Formation of market entry strategy with an interest in decision-making
A case study in a B2B context

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Abstract

Today’s business environment is growing at an increasing pace, pushing firms to internationalize. Foreign market entry has thereafter been a well-researched field by scholars. International market selection and entry mode choice are key strategic decisions a company must deal with when entering a foreign market and members of management team are entrusted with the responsibility of these complex decisions that will set the direction for the company.

There have been many studies showing that internationalization is a sequential and gradual process leading companies to spread their activities to more markets that are geographically and culturally distant. These processes are involving riskier and more committed modes of entry. However, research concerning strategic decision making has shown that decisions made by management were not always rational and are influenced by external and internal factors which in turn influence the choices managers make. Market entry strategy fits into a broader theoretical subject which is the one of “strategy” and decisions. Following the principle that realized strategies are the result of planned and unplanned decisions, this research investigates how strategy related to foreign market entry emerge in a multinational company, with a specific interest in the decision-making process.

A case study was conducted at a multinational company in a B2B context and the research is based on a qualitative approach, with empirical data collected from 10 in-depth interviews. After the empirical data was analysed it was concluded that strategy is not to be seen as a linear and sequential process nor as a set of objectives set in time. Foreign market entry strategy is the result of decisions involving market selection, entry mode choice, and product portfolio, and is subject to adjustments since it is affected by its internal and external environments.

Keywords

Strategy, Decision-making process, Foreign Market Entry, Multinational Company, Expansion, Market Development
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# Introduction

This chapter introduces the research area and the topic of the thesis. The problem discussion reveals research gaps which have led to the purpose, research question and delimitation of this thesis.

## 1.1 Background

In today’s dynamic business environment, a key challenge for multinational companies is to make adaptive adjustments and take critical decisions regarding their internationalization strategy (Douglas et al., 2004; Luoma et al., 2018). Internationalization and international strategy were considered as static concepts until the dynamism concept was added, treating internationalization as a *process* that unfolds over time (Andersen, 1997).

While internationalization has been described as an orderly and sequential *process* of increasing the international operations of the firm, only a few researches have given attention to the content of internationalization strategy (Andersen, 1997; Solberg & Durrieu, 2006). However, viewing internationalization as strategy is paramount because managers who are planning have to make key strategic decisions that Tuppura et al. (2008, p.474) divided into three: “(1) the internationalization path, (2) the choice of entry/operation modes, and (3) the number of countries, i.e. the choice between geographical concentration and diversification.”

The internationalization path is related to the speed that firms adopt when internationalizing. The choice of entry deals with “how” to enter these markets. Finally, firms have to choose where to enter and if they will serve multiple markets (geographical diversification) or focus on a limited number of markets (geographical concentration) (Tuppura et al., 2008).

International market selection and entry mode choice are therefore key strategic decisions an organization has to make regarding its internationalization and members of management team are entrusted with the responsibility (Andersen, 1997; Douglas et al., 2004). These strategic decisions are complex and will set the direction for the firm (Parayitam, S. & Papenhausen, C., 2018).
According to Yip et al. (2000) internationalization can be approached systematically or not systematically. Systematic approach means using formal strategic planning with market research, considering country alternatives and entry modes, and having long-term objectives, while unsystematic approach – or ad hoc – means being more opportunistic in decisions and using a rule of thumbs (Yip, et al., 2000; Andersen & Buvik, 2002). The issue of systematic and ad hoc internationalization fits into a broader theoretical debate than internationalization: deliberate versus emergent strategies. Influencing scholars as Kotler (1984, cited in Yip, et al., 2000) or Porter (1996) have studied deliberate approaches of strategy, while Mintzberg (1978) focused on emergent approaches.

While rational decision-making scholars such as Ansoff (1957), Chandler (1962, cited in Noda & Bower, 1996) and Porter (1996) studied the content of decisions by using rational tools such as SWOT analysis and other quantitative models, the approach chosen during this thesis will be the one of Mintzberg, et al. (1976, p. 246) who view decision-making as important issues “in terms of the actions taken, the resources committed, or the precedents set”. This means that strategic decision-making is not a linear sequence of steps, and although it is rational to some extent, it is influenced by political, social and cultural processes that are not linear (Rajagopalan et al., 1993).

Chandler (1962, cited in Noda & Bower, 1996) considered strategy as a course of action consciously made by top management, or that it was a deliberate choice made between “a different set of activities to deliver a unique mix of value” (Porter, 1996, p.64). Porter (1996), who was focused on internal core competencies and competing abilities, argued that choosing the right industry and positioning were the most important (Noda & Bower, 1996). Strategy management has often considered strategy as an explicit, made on purpose and in advance set of actions (Teece et al., 1997). Strategy formulation (goals and objectives setting) has therefore often been distinguished from strategy implementation, and strategy process from strategy content (Teece, et al., 1997; Kopmann et al., 2017).

Mintzberg (1978, p. 964) however had a different view and did not agree with the dichotomy between formulation and implementation because it assumed that the “formulator [was] fully informed” and the “environment [was] sufficiently stable” to make a choice. Instead of considering the strategic process as planning, Mintzberg (1978) posited the eventuality that strategies were not always made consciously or explicitly and considered it like a learning
process that requires adaptation (Kopmann, et al., 2017). Mintzberg (1978, p. 935) saw strategy as a “a pattern in a stream of decisions”. Using Mintzberg’s (1978, p. 935) definition of strategy, both sides of strategy formation are considered: the intended strategies which are a priori guidelines, and the realized strategies which are “a posteriori consistencies in decisional behavior”. This means that decision-makers may consciously formulate a strategy before taking the decisions or maybe strategy gets formed gradually, sometimes unintentionally, while they make decisions one by one (Mintzberg, 1978). By using this definition, strategies become observable patterns of streams of decisions that are made; and the process of strategy formation and content of strategy become intertwined (ibid). Based on this definition, the aim of the study is to investigate how strategies related to foreign market entry emerge in a multinational company, with a specific interest in the decision-making process.

1.2 Problem Discussion

Up to the eighties, many writers described internationalization as a sequential and gradual process leading firms to spread their activities to more markets geographically and culturally distant, involving riskier and more committed modes of entry (Penrose, 1959; Johanson & Vahlne, 1977). The Uppsala model proposed by Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977) suggests that market knowledge and market commitment affect decisions and current marketing activities, which in turn change market knowledge and commitment, and so on. However, this model has been highly criticised due to its lack of theoretical framework which led to contradictory results in empirical studies.

Strategic decision making (SDM) literature has shown that decisions made by management were not always rational and that they were in fact influenced by other factors which in turn influence the choices managers make (Hitt & Tyler, 1991). Decisions made at the management level are often complex and require collective thinking and analysis; and although it was revealed that decision-making process occurs in distinct phases, it shouldn’t be concluded that there is a logical sequential relationship between these steps (Hart, 1992; Maignan & Lucas, 1997; Parayitam & Papenhausen, 2018). Grant (2003) for example showed that decisions are made in response to threats and opportunities before being incorporated in the strategic plan. Dunning (1988), Buckley and Casson (1998, cited in Buckley et al., 2007) stated that the choice of location is a rational decision linked to profitability goals and assets
seeking, however Johnson and Vahlne (1977) suggested that “managers make iterative decisions that are dominated by limited information and risk aversion” (Buckley et al., 2007, p. 1070).

Market entry literature has mostly tried to explain entry mode choices, therefore only a few studies have discussed the reasons behind entry mode choice (Brouthers & Hennart, 2007). Firms might make different decisions depending on the reasons to enter a specific market and the institutional environment may also have an impact (ibid). The lack of attention given to the motivation for market entry might explain why there are so many different results of entry modes. Market and entry mode selections were thought to be a rational process. However, since managers are working in multiple cultural and business environments, and deal with a high quantity of information that they may not be familiar with, it can be difficult for them to make fully-informed decisions (Maignan & Lucas, 1997; Calantone et al., 2010). Managers’ strategic decisions might even be influenced by trust propensity and risk-neutrality (Hambrick & Mason, 1984; Geyskens et al., 2006).

Research has often assumed that companies had to make a choice between different entry choices, but it has been demonstrated that entry mode choice and international market selection might not be independent from each other (Andersen, 1997; Brouthers and Hennart; 2007). Although resource-based view and institutional theories have discussed how entry motives may affect decisions, the purposes for market entry are still unclear and yet to be explained. Academics have tried to link strategic motives with entry mode choice, however the results are sparse and variable and call for more research on the reasons behind market entry mode (Brouthers & Hennart, 2007).

In order to learn more about how foreign market entry strategy is formed, this research is based on a single case study, Electrolux Professional Products, and how it entered the American market. Electrolux Professional Products is part of the Electrolux Group and is specialized in delivering professional kitchen, laundry and beverage solutions. Customer segments are divided in 8: restaurants, hotels, bars and cafés, supermarkets, hospitals and care homes; business, transport and industry (e.g. staff canteens, restaurant chains, marine and fire brigades); commercial laundries, and self-service laundries. Professional Products are active all around the world but still expanding in order to gain market share and broaden their product portfolio. Electrolux Professional Products was using distributors for their Laundry
line in the United States, until they decided to expand and establish their subsidiary in 2004. Focusing on this specific entry decision and process contributes to the current literature on internationalization by investigating how the market entry and strategy unfolded and were perceived by decision-makers. The role of the team is also investigated to some extent, bringing another dimension to the research.

1.3 Purpose

The purpose of this study is to investigate how strategy related to foreign market entry emerge in a multinational company, with a specific interest in the decision-making process.

1.4 Research Questions

RQ 1: What decisions lead to the formation of foreign market entry strategy?
RQ 2a: What activities does a multinational company carry out when considering market entry?
RQ 2b: What aspects are present when taking decisions related to entry mode choice?
2 Theoretical Framework

This section provides an in-depth description to the theoretical framework and the concepts being used in this study. The theories and concepts are all related to foreign market entry strategy and belonging cultural aspects.

2.1 Strategic decision-making

Decision-making can be seen as rational and linear process, as often proposed by scholars such as Ansoff (1965) and Porter (1996). It assumes that the steps leads from problem recognition to the final decision. Research has however showed that strategic decisions processes were rational to some extent, and that they are influenced by external factors. The adaptive model of strategy therefore shows that the organization and its parts change (Chaffee, 1985).

Mintzberg et al. (1976) however defined decision as a set of actions that needs a stimulus in order to begin and to proceed to an ending. The process can be mental or cognitive to choose the action that will solve the problem in the desirable way. Mintzberg, et al. (1976) viewed the decision-making process as a series of steps with feedback and loops instead of seeing it as a sequence of rational steps. This means that the strategic decision-making (SDM) process is not only influenced by external factors (technical, political and cultural) but also by its own evolution through time (ibid). The three elements, technical, political and cultural - known as TPC - imply that the SDM process is boundedly rational, i.e limited by the available information. The political subprocess explains that organizations are made of people with conflicting goals which will influence the rationality of the decision. The cultural subprocess refers to the involvement of various stakeholders which leads to more information and stronger commitment (Mintzberg, 1990).

According to Bratton (2007) decisions can be made on three different levels: organizational, group and on individual level. A major advantage of individual decisions is that they take less time than group decisions because group decisions involve discussions until a decision is
finally made. Individual decisions will only take into account one person’s opinion and are
only made by one person therefore, it is easy to know who is accountable for the result
(Robbins, 2002). However, it has been argued that organizations are more interested about
decision-making quality which is brought by group decision-making (ibid).

Scholars such as Bell et al. (1998) stated that strategic decision-making is made of four
factors: context, content, process and outcome; and tried to establish the link between the
four, which means that “strategic decision processes influence outcomes” (Bell et al., 1998, p.
163). Context is dealing with organizational and environmental factors. Content is the subject
regarding the strategic decision. Process are the activities made by the people involved in
order for the decision to go forward. Outcome is the result from the previous mentioned
elements (ibid). Linstead, et al. (2009) stated that SDM not only about decisions and choices
but also involves a very important communicative aspect. SDM is an ongoing process that
ensures a successful fit between an organization and the changing environment it faces. It also
gives a direction when the organization is planning strategic choices in order to inform
investors (Thompson, 1997; Mintzberg, et al., 1998).

It has also been stated that in order to implement a decision successfully, organizations are
more concerned with decisions made in groups rather than individuals. This argument is
based on a suggestion that groups are better at solving problems and processing information
(Neale & Mannix, 2012). It has been argued that organizational decisions are more concerned
with stakeholders’ issues and obligated into areas regarding the organizational control and the
fact that these decisions are more influenced by both internal and external barriers, such as
employees and top management attitude (Presley et al., 2007).

2.1.1 Formation of strategy
The proliferation of definitions, subjects - marketing strategy, production strategy, finance
strategy, journals and dedicated scholars has led to asking the question “what is strategy?”
(Hafsi & Thomas, 2005). For a long time, strategy was considered as a set of goals
consciously considered (Andrews, 1987, cited in Hafsi & Thomas, 2005) or that it was an
analytical process made by staff (Ansoff, 1957; Porter, 1996). However, the complexity of
organization has led to research how strategy was formed, and it has been suggested that
strategy can also be emergent “whether through trial-and-error, incrementally with guidance
from the top, or such that small changes are often punctuated by a sudden big change” (Noda & Bower, 1996, p. 159).

Literature has therefore divided strategy formation into two distinct steps: strategy formulation and strategy implementation, while giving more importance to the former one since it is assumed that it precedes the latter. Another distinction has been made between strategy content and strategy process, focusing more on strategy content rather than on finding where does a firm’s strategy comes from (Hafsi & Thomas, 2005; Mirabeau & Maguire, 2014). The final distinction relies in the intentions of strategists: Porter (1996, p.64) defined strategy as a means to “deliberately chose a different set of activities in order to deliver a unique mix of values”, whereas Mintzberg and Waters (1985) considered strategy as a pattern of actions that appear without any intentions, or despite them.

Mintzberg (1978, p. 935) differentiated two strategies, intended strategies and realized, defining the latter as a “pattern in a stream of decisions”. According to him, it is only when these decisions have showed consistency over time that a strategy can be said to have formed. Mintzberg and Waters (1985, p. 257) therefore distinguished deliberate strategies which are realized as intended, and emergent strategies - “patterns or consistencies realized despite, or in the absence of, intentions”. Strategic learning can also be observed when these realized strategies generate intended strategies (ibid). According to Mintzberg (1978), no strategies is purely deliberate or purely emergent since, to be deliberate, strategies must meet three criteria where (1) intentions are clearly articulated, (2) all the actors are committed to implement the strategy and (3) the strategy cannot be affected by external factors (political, market, technological…). In reality, a perfect deliberate strategy is unlikely since it would mean that no strategic learning would take place. The same goes for emergent strategies, they cannot appear completely “despite or in the absence of intentions” (Mirabeau & Maguire, 2014, p. 1203), and are therefore very unlikely to be fully devoid of intentions. Instead of strategies being perfectly deliberate or emergent, Mintzberg and Waters (1985) discussed that they are rather the extremities of a continuum where strategies would be made of more or less explicit intentions, where control would be more or less firm and pervasive, and the external environment would be more or less controllable and predictable.
Building upon their findings, they discussed eight strategies that fall along this continuum: (1) the planned strategy which is largely deliberate in nature where leaders articulate a plan which results into actions with formal control to check its implementation and outcomes; (2) the entrepreneurial strategy dictated by the visions of a leader but contains emergent aspects as it allows some adaptations to environmental changes; (3) the ideological strategy where visions are shared by the firm’s members; (4) The umbrella strategy where leaders set the general guidelines and boundaries, and let the actors pilot. The umbrella represents where the actions should fall under; (5) The process strategy where leadership “controls the process of strategy making while leaving the content of strategy to other actors” (Mintzberg & Waters, 1985, p. 264); (6) The unconnected strategy where a subunit of the organization may have its own pattern of stream decisions, independently from the other organization’s activities; (7) The consensus strategy which is mostly emergent due to the absence of a central strategy which results in adjustments between the organization actors; (8) The imposed strategy which is dictated by environmental factors is majorly emergent (Mintzberg & Waters, 1985).

In the case of deliberate strategies, intentions are drawn as precisely as possible so that a minimum of adaptations are made (Hollensen, 2014). This planning approach “assumes a progressive series of steps of goal-setting, analysis, evaluation, selection and planning of implementation to achieve an optimal long-term direction for the organization” (Johnson, 1988, p. 78). Another approach is called “logical incrementalism” where adjustments are make constantly but flexibly. In the event of successful movements in the strategy, then the development of the said-strategy can go further. Sometimes however, managing incrementally cannot follow the pace of environmental changes which creates a strategic drift between the strategy and the environment (Johnson, 1988).
2.1.2 Role of power
Mintzberg (1983, p. 4) defined power as “the capacity to effect (or affect) organizational outcomes”. Power exists both internally and externally - exerted by stakeholders’ influences - to an organization and is an important determinant to a firm’s structure and behaviour. Mintzberg (1983) noted that more power and control were given to managers, with owners becoming merely providers of capital. Internally, Mintzberg (1983) noted that because organizations are made of competitive systems and interests, power is needed in order to assert and decide on an outcome.

2.1.3 Organizational culture
Organizational culture refers to “(...) the organizational values communicated through norms, artifacts, and observed in behavioral patterns” (Homburg & Pflesser, 2000; Schein, 1992, cited in Hogan & Coote, 2014, p. 1610). Organizational culture is therefore a set of values and beliefs that employees are expected to follow (Schein, 2010). Scholars examining international joint ventures (JVs) have suggested that differences in organizational cultures may influence their performance (Sirmon & Lane, 2004). Every organization has a unique culture which differentiates from other organizations and provide direction for future objectives. When the employees become familiar with the organizational culture they can anticipate the behavior within the company (Hofstede, et al. 2010).

2.1.4 Internal communication
Communication is a broad topic for both scholars and employers within companies and is considered being an effective management tool between employees (Tkalac Verčič, et al., 2012). Internal communication can be described, according to Frank and Brownell (1989), as interactions between individuals and/or groups at different levels and in different areas of specialization with the intention to exchange information in order to accomplish something. In business context, internal communication can be compared with intra-organizational communication and employee communication (Tkalac Verčič, et al., 2012).

2.2 Market analysis models
Models depicting what actions will affect a company can be built and utilized in order to aid in planning and forecasting. Companies have relied on these models when conducting
analysis about markets and as a result, gained knowledge about the products and price that would be suitable (Hanssens et al., 2001).

### 2.2.1 Ansoff matrix

The Ansoff Matrix is a strategic planning tool that aims at helping firms determining their strategies for future growth (Watts, et al., 1998; Yin, 2016). It is argued that the matrix can be used in order to analyse the decision whether a company should expand the market or develop new products and therefore be applied in enterprise strategic management (Yin, 2016).

![Ansoff Matrix](image)

Ansoff - who gave the name to the Matrix - suggested that there are two ways to develop a growth strategy: through varying what is sold (product) and who is it sold to (market). Combined, this delivers four options, each with a different level of risk (Ansoff, 1957).

When the company decides to sell existing products into an existing market they are conducting market penetration, which further has four different main objectives. The first one is to either maintain or increase the market share of current products, which can be achieved via a combination of advertising, sales promotion and competitive pricing strategies. The second objective is to secure dominance of growth markets. The third objective is to be aware of competitors and be able to challenge them through example pricing strategies in order to make the market unattractive for competitors. The fourth and last objective is to increase loyalty from existing customers. A market penetration strategy is focusing on the products and the markets it knows well.

When a company desires to sell their existing products on a new market they are conducting the market development as a growth strategy. Market development includes, for example,
new geographical markets, new distribution channels or different pricing policies in order to create new market segments. Due to targeting new markets, this strategy is riskier than the market penetration.

Product development on the other hand is the strategy a company uses when introducing new products to existing markets. New competence and knowledge in the company might be required when utilizing this strategy. In order to maintain competitive on the market, the company needs to consider and put emphasis on research and development, information about customer needs in order to differentiate the product range, and also to be first to the market with these innovations (ibid).

The last strategy in the Ansoff’s Matrix is the diversification strategy which is new products in new markets. Due to both new products, which may require new knowledge in the company, and new markets the risk is higher than rest of the Ansoff’s strategies. In order to be successful with a diversification strategy, the company must have a clear objective and be aware of the risks (Ansoff, 1965 cited in Watts et al., 1998).

2.2.2 PESTLE analysis

The PESTLE analysis is a model based on six macro-environmental factors that can influence a company’s decision regarding for example foreign market strategies. Depending on the size of the company, different environmental forces will be consider being of more value and be evaluated further. The factors that constitute the PESTLE analysis are Political, Economic, Social, Technological, Environmental and Legal and are presented below (Yükse, 2012).

The aim of PESTLE analysis is to assess the company’s external environment.

- Political factors describe the involvement of the government, political stability, political changes, bureaucracy, laws and corruption.
- Economic factors are essential for the role of macroeconomic factors such as exchange and growth rate. also include national income, investments encouragement and GDP growth.
- Social factors describe the differences and similarities in cultures and demographics such as lifestyle, education and differences in communication.
• Technological factors are essential due to the rapidly developments concerning innovations. The factors also include the amount of investment in technology, research and coping with new technology adaptations.

• Legal factors describe competition regulations, judicial system, consumer rights and implementation of laws.

• Environmental factors include environmental questions such as waste, pollution and what type of environmental management that exists (ibid).

2.3 Factors affecting entry mode

Entry mode literature has collected many influential factors affecting entry choices. Authors like Root (1994) and Hollensen (2014) divided them into external and internal, while Koch (2001) included a third mixed category. For the purpose of this study, Hollensen’s (2014) perspective will be used who reckons four groups of factors: external, internal, transaction specific and desired modes characteristics.

2.3.1 Internal factors affecting market entry

Studies have highlighted the importance to consider internal factors when choosing a market to enter (Hollensen, 2014). Internal factors can relate to the “ability to reach buyers in the market, and compatibility of market with objectives/resources” (Abratt, 1993, cited in Dibb, 1995, p. 192). Firms need to consider adapting their products to the market and their internal capacities to do so and that “a segment will be less attractive if the company has to adapt its commercial strategies in very short periods” (Sarabia, 1996, p. 68).

2.3.1.1 International experience

Hollensen (2014) stated that a firm’s entry mode choice was affected by its international experience, which is introduced by its managers’ ability to handle international matters. International experience also relates to the extent in which a firm has been doing business internationally, by either operating abroad or by just being involved. International experience can reduce costs and uncertainty and may encourage to select wholly owned subsidiaries when engaging resources abroad. Finally, international experience is enhanced by exploiting each region and not jumping from one region to another region, as suggested by Dow and Larimo (2009). By operating in similarly cultured countries, firms are more inclined to operate with hierarchical entry modes such as wholly-owned subsidiaries (ibid).
2.3.1.2. **Firm size**

When resources increase, this gives a better basis for firms that want to increase their international commitment over time. In the case of small and medium enterprises that have low available resources, they might prefer to use export modes since they cannot afford to select a mode with a high level of control like wholly-owned subsidiaries (Hollensen, 2014).

2.3.1.3. **Product and Service**

Entry mode decisions can be directly influenced by the nature of the product or service. A product can vary in weight, value and technical complexity which will affect the location. A differentiated product and differentiation advantage might grant the company to demand for a higher price for being in a foreign market (Hollensen, 2014).

2.3.2  **External factors affecting market entry**

2.3.2.1. **Socio-cultural distance**

Sociocultural distance can be defined as the difference in business and industrial practices, language, culture between a home and a host country (Evans et al., 2000; Quer et al., 2007; Hollensen, 2014). The greater the sociocultural distance is, the more uncertain and risky a host country will be perceived which will incline firms to shy away from high resource commitments (Hollensen, 2014).

2.3.2.2. **Risk and uncertainty**

Foreign markets are usually thought to be riskier than domestic markets due to the fact that not only investments are at stake but also inventories and receivables (Hollensen, 2014). Internationalization comes with its load of uncertainties that can be reduced in the first stages of internationalization by gathering information. Johanson and Vahlne (1977) in their Uppsala model explained that firms followed an incremental process of internationalization, which means that they would first start internationalization by going to markets with low psychic distance. Language, culture and political systems are factors “that disturb the flow of information between the firm and the market” (Hollensen, 2014, p. 80).
Firms usually conduct risk analysis of the country and the entry mode in order to limit the risk of exposure to economic and political risks. Therefore, if the country risk is perceived as high, firms would usually lean towards entry modes that require low resources investments and commitments (export for example). Flexibility is highly recommended when political and economic environments are unpredictable, increase country and risk and demand uncertainty (Hollensen, 2014).

2.3.2.3. Competition
If the nature of the competition in the host country is high, a firm might want to go for an entry mode that requires small resource commitment such as exports since such markets would be less profitable (Hollensen, 2014).

2.3.2.4. Trade barriers
The establishment of local production can be favoured by tariffs or quotas on the import of foreign goods. Hollensen (2014) explains that preferences for local suppliers and/or “buy national” can encourage companies to choose joint ventures or contractual agreements. By using a local partner, it will be easier for companies to develop contacts, establish distribution channels, negotiate sales and improve the foreign image. In the same manner, choosing a mode that encourage using a local partner will make information and contacts easier to access. If a product regulations and standards require a lot of modification, companies might want to use local production or assembly (ibid).

2.3.2.5. Market size and growth
Market size and growth rate are key elements for the firm to choose entry mode. Companies will most likely choose to establish a wholly owned subsidiary or participate in a joint venture if a market/country is big and its growth rate is large (Hollensen, 2014). On the other hand, smaller markets might not seem very attractive to firms, especially if they are geographically isolated, and therefore will not justify a lot of attention or resources. Export or licensing agreements might be the best solution according to Hollensen (2014) since they offer flexibility and allow the firms to enter the market without committing a lot of resources.
2.4 Market entry strategies

Market entry strategy is usually referred to when companies are planning to introduce a product, existing or new, in a new market, which can affect the company and the market (Ulrich et al., 2014). Entering a new market is one of the company’s most delicate strategic choices and it requires strong a commitment of financial and managerial resources (Mitra & Golder, 2002). According to Hollensen (2014) companies need to consider several aspects when choosing market expansion strategies in order to be as competitive as possible. These aspects can be location costs, internationalization, financial variables, competitive strategy and the costs of conducting business (Buckley & Casson, 1998; Hollensen, 2014). Hutt and Speh (2010) on the other hand claimed that the global strategy to expand into a market was influenced by the state of the current international competition. Decisions related to foreign market entry are sometimes made in order to seize an opportunity or minimize threats, bring a dimension of process and change (Hutzschenreuter & Kleindienst, 2006). To create a unique competitive position and fit the global market, a company has to make its business approach and product lines more international. Factors to consider when doing this could be to create a more cost-efficient differentiation, carry out activities to a low cost but keep the high level of customer support (ibid). This section aims at briefly presenting the most important contributions to explain entry modes.

2.4.1 Transaction-cost approach

The basic idea behind TCA theory is that firms select the entry choice that is the most cost-efficient. Broadly defined “TC-based entry mode choices are efficiency-driven decisions focusing on the least (transaction) cost option” (Brouthers, et al., 2003, p. 1240). Studies have shown that TC-based entry choice and performance are positively related, both in multinationals (ibid) and SME’s (Brouthers & Nakos, 2004). The theory has also shown to be effective to predict entry mode for both service and manufacturing firms (Andersen, 1997). The core dimensions of the TCA are represented by assets, frequency of economic exchange and the uncertainty surrounding these exchanges between the buyer and seller (Brouthers & Hennart, 2007). Andersen (1997, p. 33) stated that, in a TCA, decision-makers were “supposed to be boundedly rational and sometimes display opportunistic behavior”.
2.4.2 The eclectic framework
Drew by Dunning (1988), the eclectic framework suggests that three factors will influence a firm’s internationalization, also known as Ownership (O) advantages which are the firm’s specific assets and skills, characterized by a firm’s international experience and its ability to develop differentiated products (Andersen, 1997; Schellenberg et al., 2017). Location (L) advantages are related to the attractiveness of the country in terms of market potential and investment risk (ibid). Finally, Internationalization (I) advantages are related “the costs of choosing a hierarchical mode of operation over an external” (ibid, p. 34). The eclectic paradigm is considered as multi-theoretical approach because it draws from the resource-based theory as well as TC theory.

2.4.3 Resource-based view
According to resource-based view theory, companies’ competitive advantage lies in their resources (financial, know-how and physical assets) and those that they can acquire (Barney, 1991). Firms aim at using these resources to achieve competitive advantage and deliver value to their customers. But for companies that seek to enter foreign markets, their success will depend on their capacity to transfer their know-how to the hosting market (Brown et al., 2003; Sharma & Erramilli, 2004).

2.4.4 Institutional theory
Institutional theory studies how companies operate in foreign markets. This theory is based on the principle of isomorphism which “forces one unit of population to resemble other units that face the same environmental conditions” (Schellenberg, Harker & Jafari, 2017, p. 9). According to Brouthers (2012), institutional distance has an impact on the entry mode that firms will choose, and management has now accepted the institutional context as a direct influence on market strategies. Scott (1995, cited in Schellenberg, Harker & Jafari, 2017, p. 9) differentiated three groups in institutional theory: regulations which are laws and rules, cognitive which can be “considered as conceptions by which meanings are created” and normative which as norms and values. Normative and regulative forces are driven by sociology whereas cognitive comes from economics. Some scholars discuss that by combining TCE theory and institutional theories, firms will perform better in their foreign market entry strategy.
2.4.5 Entry mode decision

Entry mode decision is the first decision a company has to make when entering a foreign market and it is related to the level of ownership the company wants to have (Andersen, 1997; Brouthers & Brouthers, 2000). There have been two trends in the literature on as to how to define and classify entry modes. The first one places entry modes on a continuum of increasing level of investment, control and risk (Erramilli & Rao, 1990; Hill, et al., 1990, Hollensen, 2014). Therefore, a firm wanting maximum control will choose wholly-owned subsidiaries (WOS), willing to take maximum risk and invest a lot. Following this premise, scholars have proposed different classifications for entry modes: Erramilli and Rao (1990) listed 11 entry modes ranking from licensing and franchising to greenfield WOS ventures. Licensing, franchising and joint ventures can be considered as “intermediate” entry modes (Hollensen, 2014). Licensing means that “the licensor gives a right to the licensee against payment, e.g. a right to manufacture a certain product based on a patent against some agreed royalty.” (Hollensen, 2014, p. 371), franchising involves giving the right to a franchisee to use the firm’s trade name and product against royalty, and “joint venture (or strategic alliance) is a partnership between two or more parties” (Hollensen, 2014, p. 379). Finally, a WOS means that the company “owns and controls the foreign entry mode/organization” (Hollensen, 2014, p. 399).

The second “trend” of literature categorizes entry modes between contracts and equity modes (such as WOS and joint ventures) (Hennart, 1988; Pan & Tse, 2000). According to Hennart (1988), the difference lies in the method and the timing of the payment to the input providers: in the equity case, payments are made after the profits were made, whereas in the case of contracts, payments are made before. Brouthers and Hennart (2007) further made a distinction between the ownership mode (greenfield vs acquisition) and establishment mode (JVs vs WOS) and therefore constitute four different entry modes (Hennart & Slangen, 2015).

2.4.6 Diversification mode choice

Once a firm has decided on the entry choice and the level of ownership it will have in the new venture, it must decide if it will do so by acquiring a new venture or creating a new - greenfield - one, usually referred to as diversification mode choice (Brouthers & Brouthers, 2000). According to the authors, no research had yet showed the determinants of the mode choice. Relying on Kogut and Singh (1988) who stated that to understand the determinants for diversification mode choice, both the institutional and cultural contexts and transaction
costs have to be taken into consideration, Brouthers and Brouthers (2000) created a model based on these factors where they put forward the fact that firms with international experience were more “(1) technology intensive and/or (2) more diversified, preferred greenfield start-up ventures to acquisitions” (Brouthers & Brouthers, 2000, p. 95). Dunning (1993, p. 432, cited in Brouthers & Brouthers, 2000, p. 91) suggested that greenfield ventures offered less transaction costs since they avoid “retraining the workforce and injecting the resident management with a new philosophy”.

2.5 Research model

This model shows how the theoretical concepts that are discussed in chapter 2 are linked together. The relationship between international strategy and decision making are in focus for this thesis. The decision regarding what entry mode to implement can be influenced by, and based on, both internal and external factors. As discussed in chapter 2, market analysis models will aid the company when planning the internationalization. An international market selection will be chosen; location where the company sees a potential market. Based on different market analyses, such as the PESTLE analysis and/or the SWOT analysis, the company will have an overview of the situation the potential market is currently in and also how the expansion might affect the company itself. Together, chosen market selection and entry mode with alignment of the company’s visions and objectives will lead to a successful entry. In this thesis, the decisions that led to the formation of the market entry strategy are highlighted, along with the activities and aspects that are present when taking these decisions

Figure 3. Research model
3 Methodology

This chapter describes various types of approaches that can be used in business research. First, the research approach and design will be presented, after which theoretical research methods related to the collection, selection and analysis of data will be described.

3.1 Research approach

According to Bryman and Bell (2015) a research approach is the general orientation of the business research. A description of deductive, inductive, abductive along with qualitative and quantitative approaches are presented in the following section in order to provide understanding of the research approach chosen in this study.

3.1.1 Inductive, Deductive Research and Abductive Research

According to Bryman and Bell (2015), it is essential to consider the relationship between theory and research which can be conducted either through a deductive or an inductive research. However, Saunders et al. (2009) argued for the combination between deductive and inductive approach called abductive.

In a deductive research approach, a hypothesis is drawn from existing academic knowledge and theories in the researched area (Saunders, et al., 2009; Bryman & Bell, 2015). The theories are already existing and are used in order to test the data to formulate a research question and purposes of the research. The deductive research approach is considered to be a highly structured approach and mostly used in quantitative research. The process of the deductive research is: Theory → Observations/findings

Opposite to the deductive research approach is the inductive research approach. The inductive research is a process of generalizable conclusions out of observation. The observations are made in order to analyze possible patterns, consistencies and meanings (Bryman & Bell, 2015). The inductive research approach starts out by collecting data through observations and experiences that will be further analyzed in order to understand the nature of a problem. The data that was gathered will then lay the foundation for the theoretical framework (Saunders et
The process of inductive research is: Observations/findings → Theory (Bryman & Bell, 2015)

A third research approach, abductive, is discussed by Saunders et al. (2009) and is the research approach used in this thesis since theories were collected prior the start of the study in order to find research gaps. Theories are investigated before the empirical findings are collected in order to gain a deeper knowledge about the research area. Empirical findings are compared and analysed together with previous theories and concepts, and a reliable analysis and conclusion are drawn from the data collection. Bryman and Bell (2015) describes the abductive approach to puzzle together empirical data with theory in order to find patterns in the research, which makes this an advantage for the study. When new relevant empirical data is collected, the theoretical framework could be reformulated and adjusted accordingly.

### 3.1.2 Qualitative and Quantitative research

The two dominant method research strategies when it comes to collecting, processing and analysing data are quantitative and qualitative methods although a third also exists which is a combined version of those two called “mixed methods” research strategy (Bryman & Bell, 2015).

Quantitative research is presented as a linear succession of steps and stages during the data gathering whereas the steps in a qualitative research are less codified. Quantification is usually more emphasized on numbers in terms of measurement, causality, generalization and replication (ibid).

Qualitative research is a method more emphasized on words rather than numbers. According to Bryman and Bell (2015) there are four traditions of qualitative research: naturalism, ethnomethodology, emotionalism and postmodernism. They are examining the understanding of social reality, how social order is created, the inner reality of the human and describe how people interact with each other in natural settings. The purpose of the qualitative research is to gather as much and rich data as possible. This research method was considered a more suitable choice for this study since it gives the authors the possibility to conduct in-depth interviews. This study involves one of the elements of a qualitative research, the ethnomethodology, because it is investigating “how social order is created through talk and interaction” (Bryman & Bell, 2015, p. 393).
3.2 Research Design

Research design is classified in different approaches called exploratory, descriptive and explanatory (Saunders et al., 2009). This study will conduct the approach Saunders et al. (2012) calls the descripto-explanatory study, which is a combination of descriptive and explanatory research. To explain a certain situation, an event or a detailed description of a person are the objectives of a descriptive research while an explanatory research can be described as a tool to seek new insights, ask questions and gain information about what is happening (Saunders et al., 2012). These were also the objectives that made the descripto-explanatory study as the most suitable approach for this research. The descripto-explanatory study was chosen since it is especially useful to get an understanding of a problem and the nature of the problem. The descriptive part involves that the authors have a good understanding of the area that is researched before starting collecting data as described in the section 3.1 (Saunders et al., 2012).

<table>
<thead>
<tr>
<th>Quantitative</th>
<th>Qualitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Numbers</td>
<td>Words</td>
</tr>
<tr>
<td>Point of view of researcher</td>
<td>Points of view of participants</td>
</tr>
<tr>
<td>Researcher distant</td>
<td>Researcher close</td>
</tr>
<tr>
<td>Theory testing</td>
<td>Theory emergent</td>
</tr>
<tr>
<td>Static</td>
<td>Process</td>
</tr>
<tr>
<td>Structured</td>
<td>Unstructured</td>
</tr>
<tr>
<td>Generalization</td>
<td>Contextual understanding</td>
</tr>
<tr>
<td>Hard, reliable data</td>
<td>Rich, deep data</td>
</tr>
<tr>
<td>Macro</td>
<td>Micro</td>
</tr>
<tr>
<td>Behaviour</td>
<td>Meaning</td>
</tr>
<tr>
<td>Artificial settings</td>
<td>Natural settings</td>
</tr>
</tbody>
</table>

*Source: (Bryman & Bell, 2015, p. 416)*

In order to create a successful framework that will provide the understanding of this study, it is essential to also choose the most suitable way of finding information. Bryman and Bell (2015) list five different research designs that present choices of how the data can be collected: experimental design, cross-sectional design, longitudinal design, comparative design and case study. Saunders et al. (2012) emphasize on the time and resources constraints as determinants for the most suitable research design. A case study design approach was
thereafter chosen, and the following section will explain more in detail what this research design entails.

3.2.1 Case Study

Bryman and Bell (2015) refer to a case study as the detailed analysis of one single case. Yin (2009) explains that using a case study is recommended when the questions to the interviewees involve providing understanding of individual, group, organizational and social political to mention a few. The case study is also recommended when answers to why, and how are desirable (Saunders et al., 2009). The case study was chosen for thesis in order to investigate how strategy related to foreign market entry is formed. Since the latter involves different people at different levels, the case study seemed the most relevant to gain a thorough understanding that another research design would have maybe not provided.

Furthermore, Yin (2009) describes case study as an empirical study that studies a current phenomenon in its real context. A case study is used when researchers want to get contextual conditions since they can be of great relevance to what is being studied. Case study methods make it possible to maintain the integrity and meaningfulness of real events while still being able to study structures in a particular industry. Case study research may include either single-case studies or multi-cases studies, the major difference being the number of companies studied (Bryman & Bell, 2015). A further difference described by Bryman and Bell (2015) is the difficulty to generalize a result in a single-case study than in a multiple-case study, however, Yin (2009) argues that a single-case study can be generalized to a particular industry as the individual case confirms, questions and develops existing theory. Furthermore, a case study is the most suitable method for this study since Yin (2009) states it allows decisions to be deeply examined in order to understand how they were implemented and why they were taken.

3.3 Data Sources

Bryman and Bell (2015) report that two types of data can be collected, primary data and secondary data. Primary data is collected by the researcher whereas secondary data is collected at an earlier date but may be relevant to the study. The researcher can take advantage of existing secondary data when possible. Secondary data comes in the form of publications, information on the Internet or information from different registers and
databases. The advantage of secondary data is that it saves time and costs for the researcher. On the other hand, primary data is relevant, up-to-date information collected specifically to answer the research question. However, primary data can be more time-consuming in the event of non-response from participants. Therefore, secondary data should be used as a complement or in combination with primary data. When collecting secondary data, such as data collected about a company’s activities, the researcher should keep in mind that the data may be large and complex (ibid).

This study is depending only on primary data since interviews are the primary source of information and data. More in-depth data and specific information were however collected in order to conduct a descripto-explanatory study. The following section provides information on how the data was collected.

Table 2: Six Sources of Evidence: Strengths & Weaknesses

<table>
<thead>
<tr>
<th>Source of Evidence</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Documentation</td>
<td>Stable, it can be reviewed frequently Exact, contains names, references, and detailed information</td>
<td>Retrievability, can be difficult to find Access may be limited entrance</td>
</tr>
<tr>
<td>Archival records</td>
<td>(Same as above) Precise and usually quantitative</td>
<td>(Same as above) Accessibility could be difficult</td>
</tr>
<tr>
<td>Interviews</td>
<td>Targeted, focuses directly on case study subjects Insightful, provides perceived causal inferences and descriptions</td>
<td>Bias due to poorly asked questions Reflexivity, interviewee answer what the interviewer wants to hear</td>
</tr>
<tr>
<td>Direct observations</td>
<td>Reality, provide real time events Contextual, provide context of “case”</td>
<td>Time consuming Reflexivity, event may turn out differently due to being observed</td>
</tr>
<tr>
<td>Participants-observations</td>
<td>(same as above) Insightful into inner human behavior and motives</td>
<td>(same as above) Bias due to participants-observer’s manipulation of events</td>
</tr>
<tr>
<td>Physical artifacts</td>
<td>Insightful into different cultures Insightful into technical activities</td>
<td>Selectivity Availability could be difficult</td>
</tr>
</tbody>
</table>

Source: (Yin, 2009, p. 102)

3.4 Data Collection Method

When conducting a case study, several different techniques can support the study such as different sources of evidence. According to Bryman and Bell (2015) the most common data
collection methods are interviews, focus groups, survey or questionnaire, and content analysis. Using as many sources as possible makes the study more reliable and will support the result (Yin, 2009). The present study relies on semi-structured interviews conducted with managers and executives from the company Electrolux Professional Products, a business area of the Electrolux Group that is specifically focused on business-to-business.

3.4.1 In-depth interviews

In-depth interviews in qualitative research are mainly following an unstructured or semi-structured approach since qualitative research is generally more flexible (Bryman & Bell, 2015). Unstructured interviews give the possibility to the respondent to answer completely freely. This approach can be related to a conversation in character (ibid). In semi-structured interviews, fairly specific topics are tackled, and the researcher may have a list of predetermined questions (the interview guide) but the respondent is free to answer how he wishes. Questions that are not in the interview guide may be asked depending on the answers provided. In both cases, the emphasis is put on the interviewee’s understanding of the events (ibid).

Semi-structured interviews were used in this study. A list of questions was drawn; however, the respondent was free to answer as he wished. This approach was considered the most suitable for this study due to the fact that it is flexible and open. Conducting semi-structured interviews also gave the opportunity to gather more information and see the topic from another point of view that was not considered by the authors. When conducting the interviews, the authors gathered information about the company being interviewed, and an introduction to the topic and purpose of the study were presented to the interviewees. An overview of the questions was used as a guide for the interviews and can be found in the appendix. When interviewing the different managers, the sequence of the questions may vary and possibilities to ask follow-up questions can also be given in order to gain a deeper insight in the case (Bryman & Bell, 2015), which it also did, and new, valuable information was given due to the fact that both interviewers and interviewees could speak openly. This study is based on ten interviews with 11 employees at Electrolux Professional via BlueJeans (a video-conference network similar to Skype), email and face-to-face. In the event of two interviews, two employees were interviewed at the same time. All the interviews conducted via BlueJeans and the one face-to-face were recorded and transcripted. Since an interview “can take place over an extended period of time, not just a single sitting” (Yin, 2009, p.107), it was
decided to reinterview Alberto Zanata, Head of Electrolux Professional Products, as more questions arose during the writing of the thesis.

3.5 Sampling

No matter the research question and/or objectives a research has, it will always depend on sampling (Saunders et al, 2009). According to Saunders et al (2009) the company itself can be a sample when conducting a case study although the researcher will have to choose individuals within the company to be interviewed. Since it is not possible to interview all the elements of the organization, it is necessary to choose a suitable sample. When conducting a qualitative research, Bryman and Bell (2015) discuss two different sampling methods: probability and non-probability sampling, also known as purposive sampling. The sample selection will be further discussed in the following section.

3.5.1 Sample Selection

Probability sampling means that the samples or respondents are chosen randomly whereas in non-probability sampling, samples are not selected randomly which was the case for this study. The company in this study was not chosen randomly since contact had been previously made over the course of different collaborations. This can also be called “convenience sampling” (Bryman & Bell, 2015) which occurs when the authors get an easy access to the sample. Electrolux Professional Products was chosen due to its international experience and business-to-business context. Furthermore, although the group is Swedish, the Professional sector is based in Italy which added a cultural component to the research.

3.5.2 Respondent Validation

Respondent validation is the process where the researchers provide the participants in the study with an account of the findings. This is done in order for the researchers to be sure that the correspondence between their findings, the perspectives and the experiences from the participants is good and reliable (Bryman & Bell, 2015). The participants who got interviewed in this study were contacted due to their work position in the company and their experience with foreign market entry.
3.6 Ethical Principles

When an investigation involves the researcher breaking into the individual's private sphere, it becomes important to consider certain ethical dilemmas that may arise. Four aspects need to be considered (Bryman & Bell, 2015):

- Informed consent
- Invasion of privacy
- Harm to participants
- Deception

Table 3: Overview of the interviewees

<table>
<thead>
<tr>
<th>Interviewee &amp; Work Title</th>
<th>Years of employment</th>
<th>Day of Interview</th>
<th>Time of Interview</th>
<th>Interview conducted via:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alberto Zanata, Head of Electrolux Professional Products, Executive Vice President</td>
<td>29 years</td>
<td>16th of April</td>
<td>46 min</td>
<td>BlueJeans</td>
</tr>
<tr>
<td>Gerd Almlöf, Sales Administration Manager</td>
<td>29 years</td>
<td>16th of April</td>
<td>52 min</td>
<td>Face-to-face</td>
</tr>
<tr>
<td>Sven Kallin, retired Vice President Logistics/IT</td>
<td>37 years</td>
<td>17th of April</td>
<td>-</td>
<td>Email response</td>
</tr>
<tr>
<td>Janne Ljungman, Logistic Manager</td>
<td>13 years</td>
<td>18th of April</td>
<td>42 min</td>
<td>BlueJeans</td>
</tr>
<tr>
<td>Alberto Marangon, Business Marketing Intelligence Manager &amp; Francesco Maso, Head of Sales - Europe Chains</td>
<td>15 years / 20 years</td>
<td>18th of April</td>
<td>37 min</td>
<td>BlueJeans</td>
</tr>
<tr>
<td>Paolo Schira, Vice President Business Unit Laundry</td>
<td>13 years</td>
<td>20th of April</td>
<td>24 min</td>
<td>BlueJeans</td>
</tr>
<tr>
<td>Fabio Zarpellon, CFO Electrolux Professional</td>
<td>18 years</td>
<td>24th of April</td>
<td>31 min</td>
<td>BlueJeans</td>
</tr>
<tr>
<td>John Evans, Head of Americas Electrolux Professional</td>
<td>14 years</td>
<td>30th of April</td>
<td>37 min</td>
<td>BlueJeans</td>
</tr>
<tr>
<td>Alberto Zanata, Head of Electrolux Professional Products, Executive Vice President</td>
<td>29 years</td>
<td>27th of April</td>
<td>20 min</td>
<td>Blue Jeans</td>
</tr>
<tr>
<td>Christoph Richter, Global Segment Manager Laundry</td>
<td>3 years</td>
<td>7th of May</td>
<td>-</td>
<td>Email response</td>
</tr>
</tbody>
</table>
3.6.1 Informed consent
Informed consent means that the respondent will voluntarily participate in the study and will know about the consequences of participating in the study. The respondent should know that this may interrupt the study or refrain from answering certain questions. Volunteering to participate in a study can be problematic when an apparently volunteer respondent may experience pressure from others to participate. In addition, the respondent must also have sufficient information about the purpose and implementation of the study and, in addition, be able to understand this information in order to determine whether he wants to participate in the study (Bryman & Bell, 2015). The present study has taken into account informed consent: all respondents have had the opportunity to say no to an interview. The purpose of the study has also been presented to the respondents before each interview began.

3.6.2 Invasion of privacy
Invasion of privacy deals with the sensitivity of information required by respondents (Bryman & Bell, 2015). This basic requirement also encompasses the risk that an individual can be identified. In the event of sensible information being disclosed, the respondent’s identity may be anonymized. To avoid invading the privacy of the participants, objective questions were asked, taking into consideration their beliefs and values even if it is impossible to forecast if some questions will be sensitive since people have different personalities and experiences (ibid).

3.6.3 Harm to participants
Harm to participant is related to reducing emotional harm, stress and risking someone's safety (Bryman & Bell, 2015). As aforementioned, all the participants were asked if they wished to be mentioned anonymously but none felt the need to. In this study, titles and names are disclosed, as the respondents agreed for their names to appear in the document.

3.6.4 Deception
Bryman and Bell (2015, p.136) referred to deception as “(...) when researchers present their research as something other than what it is”. To avoid deception, the purpose of the study was explained multiple times over the first contact via email and during the interviews.
3.7 Data Analysis

Different methods are available to analyse and interpret information collected during a qualitative research. Saunders et al. (2012) state the importance to summarize and categorise the data in order to have a meaningful analysis so that the data is structured, clear, and easy to follow. In order to gain as much information out of the interviews as possible, it was necessary to establish the most important criteria and topics before conducting the interviews. Qualitative research is complex because of “the attractiveness of its richness but the difficulty of finding analytic paths through that richness” (Bryman & Bell, 2015, p. 571). Miles and Huberman (1994) have divided the complex process of qualitative data analysis into three different steps: data reduction, data display, and drawing conclusion.

3.7.1 Data Reduction

In order to understand the data and eliminate anything that is unnecessary or irrelevant related to findings from the interviews, data reduction is conducted. This involves simplifying, selecting and transforming transcriptions (Miles & Huberman, 1994). It is stated that data reduction is even conducted before the actual data is collected when the researcher is deciding on which conceptual framework, cases, research questions, and data collection approaches to use. Miles and Huberman (1994, p.10) continue to explain that the reduction of data is an ongoing process, as long as data is being collected in the form of “writing summaries, coding, teasing out themes, making clusters, making partitions, writing memos”. In this study some of the interview questions appeared not as important as others, they did not contribute to the final result and were therefore excluded.

3.7.2 Data Display

Data display is concerned with organising information in order for the reader to understand. It can made be through matrices, graphs or charts. By doing so, the research will provide explanations and identify links related to the already existing theories (Miles & Huberman, 1994). In this study there are no matrices, graphs or charts, however, empirical data was collected and correlated with the existing theories.

3.7.3 Drawing Conclusion and Verification

The third flow of analysis activity that Miles and Huberman (1994) present is the conclusion drawing and verification which involve explaining and deciding what things mean. Although
conclusions should be drawn, the researcher needs to hold them lightly and maintain openness. In this study, the interviews had to be analysed in order to understand the formation of market entry strategy at Electrolux Professional.

3.8 Quality Criteria

This section allows the trustworthiness and the quality of the study to be discussed, referred to as validity and reliability. Validity is about the integrity of the results that are drawn from the study, where reliability refers to the extent to which the results are replicable (Bryman & Bell, 2015). Bryman and Bell (2015) state that trustworthiness consists of four different criteria: credibility, transferability, confirmability, and dependability. These criteria will be further discussed in the following sections and in what way they influenced this study.

3.8.1 Credibility

Bryman and Bell (2015) describe the credibility as the substance in the findings of a research. The trustworthiness of a research needs to be assured in order to secure the credibility (ibid). By confirming the credibility of this study, all the data from the transcripts that was collected and used, was sent to all the interviewees in order for them to approve that the information in this study is correct. The respondents could thereafter argue and offer suggestions for changes or approve that the information is correct.

3.8.2 Transferability

Transferability is defined by Bryman and Bell (2015) as if whether the findings and results from a research can be applied into other contexts or can be generalized. Although a case study cannot be statistically generalized to a population, it is possible to generalize to similar studies (Yin, 2009). The findings of this study are based on interviews with managers and executives in a multinational company. Since it is a one case study, only one company’s experience is taken into account and it can therefore be difficult to argue that these interviews may be applicable to other contexts. However, the findings may be of value as a foundation for other companies or individuals who have an interest in foreign market entry strategy and its formation within a large firm.
3.8.3 Confirmability

Confirmability can be referred to as the objectivity that the researchers hold in order not to bring personal values and opinions into the research (Bryman & Bell, 2015). Complete objectivity as a researcher is according to Bryman and Bell (2015) somewhat impossible, therefore it is suggested by Guba and Lincoln (cited in Bryman & Bell, 2015) to let external auditors evaluate the research and confirm that it is not biased. The researchers for this study have tried to be as neutral as possible and received feedback and suggestions from external auditors in form of opponents. A supervisor and an examiner have also followed the process of the redaction of this paper in order to evaluate it.

3.8.4 Dependability

Bryman and Bell (2015) refer to dependability as the capacity to apply the findings into another time and if the study is likely to be same or not if it is carried out at another time. Saunders et al. (2012) argue that interviews cannot be used more than once since they only are concerned with the surroundings at the time when they were collected. For this study, a single case study was conducted at a limited time frame. Therefore, it can be difficult to argue that the results from the interviews can be applicable to another time. All the interviews were recorded, transcribed, and coded in order to not overlook any piece of information.

3.9 Reliability

Reliability deals with the question of whether the results of a study can be repeated (Bryman & Bell, 2015). Being a case study, it can be discussed whether this study is reliable or not. A prerequisite for high reliability is that the approach used in the study is thoroughly documented. The approach has been carefully documented along this Method chapter together with the respondents and theoretical framework used as the basis for this study. The purpose of this study is to investigate how strategy related to foreign market entry emerges in a multinational company with a specific interest in the decision-making process; and since all companies have different settings and organizations, it cannot be insured that the results will be identical with other companies.
4 Empirical data

This section presents the information and data collected during interviews. This chapter begins with a description of the company, Electrolux Professional Products, followed a chronological presentation of Electrolux’s strategic process regarding market development and entry, specifically to the United States.

4.1 Introduction to Electrolux Professional Products

Electrolux Group is divided into six different business areas with four major appliances sectors including North America, Latin America, Europe/Middle East/Africa and Asia Pacific. The two global business areas are Home Care & SDA and Professional Products. Professional Products are the suppliers of solutions for professional kitchens and laundries. Their headquarters are located in Pordenone, Italy. Professional Appliances shares represent 6% of the Group’s total sales (Electrolux Group n.d., 2018). Professional Products is divided into different regions: Europea, Americas, MEA (Middle-East, Africa), South-East Asia and Pacific. The focus of the sector is to supply restaurant chains in order to increase replacement products, all the while growing faster in emerging markets like Asia and South America.

4.2 Factors affecting market entry

4.2.1 Internal factors

“Electrolux has been developing for years and has experiences in opening markets, expanding in a market or acquiring companies, there is a background that is giving us the possibility to take the right decision when it comes to developing the business abroad”

(Zanata, Head of Professional Products, 2018-04-16)

Zanata, Head of Professional Products, stated that Electrolux’s international experience has been an advantage in order to set a basis for future growth in foreign markets. Furthermore, Francesco Masa, Head of Sales - Europe Chains Electrolux Professional, said that
Professional Products is always looking at business in an international perspective. In all the different segments that make Professional Products (Laundry, Food and Beverage) and the different departments, the possibilities for growth are looked at according three levels: markets, customers and products (Schira, Vice President Business Unit Laundry, 2018-04-20; Marangon, FSE Business Intelligence Manager, 2018-04-18, Zarpellon, CFO Electrolux Professional, 2018-04-24).

“The key to the market is the possibility to make a new product for a special market. Different market requests different products, you can change your product for the new market or you can have a different request.”

(Marangon, FSE Business Intelligence Manager, 2018-04-18)

Schira, Vice President Business Unit Laundry, stated that the size of the investments will differ depending on the size of the market. Brazil was for example an attractive new market for Laundry in terms of size. In a market where Laundry is already present, new segments are looked at, like it is the case for Germany. He explained that there is an opportunity to grow because the market share is not up to the average and Electrolux is mostly present in hospitals, elderly care and cleaning. A screening of the underserved groups is made and prioritized by defining an action plan over a period of time to increase the penetration in a market segment. In a market and customer group where Electrolux is strong, the expansion activities are related to the product stand point. The goal for Laundry is to keep the three layers, market, customers, products, together.

In order to analyse and evaluate the market in the most efficient way, Almlöf, Sales Administration Manager, stated that a SWOT analysis is conducted every time a potential market is discussed as a step in an evaluation. Christoph Richter, Global Segment Manager Laundry, said that the content of the PESTLE analysis is a tool for evaluated the potential market, along with market size, potential net sales within a certain period of time and labour costs. Marangon, FSE Business Intelligence Manager, further explained that beside the potential and analysis, the local law has to be considered (2018-04-18).

Maso, Head of Sales - Europe Chains, explained how there are different layers of possibilities in decision-making which are connected to a matrix with four corners. In the first corner, where existing products is crossed with existing markets, Maso, Head of Sales - Europe
Chains, claimed that there is little to do due the fact that the company has already established a distribution model that works. When expanding in a new market with new products, the company is not focusing on opening a distribution channel or to develop new products, but to acquire another company that has the knowledge about the products and might also have contact with the customers. The competence and knowledge will therefore follow into Electrolux’s already existing structure.

4.2.2 External factors

Zanata, Head of Professional Products, talked about how directly involved he was during the entrance of Professional Products in the American market in 2004. The Professional Products sector was already using distributors to sell Laundry products in the United States, but the Food segment was missing. According to the strategic plan that Zanata, Head of Electrolux Professional Products, presented, Electrolux Professional had to be present in this market and the reasons were twofold:

1. the US are the largest market in the world and Electrolux’s ambition being to be world leader, it could not be achieved without being present in the US. Electrolux was already leader in Europe and top leader in Asia, but the US were missing.

2. The Quick Service Restaurant (QSR) industry is an important, growing segment, particularly in the US. QSR is expanding globally with world-known food chains such as McDonald’s of course, but also Burger King, KFC, Starbucks to mention a few. By serving these chain accounts in their home country, Electrolux Professional Products was given the opportunity to also serve them around the world and be the supplier of Food appliances for this specific segment on a global scale.

“To serve these customers, the only way is to serve them at their home. If you do not work with them in North America, you have a few chances to serve them around the world.”

(Zanata, Head of Professional Products, 2018-04-16)

Return on Investment (ROI) is also a key determinant in foreign market entry. Zanata, Head of Electrolux Professional Products, explained that usually, decision is based on the market that would bring the fastest ROI but depending on the strategic importance of the market, fastest ROI might not be the most important. In the case of US, ROI was the longest compared to any other product, but it was strategically important.
When asking Zarpellon, CFO Electrolux Professional Products, about market expansion he explained that Electrolux first looks at market spots that are financially feasible and attractive enough to be approached, and if they could gain market share in that marketplace. Zarpellon, CFO Electrolux Professional, explained how the decision regarding expanding into the US market was not just a wish to enter but also a decision concerning which products to bring, where to establish the sales company, how they are going to manage the logistics and the customer care.

Electrolux had to define a space in the market which they could focus on, not only geographically, but also in terms of product and customer segment perspectives. Once this space was defined, Electrolux focused resources and energy into these specific “spots” by building credibility in the marketplace. As Zarpellon, CFO Electrolux Professional, stated:

“When you start building credibility, you become larger in the products or segments. When you think about decision process, it is how to win.” (2018-04-24)

Most of the effort was put on marketing and building the brand during the start-up phase of expansion to the US, even if this still goes on. As written before, competitors had been present in the market for a long time, they had brand equity, brand awareness and relationships with distributors and wholesalers. Breaking into the market place was therefore one of the biggest challenge Electrolux had to face. Trade marketing was mostly used during this preliminary phase in order to create demand from wholesalers and distributors (Evans, Head of Americas Electrolux Professional, 2018-04-30). Attending trade shows by occupying the biggest booths, putting advertisements in magazines were part of the marketing strategy to establish the brand and be recognized in the market.

4.3 Market entry

Zanata, Head of Professional Products, explained that the planned investments and revenues were presented, knowing that the first year would be losses due to the high-investments. After that, he was appointed head of the project and started building the team that would be joining him in the US (2018-04-27). Field tests were conducted which involved looking for customers willing to test the products. Electrolux looked at market spots that are financially
feasible and attractive enough to be approached, and if they could gain market share in that marketplace (Zarpellon, CFO Electrolux Professional, 2018-04-24). By conducting these tests, the company learned more about the market and how it was built, and this knowledge was used to enter the market. It was also at this time that the selection of products was made. Electrolux chose not to bring all the product portfolio and decided to enter the market with products that were mostly innovative and different from the current offering at the time, to create interest and competitive advantage in the market.

Zanata, Head of Electrolux Professional Products, explained that the expansion into the US market was and still is a process. To enter the American market was some of the most expensive projects due to the competitive nature of the market. A lot of money was invested to create a set-up of the organization:

“We are building the awareness of the brand, we are learning a lot. It is a learning phase to understand what you need to do because everything is different there. After this phase, you are stabilizing the organization. From there, you are growing, and the investments are different.”

(Zanata, Head of Professional Products, 2018-04-16)

Since there was organization, no infrastructure, no Electrolux people in the country, Electrolux had to start from scratch to create this office. This meant creating a project team, with people from the company who know the company and the products; and people from the US who know the market, in order to combine knowledge and create a unique team. Once the start-up phase was ended, roughly after five years, Zanata, Head of Electrolux Professional Products, explained that the European people were gradually brought back to Europe in order to have local people running the office there. Local people are sending a different message to the US market, they can establish stability and continuity in a way that foreign employees may struggle with.

The implementation of Electrolux Professional Products in the US market started with field tests which involved looking for customers willing to test the products. By conducting these tests, the company learned more about the market and how it was built, and this knowledge was used to enter the market. The project was then presented in 2004 during a board visit. Zanata, Head of Electrolux Professional Products, remembered that at the end of 2005 the
company visited the US to choose the location for the new office. In the beginning of the implementation the company spent a lot of effort in order to interview new representatives, new dealers, service agents to have the distribution network in place. It was a working process, gradually building a business day by day. After five years, the start-up phase was over, and the business was handed over to people who give continuity to the organization.

Zarpellon, CFO Electrolux Professional, stressed the importance of consistency in the implementation of the strategy, especially because it was a new territory and a new market. Since the organization was constantly learning, therefore it had to be consistent in the execution of the strategy, all the while adjusting.

4.3.1 Teamwork
Sven Kallin, retired Vice President Logistics/IT, stated that the quality of the individuals in the team will influence the decision-making process differently and Almlöf explained how her team strives to take decisions together so that all the team members feel included and part of that decision. It is very important to her that everyone can take part in the project and that everyone’s voices are heard.

“When it comes to international projects you need to have strong people in that project team and then there is someone that usually take the decision. When the decision has been made, you have to go. Then there is no discussion.”

(Almlöf, Sales Administration Manager, 2018-04-16).

When interviewing the different managers, trust appeared as a key denominator in decision-making. As stated before, Electrolux and Professional Products are designed to empower people at the various levels of the organization. Almlöf, Sales Administration Manager, explained that she trusts her colleagues and staff, and never ask about their daily work because she needs to trust them.

“I fully trust my staff. As a manager, you must trust your people otherwise you shouldn’t have them in your team. If you do not trust what they say, you have other problems. As a manager, I have to create an environment for them to feel safe and that they can grow in this environment even if they make mistakes”

(Ljungman, Logistic Manager, 2018-04-18)
Ljungman, Logistic Manager, explained that being a Logistics manager, he has the responsibility to secure the level of goods and has to make sure that he has the right person for the task. He also needs a very skilled staff to handle all the decisions that he has to take during the day. Furthermore, the team members are very close to each other. The management of spare parts being a very quick process, there is no time for a lot of discussion and investigation, unless it is a big order for a machine. Therefore, informal meetings are usually preferred, nevertheless, in the case of strategic topics, communication is more formal and take longer. However, Ljungman, Logistic Manager, said that they try to only involve top management when the discussions are related to a high strategic topic, and therefore avoid involving them in the daily discussions and work. When asking Ljungman, Logistic Manager, why they do not involve other managers more often, he answered that he employs people that are much better than him with handling certain questions and that he believes that the people he hires are very good at making the right decisions.

4.3.2 Disagreements & the role of the manager

“We are really working as a team when we take a decision, I have never understood before that a decision was unpopular. When we are doing something, we stick together.”

(Marangon, FSE Business Intelligence Manager, 2018-04-18)

Marangon stated that the decisions taken are always in line with the strategy, and that people in the team usually agree on these specifications. Francesco Maso, Head of Sales - Europe Chains, had a different opinion: according to him there could occur disagreements, but they could be handled with something as simple as “down to earth, common sense”. Maso, Head of Sales - Europe Chains, explained that misunderstandings usually occur when something is not clear in the teams, for example the reasons why they are doing things can sometimes be left out. In order to prevent this from happening, Maso, Head of Sales - Europe Chains, said that it is the manager’s role to explain to all the team members the reason why they are doing something and how the company will improve from this, in order to help in the following activities after the implementation of the project. Maso, Head of Sales - Europe Chains, continued explaining how a project can be a complex experience to handle due to different phases in the project and the fact that not everyone is comfortable with change. Change is also a challenge according to Almlöf, Sales Administration Manager. Although, people that
are uncomfortable with change have a personal challenge to overcome in order to adapt to the team. Maso, Head of Sales - Europe Chains, can also see positive on conflicts and misunderstandings,

“It is okay to have conflicts in a team, because conflicts that a manager can’t solve are not clear and that can really be a threat for the project but ones the conflicts are out in the open you can do something about it and learn from them”
(Maso, Head of Sales - Europe Chains, 2018-04-18)

“Even if you do not like it, it is the manager that’s taking the full responsible. The manager is the guy who is managing the operations. But it isn’t a huge problem here inside Electrolux and it has never been. I have been in situations where we do not agree but we go for the decision that the manager has decided”
(Ljungman, Logistic Manager, 2018-04-18)

Ljungman, Logistic Manager, also described his way to deal with issues as a manager. He explained that misunderstandings are most likely to occur when team members come with a problem because he does not have all the knowledge regarding that specific situation. If a member does ask for advice regarding an issue, he usually tells them to give him three options and then they take a decision together.

“Sometimes you do not have all the information, but you have to make a decision. Maybe later you get another piece of the puzzle, and then you realize that your decision was wrong, then you adjust it, you have to adapt a little bit”
(Ljungman, Logistic Manager, 2018-04-18)

According to Kallin, retired Vice President Logistics/IT, unpopular decisions were related to ‘standardization’ from top management. He stressed the importance of listening to the organization and that the managers and the organization should be clear with the purpose in return. By doing this, Kallin, retired Vice President Logistics/IT, claimed that decisions regarding change would be better received.
At the higher level, Zanata, Head of Electrolux Professional Products, stated that conflict of interests between the different business units could occur, that there are some different priorities. In a case such as expanding to the United States, the biggest conflicts were not regarding the decision to expand because it was seen as positive opportunity for the business to grow, but it required giving up or putting on hold some investments in marketing and sales, and/or some regions. In that case, according to Zarpellon, CFO Electrolux Professional, it was about prioritization, resource allocation and risk acceptance, as well as stepping out of your comfort zone.

“Our organization is designed to empower our people and make sure the decisions are taken, when needed, at the right level of the organization”

(Ljungman, Logistic Manager, 2018-04-18)

Zanata, Head of Electrolux Professional Products, explained that Electrolux follows an “escalation” system where, when facing an issue, team members go to their manager and that person will take the decision. However, as the quote by Ljungman, Logistic Manager, suggests, the organization tries to push down this type of the decisions to make sure that the teams decide for themselves.

4.3.3 Causal differences

“The most challenging thing in the integration of a company that has been acquired is the matching of the cultures, company culture not country culture.”

(Zanata, Head of Electrolux Professional Products, 2018-04-16)

The challenge with acquisition is the merging of two company cultures since that company has its own way to function and Electrolux its own. National culture can be detrimental to the company, therefore Electrolux, when acquiring a new company like they did in China or when they installed their offices in the US, flew people from Europe to the host country and from China to Europe. The goal there is to provide them as many inputs as possible concerning the way that they use the fundamental values of the company.

When Electrolux Professional Products started their business in the US, they brought team members from US to Italy in order for them to experience the organizational culture of the
company. They spent five months in Europe, absorbing the Electrolux culture, before travelling back to the US. Zanata, Head of Electrolux Professional Products, also talked about how every time they were discussing something in the team, they were confronted with different ways of working and different values.

“When we acquire a company, we also evaluate if there could be possible cultural clashes. Because they can be a real disaster for the organization.”

(Zanata, Head of Electrolux Professional Products, 2018-04-16)

Almlöf, Sales Administration Manager, stated that cultural differences in the teams can cause misunderstandings, and she explained that the differences might not always be ethnic, it can also be that two Swedes have different cultures. Ljungman, Logistic Manager, also thought that the Swedes are not so flexible as other cultures and not so opened for spontaneity. He claimed that it might be better sometimes to trust your feelings instead of investigating everything before taking a decision, which is what Swedes tend to do. Electrolux has a well-defined company culture, that in many ways is rooted in many Swedish values according to Schira, Vice President Business Unit Laundry.

“There are big differences between Italy and Sweden as a nation, in culture and even inside Electrolux in ways of interacting but that’s one of the funny part of our work is to blend all this different cultures and personalities together.”

(Schira, Vice President Business Unit Laundry, 2018-04-20)

Schira, Vice President Business Unit Laundry, stated he is working with people that have travelled often and that are well-educated and therefore did not think of them as having a specific country culture. Nevertheless, due to the size of the company, he did say that some frictions and misunderstandings might occur be due to multiculturality of the teams and their different perspectives, which Schira, Vice President Business Unit Laundry, sees as a positive aspect. He finally stated the importance of discussing when misunderstandings happen.

“Generally, by having a discussion, we converge to a decision, otherwise if there is uncertainty we go back and discuss and if there is a problem with progressing then there is always the chance to escalate and take a decision top-down, but it is very seldom that things like that happens.”
Evans, Head of Americas Electrolux Professional, who was one of the team members native from USA, also found some challenges during the process of implementing the Swedish-founded and Italian-located company into the US market. It was a challenge to get everyone to understand the same things, but he said that Zanata’s, Head of Electrolux Professional Products, clear vision made it a bit easier to get everybody on board. Evans, Head of Americas Electrolux Professional, found it curious to have meetings before meetings in order to make sure that everyone was aligned since it is not the American way of doing things.

“For me it was not uncomfortable to have change, I was comfortable with the idea that we had to change.”

(Evans, Head of Americas Electrolux Professional, 2018-04-30)

In the American team, the members are diverse. The United States themselves are very diverse since there are, according to Evans, Head of Americas Electrolux Professional, no “native” Americans per se. Nevertheless, he finds the European and American cultures drawn closer to each other, in comparison with the South American team which is all Latin. He explained that Latin cultures have a separate way to handle conflicts and that, for example, they should not be put together but instead, should be taken separately. However, he concluded that the majority of the team knows the business and the process, therefore rather try to understand the decisions instead of disputing.

4.4 Evaluation of the expansion and the current business

When Electrolux Professional Products had established an expansion in the US with the Food & Beverage segment it was time for the project team that started the implementation to leave all the responsibilities to the US team that had been involved from the beginning. It was important to expand into the US market with the help from domestic knowledge.

When asking Evans, Head of Americas Electrolux Professional, to reflect on the expansion to the US and what he considered could have been handled differently had said that it is always
easy to look back and have perfect vision. He is convinced that there were things that could have been better, but it was something they had no knowledge about when expanding.

“We came in spending too much money too fast, building the brand too quickly. It is like you do not get in your car and immediately put on the accelerator. If we had built the foundations, one step at a time, I think we would have been more successful, made quietly mistakes. Loud mistakes are harder to fix. I would have moved a bit more slowly and built up piece by piece. But what would the end result be I am not sure. We might not be as big as we are today...”

(Evans, Head of Americas Electrolux Professional, 2018-04-30)

Evans, Head of Americas Electrolux Professional, explained that building brand awareness and brand recognition were still in process, that many people still did not know who Electrolux was. However, it is getting better and better and now, more emphasis is put on the product rather than on the brand. To this end, direct marketing solutions are used to target customers and create excitement. The aim here is to show what solution do these products bring, because Professional Products do not sell commodity products, they sell something different.
5 Analysis

Following chapter will present an analysis based on empirical findings and the theoretical framework in order to answer the research questions and to fulfil the purpose of this study.

5.1 Strategy formation

Academics have for a long time tried to define what strategy is. It has been seen as a set of guidelines, rational long-term goals. Mintzberg (1978, p. 935) instead viewed strategy as “a pattern in a stream of decisions”, the realized strategy being the result of planned and unplanned decisions. By using Mintzberg’s (1978) definition, decisions and strategy cannot be treated separately. It is the decisions that Electrolux took regarding market, product portfolio and entry mode that make the strategy as realized. Evidently, plans were made to forecast growth and ROI, but it is the realized actions and decisions that were taken at the time that make Electrolux’s foreign entry to the United States a realized strategy as defined by Mintzberg (1978).

Electrolux had a vision and long-term objective from the beginning of what was expected to be accomplished in the American market (Zanata, 2018-04-16; Evans, 2018-04-30). Every decision Electrolux made, planned or unplanned, and every step they took can be interpreted as part of the strategy. It seems like a vision is clear in the beginning of the expansion, but the road ahead, leading to a successful realization is not as clear and predictable since the external environment changes. Mintzberg and Waters (1985) explained that strategies were neither purely intended nor purely emergent but in practice, all companies will have elements of both strategies. In the case of large firms however, strategies will be intended a maximum in order to avoid distortions (Hollensen, 2014).

Zanata, Head of Electrolux Professional Products (2018-04-16), and Zarpellon, CFO Electrolux Professional (2018-04-24), explained that a strategic plan was drawn with both short and long-term objectives. However, as Evans, Head of Americas Electrolux
Professional, suggested it, the company had to try things that sometimes would not work, especially in terms of marketing. He explained that the branding was an especially big challenge when installing in the US due to the already-present competitors who had brand equity. This could refer to the imposed strategy where decisions have to be adjusted according to the external events even in the presence of central controls (Mintzberg & Waters, 1985). Evans, Head of Americas Electrolux Professional, understood that some things were to take time, especially in an operation like that one, and that it was not necessary to whipsaw but modify and adjust things a little bit.

Hollensen (2014) stated that the product offer choice occurs during the fourth stage of the internationalization, when setting a global marketing programme. However, Zanata, Head of Electrolux Professional Products, and Zarpellon, CFO Electrolux Professional, explained that the product offering choice was decided on right in the beginning when it was decided to enter the US market. According to Zarpellon, CFO Electrolux Professional, the decision was not only about entering the US market but how, with what products, where to base the office, how to manage the logistics and customer care “it is not about the decision to move there but how we are going to execute it” (Zarpellon, CFO Electrolux Professional, 2018-04-24). This also confirms the suggestion that market and entry mode selections are perhaps not independent processes (Brouthers & Hennart, 2007).

Decisions were not entirely rational and decision-makers, facing a high amount of information, uncertainty and risk, have to satisfice instead of considering all the alternatives and optimizing (Moreno et al., 2007). Nevertheless, Electrolux has a history of expansion which allowed the decision-makers to look over their shoulders, learn from it and do things differently as explained by Evans (2018-04-30). Decisions related to foreign entry are therefore sometimes made in answer to opportunities and/or threats and then, incorporated into the plan. This suggests that strategy is reacting to change and not a choice set in time as explained by Hutzschenreuter and Kleindienst (2006). The choice of location was however a rational decision linked to ROI and market share, as Buckley and Casson (1998, cited in Buckley et al., 2007) proposed.

The decisions taken when entering the American market were according to the interviewees, a team effort. Almlöf, Sales Administration Manager, said that it is important that everyone’s voices and opinions are being heard in the team, in order for everyone to feel included and a
part of the decision (2018-04-16). In alignment with Neale and Mannix’s (2012) argument that groups are better at solving problems and processing information, Electrolux formed groups that would work together in order to reach the common goal, expanding successfully into the American market. It was essential to have a project leader in these teams in order for the process to move forward and as stated by Mintzberg (1983) power is needed to assert and decide on an outcome.

5.2 Factors affecting market entry strategy

5.2.1 Internal factors

International experience
Entry modes are affected by the international experience of managers and of the firm since it “refers to the extent to which a firm has been involved in operating internationally” (Hollensen, 2014, p. 335). Instead of jumping from region to region, Dow and Larimo (2009) suggested to exploit each region progressively since countries with low perceived distance was positively associated with high-commitment entry choice (i.e wholly owned subsidiary). Electrolux Professional Products has a long international experience from being present in culturally distant markets such as Asia and Middle East, and in less psychic and culturally distant markets like Europe. This long-term experience therefore decreased uncertainty and increased the probability to commit resources by establishing through a wholly-owned subsidiary, as suggested by Hollensen (2014).

Firm size
Electrolux being a large firm, it had a great capability to expand its resources (financial and know-how) and absorb risk. Root (1994) argued that a company who owns a high amount of resources has numerous entry mode options. Electrolux had management skills, experience and resources. Thus, it had more options regarding their choice of entry. In choosing a particular entry mode the firm considered that it had the available capital to establish a wholly-owned subsidiary, which was Electrolux’ case. Furthermore, the degree of internationalization influences the quantity of available resources in a company (Koch 2001). Electrolux had the plan to enter in the United States before expanding further in the Americas. As Koch (2001) defined, as the firm’s degree of internationalization becomes higher, the
resources become more limited. Instead of limiting its resource commitment and redefining their global strategy, Electrolux chose the resource-intensive route of a wholly-owned subsidiary. Although this was not a significant factor affecting Electrolux’s mode of entry in the US, Electrolux still had to put on hold some investments in marketing and other areas, as Zarpellon, CFO Electrolux Professional, explained.

**Product**
The type of product can affect the entry mode since its weight/value, composition can affect where the production location will be (Hollensen, 2014). Maso, Head of Sales - Europe Chains, (2018-04-18) explained that selecting the right channel when introducing current products in a new market/to new customers was important to get in contact with the customers. Using intermediaries might not be ideal when producing complex products because they might not be able to handle such work (Hollensen, 2014), like it is the case for Electrolux.

5.2.2 External factors

*Culture distance* is the difference in business and industrial practices, language, culture between a home and a host country. Cultural distance influences the ability of a company to transfer its work practices from its home country to a host country (Quer et al., 2007). When Electrolux Professional Products, a Swedish company based in Italy, entered the American market, it acknowledged the culture distance between the American and Swedish culture. Cultural distance is further reduced by adapting the market’s culture to the one of the firm’s. Thus, Electrolux hired both American and European employees to reduce cultural distance. By flying American employees to Europe for five months, Electrolux had them accustomed to the European culture, business culture but also the Electrolux culture. This was also done during the acquisition of a company in China. It was a good way to enter into a new market and solve the problem of cultural distance (Zanata, 2018-04-16).

Hollensen (2014) stated that the highest the *market size and growth*, the more inclined will be companies to commit more resources. Zanata, Head of Electrolux Professional Products, and Zarpellon, CFO Electrolux Professional, recognized that the market size and growth were important factors in internationalization. Zanata, Head of Electrolux Professional Products, said that the US were the biggest market in the world, furthermore it is the home country of many Quick Service Restaurant chains such as McDonald’s. As he explained, serving these
customers in their home country gives Electrolux the possibility to be a global partner. Zarpellon, CFO Electrolux Professional, (2018-04-24) explained that Electrolux is looking for market spots that are financially feasible and attractive enough to approach and if there is any possibility to gain market share in that marketplace.

*Competition* was well-installed in the United States as Evans, Head of Americas Electrolux Professional, said. They already had relationships, network contacts and brand equity (Evans, 2018-04-30). Hollensen (2014) stated that the higher the competition in a host country, the more the firm would favour export modes, but this was not the case of Electrolux who still decided to install a wholly-owned subsidiary. This can be interpreted as a wish from Electrolux to attain recognition and reputation in the market. By building a greenfield subsidiary, it is clear that Electrolux wants to be viewed as a serious competitor. Competition was not a factor affecting Electrolux’s entry mode decision because the sector’s wish to “own the market” (Zanata, Head of Electrolux Professional Products, 2018-04-16). Electrolux also used its capital and influence to install their office in key locations and gain competitiveness.

5.3 Market analysis models

Almlöf, Sales Administration Manager (2018-04-16) mentioned using the SWOT analysis to evaluate potential markets based on her sector’s strengths, weaknesses, opportunities and threats. It is a valuable tool to see where the venture currently stands, especially in relation to a potential new market. Richter, Global Segment Manager Laundry, stated that the PESTLE analysis is also used in order to evaluate the external impact the potential market might have on the company. SWOT and PESTLE are two complementary methods to evaluate markets and/or products since the SWOT draws on the PESTLE analysis to analyse how certain factors may impact the organization. Combining both methods may give a deep understanding of the macro external environment affecting the company’s position (PESTLE) and the internal factors (SWOT). It is argued that using both methods can be time and cost-consuming, however, the SWOT does not give an extensive view of the external environment and the PESTLE itself does not include internal factors. Electrolux Professional Products are present everywhere but continue to screen the market to evaluate where they can gain more market share and how to do so.
Maso, Head of Sales - Europe Chains, explained that they are using the Ansoff Matrix to evaluate the current growth opportunities in terms of markets and products. However, compared to the Ansoff matrix that focuses only on markets and products, Electrolux also involves and focuses on customers. In the event of introducing new products to already existing customers, the company has to follow the customers’ needs and requirements (Maso, Head of Sales - Europe Chains, 2018-04-18). However, when Electrolux is approaching a new market with new products, the company is, according to Maso, Head of Sales - Europe Chains, not focusing on a distribution model but rather putting effort into acquiring another company who has the knowledge of the market. In the Ansoff matrix (2.2.1), this corner is called “diversification”, and according to Ansoff (1965, cited in Watts et al., 1998) in order to be successful with this strategy, the company must have a clear vision and objectives and also be aware of the risks. When Electrolux is expanding into a new market with their current products, like it was the case in the United States, it is conducting a “market development” strategy (Ansoff, 1957). Market development can be conducted by developing new geographical markets, new distribution channels or different pricing policies in order to create new market segments.

5.4 Entry mode choice

In the case of Electrolux, internal factors and market size and growth were decisive for the choice of entry mode. Electrolux was mostly influenced by the market potential of the United States. Zanata, Head of Electrolux Professional Products, (2018-04-16) said that the determining strategic reasons to enter the US where the size of the market and the presence of fast-food restaurants chains which were based in the US. The scarce knowledge of the market could have been a determinant factor into choosing a less risky mode, however, by hiring American employees, knowledge was gained. Furthermore, the large size of Electrolux Professional Products and Electrolux Group, which could afford to invest more resources and capital, was a decisive factor leading to establish as a greenfield. Electrolux chose this entry mode of building a wholly-owned subsidiary due to the management risk attitudes and the global management efficiency. Electrolux was eager to enter the US market as a springboard to be a supplier for these Quick Service Restaurant (QSR) chains all over the world (Zanata, Head of Electrolux Professional Products, 2018-04-16).
Furthermore, Electrolux used a wholly-owned subsidiary to enter the American market which means that the firm owns 100 percent of the stock. Electrolux Professional chose to enter the US with wholly-owned subsidiary, the highest-risk mode, because the company had the previous experience from establishing abroad which can be linked to the transaction-cost approach that posits that firms with little international experience will prefer low-risk entry modes (Zhao et al., 2004). Once entry mode choice (level of ownership) has been selected, and in the case of choosing a wholly-owned subsidiary, firms must decide if they will acquire an already existing venture or build its new operations (greenfield) (Brouthers & Brouthers, 2000). Electrolux Professional Products decided to build its own operations in the US market for logistical reasons, and to have its own people. By installing with greenfield, Electrolux avoids changing traditional practices of an established office and has the opportunity to shape the new office to its image and requirements.

However, as Zanata, Head of Electrolux Professional Products, (2018-04-16) explained, Electrolux can also expand by acquiring existing ventures, but this is not the favoured solution for less strategic markets. However, acquisitions are a good way to shortcut into a market by acquiring knowledge and competence (Hollensen, 2014). By acquiring companies in China and in the US, Electrolux had the opportunity to boost its sales, access more people, infrastructures and production that the local management team has. In spite of being an efficient way to establish a base into the market, Maso, Head of Sales - Europe Chains, (2018-04-18) and Zanata, Head of Electrolux Professional Products, (2018-04-16) explained that finding synergies between the local team and the investor firm can be tricky and challenging.

Last but not least, Electrolux can use distributors as a mode of entry into a foreign market. Distributors are part of the export entry mode, more specifically direct export because the exporter sells directly to the importer or buyer (Hollensen, 2014). Using distributors is good business, especially because they are in the end the face of Electrolux, therefore it is important to create good relationships with them. Distributors are used in order to accelerate and reach profitable growth, as it was the case when Electrolux Professional Products acquired Grindmaster-Cecilware (Electrolux, 2018).
5.5 Teamwork

Individuals with different cultures, values and ways to do business come together to form a diverse team that will bring different aspects, perspectives and knowledge that in return will lead to successful growth regarding expanding abroad. When people from different departments come together to contribute to the expansion process, different business levels collide, also described by Frank and Brownell (1989, see 2.1.6) as interactions between individuals/groups with the intention to exchange information, in this case in order to accomplish a successful expansion into the US market.

It was important for all the interviewees that the communication between the team members was efficient. To this end, Maso, Head of Sales - Europe Chains, stated that the project leader needs to be clear and explain the reason for change before acting upon these changes. Despite that, misunderstanding can sometimes rise but Maso, Head of Sales - Europe Chains, explained that they could contribute to interesting conversations and discussions that might resolve in a more satisfying decision. Having a strong and firm leadership is vital to to assert and decide on an outcome (Mintzberg, 1983).

A good relationship between the team members is important. Trust and empowerment are key factors in decision-making. Without support from the team members, the decision will not be accurate. Ljungman, Logistic Manager, stressed the importance of trust in the team several times, and it was clear that all the interviewees valued team members that could take their own decisions without hesitating or double check with the other members. When an individual is able to take decisions on their own, it is not only showing that the person is self-driven but also involved in the process. One contribution to individuals taking their own decision without discussing it with every team member is the fact that it takes less time, instead of having a group discussion the individual will only take into account one person’s opinion. This is stated by Robbins (2002) to be a major advantage, and with the interview with Ljungman, Logistic Manager, in mind, it could be a real success foreseen that the individual is competent enough to take rational decisions.
6 Conclusions and implications

In this final chapter, a discussion will be presented that aims to reflect upon the purpose of the report and hence answer the research questions. This will be followed by theoretical and managerial implications, suggestions for future research and a critical review of the research.

6.1 Answer to research questions

This thesis aimed at investigating how strategy related to foreign market entry strategy emerge, with a specific interest in decision-making.

To answer the first research question which is “What decisions lead to the formation of foreign market entry strategy?”, it is decisions related to how to enter a market. The matter of how? includes the aspects of people, product portfolio, production location, and timing.

Indeed, the interviews revealed that it is these decisions that constitute the realized strategy, which is a result of deliberate and emergent strategies. Market research, considering entry modes and having long-term objectives are part of the systematic approach. However, seizing the opportunities at the right moment and acting upon these opportunities are also part of the internationalization process. In order to stay accurate on the market it is important to see growth possibilities on markets, customers and products. The interviews showed that strategy entailed two meaning: a drawn set of objectives that the firm has to meet, often related to financial goals; and decisions that are changed during time, affected by the external environment.

This research suggests that the decisions involving market selecting, entry mode, and product portfolio are what constitute the realized strategy. The interviews revealed that strategy is not a linear sequence of steps nor a position set in time. On the contrary, strategy is a group of decisions and steps that are affected by time and external factors. It confirms previous research that states that strategy emerges from planned and unplanned decisions. The strategy is a work in progress, a continuously process that change over time with planned and unplanned decisions.
It is also found that the investment of human resources was vital to the formation of the foreign market entry strategy. To have people within the company that has the knowledge about the new market will save time. The company does not have to educate people about the market, how it works, internal and external factors that could influence the company, since the domestic employees already has that knowledge.

Furthermore, this research shows that the activities a multinational company conduct when considering market development are decisions regarding what market spots are financially feasible and attractive enough, but also what products to bring to the new market. These findings answer the research question which was “What activities does a multinational company carry on when considering market entry?”. In order to gain as much necessary and valuable information as possible about the potential market and how to enter it, the company conducted several market analyses such as PESTLE analysis, where the external factors are being revealed and considered, and SWOT analysis where the company evaluated how to take advantage of it strengths and how to reduce its weaknesses. The Ansoff Matrix also appeared as an interesting strategic tool to plan future growth according the firm’s current products, markets it is present in, products and markets possibilities. These are essential activities for the company in order to make a sustainable decision that will lead to global success.

When looking into the aspects that are present when taking decisions related to entry mode choice (Research question 2b), the research revealed that the firm tends to chose a higher commitment and riskier entry choice when entering a strategic market such as The United States which presented high-growth opportunities. Lesser strategic markets are on the other hand entered through distributors or acquisitions. Although market size, growth potential and competition are vital factors that affect entry mode choice, the interviews revealed that it was the company’s will to be a global leader, in addition to its international experience that were decisive to build a wholly-owned subsidiary through greenfield. It is however difficult to see if the choices that were made were due to the managers’ bounded rationality as Andersen (1997) suggested it or if the decision-makers added the rational component after.

Finally, this research shows that, even though there is a strategic plan drawn prior to the market entry, the company is expected to conduct alterations due to the changing external environment. Strategy is therefore bound to change through time and is not a position set in
stone. Due to adjustments in the strategic plan, it can be hard to see the clear structure of the strategy and to some extent, it is difficult to see the logical sequential relationship between steps. Market entry is a learning process and the research reveals that although a company might have prior knowledge and experience in foreign market entry, every market is different and requires different actions and therefore new decisions arise.

6.2 Theoretical implications

Strategy literature has often defined strategy as a set of guidelines and long-term objectives. The findings revealed that strategy was both a set of guidelines and the result of decisions, or as defined by Mintzberg (1978, p. 935) “a pattern in a stream of decisions”. The interviews therefore supported that strategies were both deliberate and emergent, and that the final strategy is the one which is realized.

The empirical findings showed that entering a foreign market requires a variety of research and analysis of the market; therefore, it is decisive to conduct in-depth market analysis by focusing on every detail of the market environment as well as develop forecasts. The PESTLE analysis becomes a useful tool, especially to analyse the political and economic aspects and plan eventual changes. The interviews showed that the PESTLE analysis is indeed essential for the companies when determining long term objectives, the analysis is aligned with changes in different important macro environmental aspects that will influence the decision made by management. The SWOT matrix is a helpful complementary tool to the PESTLE since it takes also internal factors into consideration. Using the SWOT is helpful to identify the firm’s weaknesses and strengths, managing and eliminate threats or uncover opportunities.

6.3 Managerial implications

This research contributes to a deeper understanding of how strategy related to foreign market entry emerge in a multinational company with a specific interest in the decision-making process. For managers working in a multinational company, we believe that this research can be of use or be inspiring when considering foreign market entry. Strategy is not only a plan and a set of objectives, it is also the result of decisions made at the different levels. Strategy
needs to be seen as a result of different decisions, which, in the case of foreign market entry, will differ depending on the market selected.

Second, the study reveals the importance of taking time to establish an efficient marketing plan. When entering a market where the competition is fierce and well-established, building brand awareness and equity is valuable to get better chance for differentiation. Building the brand is crucial to attract customers and secure brand loyalty.

Third, culture is not only related to acknowledging the host country cultural differences but also to the extent to which the managers can integrate the company’s culture with the host country culture in order to avoid clashes. By aligning the host market culture to the company’s, a balanced management is ensured since the organization understands its local employees, and it gives also the customers a chance to understand the organization’s culture and values.

6.4 Suggestions for future research

When conducting this research, several different concepts and interesting information about areas within the internationalization theory, strategy and decision-making arose. A suggestion for future research within this area would be to investigate more in detail the different conflicts that affect the decision-making process, such as cooperative and cognitive conflict management. For this future research it might be valuable to investigate the upper-echelons theory in order to gain more information about the international experience, cultural and professional backgrounds of the participants. This research focused on the process of how strategy related to foreign market entry emerges in a multinational company, with a specific interest in the decision-making process. Carrying a longitudinal study would be valuable to assess how decisions are taken and how market entry strategy is formed. A final suggestion for future research would be to focus on more than one company when it comes to decision-making and strategy in order to gain as much insight and different perspectives as possible.

6.5 Critical review

To begin with, it is worth mentioning that this thesis is written by two authors with limited knowledge within the fields decision-making and strategies related to foreign market entry. Although, the interest in the research area has always been present and also has the desire to understand more. The author’s interpretations of the interviews that were conducted has
served as a foundation for the results of this thesis. It is known by the authors that the data presented in this thesis might be interpreted differently depending on knowledge and experience in the research area.

The thesis is based on a case study made on Electrolux Professional Products, and therefore it is known for the authors that the result presented is only concerning one company and might not be applicable to all multinational companies. The authors are fully aware of the fact that a case study limits the result and diversity in the findings and would be more of a comprehensive research if another company was included, and therefore also compared to. Another aspect to have in mind, is that the result may differ if other employees at Electrolux Professional Products would have been interviewed, due to other opinions and also different knowledge. The thesis is limited to 10 interviews and if more interviews were to be conducted, the reliability of this thesis would have been increased.
References


Appendix - Interview Guide

Part 1: Participant Role and experience
- What position do you have in the company and how long have you been at that position?
- How many people do you supervise and who do you report to?

Part 2: Entry mode & decisions
- What experience do you have with market development?
  - What was your role with the process?
  - When was it decided that it was time to penetrate this market?
  - How did the decision process develop from the beginning to the final decision?
    - How many people were involved?
    - What topics did the discussions revolve around?
    - Were there any disagreements among the decision makers/people involved?
    - Who made the final decision?
  - What were the internal factors that drove Electrolux to expand abroad/penetrate this market?
  - What were the external factors...?
  - What risks and uncertainties were you confronted to when expanding abroad? How did you reduce them?
  - What issues were you confronted to during the expansion?
- When you reflect on it, is there anything you would have done differently? If yes, what and why?

- How do team-relationships affect the performance of your department/region in your opinion?
- Does cultural diversity in your team affect decisions? How?
- How do your personal values and perceptions influence your decisions?