culture.

At the next stage after having managed the above discussed barriers and a firm starts to establish directly in a foreign market, the organizational culture appears to play a vital role at this stage of its development. The factors such as organizational structure, working style, language etc that are part of the organizational culture becomes essential to be aware of and prepare for. As previous discussed the organizational culture being not visible compared to a national culture, imposes lot of challenges and barrier to a firm which perceived to have understood and overcome the national culture. The effects of culture never stops at one stage in an internationalization process but progress all throughout and seem appear in different forms.

Finally at the end of the day though a firm is its own entity the people who represent it carry the burden of success in the foreign market. Perception of an individual toward cultures in general and the inbuilt characteristics can make or break the international network. People are involved at all stages of the process of internationalization while we have proved that culture also has its influence all throughout this process. Hence if the representative and the culture cannot go along well, the whole process and the string of network would break down, scaring a firm’s international image in the long run. The discussed in the previous chapter the choice and selection of the right people who are compatible to manage different cultures is unavoidable. This in turn tends to be developed and achieved only through experience in facing different cultures. Though a basic knowledge could be developed through text books and other literature, still the reality always seem to be different than on definition in the case of culture.

### 6.1. Managerial implications

This thesis has dealt with the internationalization process of firms and the consideration given to the cultural differences between a home market and a foreign one when intending this expansion. We believe that the research we conducted through this thesis can have some implication for the managers when they decide to expand abroad. Indeed, as we demonstrated different type of information need to be gathered by the companies before to develop their activities in a new international market. Practical information is needed in order for the firm to detect an opportunity abroad. Here because of the new communication technologies like internet and the globalization of the market it appears that firms can source themselves more easily than in the past for the information needed to map out a foreign market. In addition to this, it appears that Swedish firms can gain further knowledge about a targeted international market with the help from the Swedish export council. This organization will actually provide the company with additional knowledge about a foreign market and assist the firm in its decision to penetrate the new market by limiting the risk due to uncertainty. Moreover, by doing those extensive research beforehand companies can manage to lessen the knowledge disadvantages when facing competitors in a new market. Therefore, managers have to be aware of those information sources which can be very useful for their company in the
detection of an opportunity. We therefore advise managers to first make an in depth investigation about their foreign market and thereafter decide whether penetrating the market or not.

In addition to this kind of practical information, it appeared in the research that informal information regarding the business practices, the habits and the customs of a foreign market have to be taken into account. Indeed, it appears as information that companies must gather and above all understand in order to adapt itself to the culture of a new market. This will actually be an elementary to successfully seize an opportunity detected in a foreign market. Managers must be aware that these critical information will be acquired when facing it in the foreign market. Therefore, acquiring experience and developing progressively the market commitment of a firm can be a solution to assess these informal information and consequently limit the risk when investing directly in a foreign market. Further to minimize the initial risk of internationalization, expanding to culturally similar territories has been proven to be successful. This actually helps the firm to focus on managing the other barrier while keeping the cultural difference to the minimum during their initial stages of their learning curve.

Another solution that has proven to be adequate to acquire and adapt the company quickly to the cultural differences would be to hire employee with experience and knowledge about the industry and the market targeted. Indeed, that kind of network can permit the firm to approach a new market with the adapted attitude and therefore increase to chances of success by seizing an opportunity in the right way.

We believe that firms cannot conduct business in a foreign market as they do it at home; to survive cultural differences need to be taking into consideration. Since the practical and informal information are primordial for the success of the firm in a foreign market, we would advise firms to develop a system to retain the information, the knowledge and the experience gathered. This would allow firms to stay successful in the long term view in markets with important cultural differences. Consequently, when increasing their commitment abroad this would allow firms to fully adapt itself to the market and its differences with the home one as well as train their new employees and make them more efficient when conducting business in the different markets. By doing so, firms will be able to conduct business more easily in their new markets.

6.2. Theoretical contribution

We would like here to emphasize the contribution of the thesis to the literature. Indeed, by providing a better understanding of the affectation of the cultural differences on the internationalization process of firms, this thesis has contributed to enlarge the knowledge about both the cultural differences and the internationalization of the firms. Many critics against the Uppsala model of internationalization have arisen in recent literature about born global; however we found here support for the model which can still explain the progressive internationalization of firms to some extent. The Uppsala model was criticized since the access to market knowledge is nowadays more easy and therefore decrease the uncertainty and the risk in entering international market. If we found support for this statement it has been nevertheless shown in the thesis that this doesn’t imply that company will enter several markets at once and so in one big step. Indeed, firms still need to incorporate the knowledge during their commitment to a foreign market and progressively develop the internationalization process appears as the easiest way to do so and to limit the risk during the expansion.

Further, the thesis has proven that the cultural aspect need to be take into consideration when expanding abroad but will not be a decisive criteria to enter a new market. Though the firms
due enter to culturally similar markets at the beginning stages of the internationalization to minimize their market failure. Still the firms will enter a market only if they detect an opportunity, but in order to be successful in the market they need to be aware of the cultural differences or similarities and above all know how to adapt to it with the right people representing it. Moreover, the claim that the world is becoming a borderless market with a global consumer culture appeared to be wrong. Indeed, the consumption habits or customs are generally different from one country to another since they are linked to the culture of a country.

6.3. **Limitation and further research**

The results of the study must be interpreted with caution. Indeed, the qualitative nature of the research conducted in this paper limits the generalizability of the findings beyond the international Swedish firms. To extent the condition that the culture has the same impact on every companies that pursue gradually their internationalization, these result must prove to be valuable on firms in other context. Indeed, in this study we have investigated companies that sell only products and so in Business to Business. Therefore, conducting the same qualitative research on firms that pursue their activities in Business to Customers and that provide services instead of products could be an opportunity to further develop this research. This would allow checking if the cultural differences have the same influence on the internationalization process of firms pursuing business in a different way. The preliminary results and the propositions advanced in this thesis should also be verified empirically in a large survey comparing international firms. Indeed, this type of quantitative research would allow generalizing the findings advanced in this paper.

Moreover, an interesting research avenue would be to examine the influence of the culture on the managers’ attitude toward internationalization. Indeed, the positive attitude of managers toward internationalization appears in the literature as a factor that drives firms to expand abroad. We tried to investigate the influence of the culture on the drivers toward the internationalization but our empiricism did not allowed us to conclude on this point. Since the attitude of an individual is partly influenced by its culture, we believe that the culture can have an influence on managers’ attitude toward international growth. Therefore, in order to fully understand the influence of the cultural differences on the whole process of internationalization of firms, conduct this further research be an opportunity fully understand the phenomenon.

6.4. **Credibility of the thesis**

It is impossible to fully ensure if the thesis is credible or not; however, we can lessen the likelihood of making the thesis non-credible by assessing the reliability, the validity and the subjectivity of our research (Bryman & Bell, 2011, p.157). Indeed, the quality of the study can be emphasized through the three previous criterions. We will therefore discuss in this part the reliability, the validity and the subjectivity of our thesis.

6.4.1. **Reliability**

We consider that our theoretical and our methodology parts have been very well described and so in details. Actually since the reliability focal point is the consistency of a measure (Bryman and Bell, 2011, p.157) we attached a particular attention in deeply describing every important steps of our research in the methodology part. Consequently, we believe that if another research would be conducted with the same purpose, statement and methodology of the present thesis then the research would generate similar findings and results. However, it is
important to point out that these findings also depend on our sample and the respondents that we interviewed when conducting the research. We therefore acknowledge that similar findings could be found only with the same respondents. In addition to these points, the interpretation of our empiricism is justified and supported by the own statements of the respondents. Therefore the results and the conclusion advanced in this thesis should be accepted by everyone. Furthermore, we did our best to not affect our research by our preconception and try to keep a neutral point when conducting the whole study. Conclusively, we consider that the measure used in this thesis will be consistent in other similar occasions and that similar conclusion should be reach by other researchers. We then clearly believe that the thesis can be considered as reliable.

6.4.2. Validity

The validity refers to “the issue of whether or not an indicator that is devised to gauge a concept really measures that concept” (Bryman & Bell, 2011, p.159). When we build our interview guide we carefully link it with all the theories and models that we used in the literature review in order to analyze our topic. In addition, all the questions have been built in order to gain knowledge and understanding about our research topic but so without making questions that could influence our the answer of the respondents.

Moreover, all the secondary data that we gathered covered well our research area. An extensive work has been done here to find good sources and therefore increase the quality of our theoretical part. We therefore believe that the validity of the study is good because a good amount of qualitative secondary data has been gathered and the primary data allowed us to obtain a good understanding of the research question.

6.4.3. Subjectivity

The subjectivity in this thesis has also been well assessed since the interpretation of our findings was in accordance with the perceived reality of the respondents. Indeed, as explained in the methodology part, all the interview have been transcribed which allowed us to directly quote and use the exact terms of the respondents in our empirical. In addition to this, some of respondents have even checked the resume of the interview that we wrote after the interview in order to check that all the information received were correctly transcribed. Consequently, we are convinced that the subjectivity of the thesis has been well assessed.
7. References


**Internet sources**


Appendixes 1: Interview request

Dear (whom it concern),

We received your contacts from Maj-Britt J Lindfors from the Umeå University. We are two international students, Adrien Letestu and Dhakshy Holmgren, studying Business Development specializing in International Entrepreneurship at Umeå University. Currently we are writing our master’s thesis about the effects of cultural differences on the internationalization process of a firm.

We are aware of your company’s expansion in several countries and its success in adapting to different cultures and markets. Therefore, we would like to interview you and / or the staff who are in charge of the firm’s internationalization. The information gained from the interview will also help managers to determine the key points for successful internationalization by obtaining a third party review. This could be also useful for your future international expansions, as well as to educate the managers on the importance of cultural aspects during this process.

Above all, you could give us the opportunity to increase our knowledge and complete our project successfully. We come from two different cultural backgrounds. Adrien is from France and Dhakshy is from Sri Lanka. Our previous educational and working experience includes entrepreneurship, project management and marketing.

Please advise us when you are available for a discussion not longer than 45 minutes. Counting on your kindness, we thank you in advance for your time, and hope to meet you soon.

Best regards,

Adrien Letestu and Dhakshy Holmgren
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Appendixes 2: Interview guide

Interview guide: 45 minutes

Introduction to the research: 1min

Respondent background: 2min
- Position in the company
- Number of years in the company
- What role do you play in the company? And influence this role has on the company’s decision during the internationalization?
- International experience (which country?), Experience in cultural differences
- Language knowledge

Motives for internationalization: 5min
- What was the firm's motivation behind the internationalisation?
- Where did you get information about the international market targeted?
- In what way is the information gathered about the foreign market has been a determinant factor for pursuing internationalization? (Does it push you to internationalize or sometimes stop you?)

Internationalization: 15min
- How the internationalization has been developed over the year? (Which activity is pursued abroad (Sourcing / production / sales)? (When or at what stage the firm was internationalized?)
- In which foreign countries does your firm have extended its business? (order of entry)
- Any reason for not considering the other part of the world? Would you consider them in the future?
- What is your biggest market abroad? Where do you have the most contact abroad? Why?
- How is the international business conducted (agents/ direct office)?
- How did you built up relationship with foreign partners? How did you find international partners? How did you create relationship with them?

Entry barrier: 5min
- What were the difficulties that your company had to face during the entry in new countries / markets?
- How did you overcome the difficulties faced?
- Did your firm needed to develop new competencies before enter foreign markets? Which ones?
- Did your firm needed to gather information about the foreign market? Which ones?

Culture: 15min
- What role cultural differences play in internationalization?
- How intercultural knowledge helped your firm before expanding in to foreign countries?
- How the cultural differences affected your company during its internationalization process? And after?
- Does it mean that you expanded only to countries that have cultural similarities to Sweden?
- How can your firm stay successful in the long term in a country were the cultural differences are important?
- Are there any differences between your expectations before internationalizing and the reality of the situation after?

**Future: 5min**

- Do you have any further plan in internationalizing your activities in other country? If so what are the reason behind it?