Risk: from random to “learnable”

- A case study of Swedish SMEs in the Indian market

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Macarena Cerrudo

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Abstract

The internationalization of small and medium sized enterprises (SMEs) has become a major worldwide trend. Firms internationalize predominantly to in nearby countries due to the fact that these countries are closer culturally and geographically. However, SMEs has started to enter more cultural and geographical distant markets. Emerging markets has been the focus of attention of Swedish SMEs during the last decades. Of those emerging markets India is one example of a foreign market that has experienced, to a large extent, the establishment of foreign companies in the past half a century. In the last decades India has undergone a remarkable change that has strengthened the establishment of foreign companies in the country. However, SMEs face risk and uncertainties when entering a new market like India. Therefore, companies need to acquire enough relevant knowledge about the country in order to identify and manage to potential risks that the might encounter. Although knowledge and risk management have extensively been studied, scholars have primarily studied them separately. Little attention has been given to the fact that the combination of knowledge and risk management might be the better solution to identify and manage risks in foreign countries. By analyzing the implementation of knowledge and risk management, it was possible to answer if through their utilization SMEs get a better understanding and be competitive in the Indian market. In order to conduct the study a qualitative case study to four Swedish SMEs was conducted. The collected data and the most significant theories chosen in this study are the starting point of the analysis. The main conclusion that can be drawn from the analysis is that, although knowledge and risk management are not SMEs main focus of attention, the combined utilization of them is beneficial for firms in foreign markets. Firms that better understand the foreign market and its risks are in a better position to be more competitive in that foreign market.

Keywords

Knowledge management, risk management, knowledge risk management, Small and Medium Enterprises, India
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1. Introduction

This first chapter presents a background to the main concepts as well as a problem discussion of the topic. Furthermore, the research questions and the purpose of the thesis are presented. Finally, an outline of the main chapter of the thesis is given.

1.1 Background

During the last decades the internationalization of small and medium sized enterprises (SMEs) has become a major worldwide trend (Knight, 2000a). Khojastehpour & Johns (2014) describe internationalization as a way for firms to adapt their operations, strategy and structure towards a new international market. The internationalization process of multinational companies (MNCs) began already in the 19th century using foreign direct investments (FDI) as their entry mode (Sandberg, 2012). Already in the 1980s MNCs started to focus on the new emerging markets and firms in those emerging markets began to establish themselves in the global marketplace (ibid.). However, not only MNCs were attracted to other markets but also SMEs which began to be more involved in the internationalization process (Jansson, 2007). Internationalization can according to Johanson & Vahlne (1990) be seen on the market in different disguises such as foreign subsidiaries, international joint ventures, licencing agreements, and international advertising campaigns. Moreover, Johanson & Vahlne (1990) state that internationalization of firms in today’s society contributes into an increased competition among the existing companies on the market. Todd & Javalgi (2007) further point out that the growing competition on the market conduce a decrease in SMEs ability to control their own development paths.

Nowadays, SMEs represent a vital part of the world economy. The European Commission points out that the twenty million SMEs in the European territory account for almost 99% of business, and they are “a key driver for economic growth, innovation, employment and social integration” (European Commission, 2014). The Commission makes a division of SMEs using the number of employees and also criteria based on either the annual turnover or the balance sheet total (ibid.). This thesis uses the number of employees for its definition of SMEs, and according to this
definition SMEs employ to up 250 employees (ibid.). SMEs in Sweden are as important for the economy in the country as in the rest of the world. In 2013 Swedish SMEs accounted for 65% of private sector jobs and 57% of value added (European Commission, 2014). Sweden is considered a highly internationalized country regarding both MNCs and SMEs (Tillväxtverket, 2014).

According to a survey carried out by the Swedish Agency for Economic and Regional Growth in 2011, one of four Swedish SMEs is internationalized (Tillväxtverket, 2014). The internationalization of Swedish SMEs arises in different forms: around 13% have exports; around 15% have imports; and around 7% are engaged in cross-border inter-firm collaboration (ibid.). Furthermore, around 19% of the Swedish SMEs that are internationalized have located some part of their business abroad (ibid.). The internationalization of Swedish SMEs take place predominantly in nearby markets such as other Nordic and European countries (ibid.). The fact that Swedish SMEs establish themselves in nearby markets as their primary target market follows the pattern of the Uppsala model (Johansson & Vahlne, 1977). This model states that the internationalization of firms start in those countries close culturally and/or geographically to move their operations gradually to more culturally and geographically distant countries (ibid.).

The current trend in internationalization is to entry into emerging markets. Jansson (2007, p. 16) defines emerging markets as “growing markets, which are being transformed from a pre-market economy stage (...) to the market stage of the mature Western capitalist economy, by way of integrated and successful structural reforms of companies, markets and society”. These markets are considered to be “extremely expansive in terms of economic growth, and thus they play an important role in today's global market” (Sandberg, 2012, p.3). India is one example of those emerging markets that has experienced the establishment of foreign companies in the past half a century. In the last decades India has undergone a remarkable change. It was in 1991 when India started changing when the Indian government implemented major structural reforms in order to achieve a market-driven economy. Some of those reforms were the introduction of “trade policies focused on liberalization, openness, transparency and globalization of the Indian economy. In further included the reduction in tariffs, removal of quantitative restrictions, changes in exchange rate policy, and open policy toward foreign direct investment” (Dixit & Pandey, 2011). Sukhia

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1 Robin Sukhia, Secretary General Sweden-India Business Council, Seminar Education and Entrepreneurship in India- New challenges, new opportunities, 3 April 2014.
points out that India is nowadays a country that opens up new business opportunities due to high growth and development for Swedish companies. According to Harrison², Swedish companies have been entering the Indian market already in the 1960´s and 1970´s when firms like Alfa Laval, Tetra Pack and Sandvik entered India and helped in the industrialization of the country. Harrison² points out that the establishment of Swedish MNCs in India has contributed to the development of the brand “Sweden” which represents an advantage for Swedish SMEs. However, SMEs face risks and uncertainties when entering a new market like India. Those risks and uncertainties can come both from the external environment as well as from within the company (Neef, 2005). According to Massingham (2010, p.465) “knowledge can increase objectivity by training individuals to process risk the same way (e.g. HRI), and by providing individuals with better tools for understanding the nature of risk”.

The use of knowledge management has in recent years become more important. Easterby-Smith & Prieto (2008) claim that this is due to an increased awareness of the significance of knowledge for firms’ prosperity and survival. Hence, this is notably an essential driver when expanding towards the international market (Sandberg, 2012). Knowledge is something that firms acquire through the process of learning which arise through the transformation of experiences from a market into useful knowledge wherein a platform for organizational learning is created (Sandberg, 2012). Moreover, knowledge can be described as a way to help people in problem-solving. Jafari et al (2011) point out that by obtaining the right information, from the right people at the right time, emerging companies can get the needed knowledge for their market in order to pursue competitive advantage. According to Jashapara (2011) knowledge management is about managing internal factors within an organization. Hence, the learning organization can be seen as the overall organization system and knowledge management as a sub-system within it.

Alavi & Leidner (2001) argue that it is not only the tangible resources (e.g. facilities) that form the firms’ competitive advantages but also the service that is provided by these resources. According to Grant (2010) the resource-based view is an approach where firms exploit the differences rather than doing the same thing as others. Alavi & Leidner (2001) points out that the resource-based view takes into consideration the differences from firms´ competitors. However,

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² Banashri Bose Harrison, Ambassador of India in Sweden, Seminar Education and Entrepreneurship in India- New challenges, new opportunities, 3 April 2014.
the differences in external factors such as industrial conditions do not explain the firms’ long-term differences in profitability. The knowledge-based view of a firm, which is a development of the resource-based view as a source of competitive advantage; is instead seen as a view where knowledge is apprehended as a key resource for succeeding in new markets (Easterby-Smith & Prieto; 2008, Alavi & Leidner; 2001). Jafari et al (2011) point out that it is the threat of losing the organizational memory that has made knowledge management as a part of management practice. According to Sandberg (2012), the acquired knowledge level is assumed to have an impact on the perceived uncertainty by the firms on the market.

Risk can be described in many ways, but researchers in risk management such as Martin et al. (2002) have defined it as something that does not take into consideration things that happened in the past. They argue that risk is about what might happen in the future and how firms need to assess on how to act, something that can be well grasped through full understanding of the past and the present. Further, Jafari (2011) reasons risk as something unclear that influence both the timing, cost the company as well as the quality. Risk management works as a way for firms to optimize their decisions about the future and to reduce the uncertainties that might arise (ibid).

Olsson (2002) points out that organizations may encounter risks both in developed countries as in emerging markets. However, the nature of those risks may vary and they may appear in different guises. According to Olsson (2002), organizations will face and deal with new unexpected risks during the process of entering a new market. Furthermore, the author mentions cultural differences between developed and emerging markets as one of the most important factors for managers to be aware of since it may be the source of unforeseen risks.

During the last years scholars like Martin et al. (2002) and Massingham (2010) have researched the link between knowledge and risk management as an emerging field of study that offers solutions to the problem of risk management methods and the lack of individuals to foresee the consequences and seemingness of environmental complexity. Knowledge risks management is a concept that attempts to connect both management approaches (Massingham, 2010). The knowledge of risks makes the individuals to move from uncertainty to certainty making risks easier to be learned rather than making it into a solely random event (Massingham, 2010).
1.2 Problem discussion

As discussed before, more and more firms are willing to expand their business abroad, this especially among the triad countries of Europe, North America and Japan where the international competition has escalated. Knight (2000) points out that SMEs have become the engines of growth for product market innovations and the economic development for countries. Therefore, the rise of international SMEs has become an important trend. Todd & Javalgi (2007) further argue that the competition has increased since more and more firms choose to enter the international market. This increased competition results in SMEs having difficulties to control their own development paths. Hence, SMEs are in need to understand the different factors that impact the international performance when the environment becomes very competitive. In order for SMEs to understand and gain competitive advantage on the international market, knowledge and knowledge management need to be acquired (Alavi & Leidner, 2001; Jafari et al, 2011; Olsson, 2002). Therefore, it is of high importance for firms in the internationalization process to find the knowledge gap in order to survive, the knowledge gap where firms find the difference of what they must do and what they can do given to their resource base (Jashapara, 2011).

Massingham (2010) further argues that it is important for SMEs not only to identify potential risks but also to make them “learnable” in order to move from uncertainty to certainty. If they lack knowledge about the foreign market they are more able to overestimate the risks. Sandberg (2012) claims that the perceived uncertainty will decrease by increasing the knowledge about the international business operations. Hence, this would lead to a further commitment by the firm. Olsson (2002) supports this argument as he stresses that it is the lack of understanding, often unintentionally, that might create new risks since managers may not pay enough attention to the key risks that the organization faces. There are factors of vital importance for internationalized organizations. One example of these factors is the cultural issues, which need to be understood in order to be managed effectively. Therefore, Neef (2005) claims that the key to proactive risk management lies in the firms’ ability to organize the knowledge and expertise of the employees in order for managers to ensure that accurate and timely information about the environmental risk is being handled. Jafari (2011) reveals that there is not any appropriate model has been developed that links risk and knowledge management. However, Massingham (2010) claims that knowledge risk management, which can be seen as an emerging field of knowledge- and risk management, works as a solution to problems that are related to the accustomed risk management methods.
Hence, the problem lies in the individuals having inadequate knowledge about the risks and its consequences (ibid).

Hence, through the above-discussed arguments we adjudge that there is a research gap when discussing about knowledge management and risk management for SMEs wanting to establish and internationalize themselves in the Indian market. Risks may be categorized into different perspectives like: dynamic/static, corporate/individual, internal/external, positive/negative, acceptable/unacceptable and insurable/non-insurable (Baloi & Price, 2003). Many researchers focus mostly on project knowledge management or risk management in the financial sector and they do not take into consideration risks that can affect firms internally and externally. Therefore, we believe that there is an existing gap since the studies conducted on this field do not mention SMEs and their internationalization in emerging markets. By executing a qualitative case study, a better understanding for the importance of knowledge- and risk management when entering emerging markets such as India could help to fill out the existing research gap. Therefore, this thesis will analyse how SMEs establishing in the Indian market are dealing with knowledge management in order to identify potential risks that might occur when working in India.

1.3 Specification of the research question

As discussed above, internationalization has opened up new business opportunities for SMEs in countries like India. However, companies that establish themselves in foreign markets face different risk and uncertainty that can jeopardize their success and survival in the foreign market. Thus, companies have to have the knowledge necessary to anticipate and respond to those risks (Massingham, 2010). With focus on knowledge management and risk management, this thesis addresses the need of further empirical and theoretical research on SMEs and the importance of knowledge when it comes to identify risks by introducing the following research question:

**Research Question 1**

How do SMEs utilize knowledge and risk management to understand, and be competitive in the Indian market?
Further, the identification of risks is not enough to success in a foreign market. Companies need as well to quantify and respond to those risks. Risk management is defined in short as “being smart about taking chances” (Hubbard, 2009, p.10). However, companies have to be able to manage its knowledge first in order to manage its risk (Neef, 2005). There are few empirical studies that address to the relationship between knowledge and risk management, therefore this thesis post the following question:

<table>
<thead>
<tr>
<th>Research Question 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>How do SMEs apply knowledge management tools and techniques in order to identify and manage potential internal and external risks in the Indian market?</td>
</tr>
</tbody>
</table>

1.4 Purpose
This thesis aims to explore how SMEs utilize knowledge and risk management to understand and be competitive in the Indian market. Furthermore, the thesis will explore to what extent SMEs apply knowledge management in the identification of potential risk in the Indian market and how that knowledge can help to reduce risks and to create a better risk management. With that purpose this thesis will:

- Describe the concepts of knowledge management, risk management as well as the existing link between them.
- Describe and analyse the empirical data collected from Swedish SMEs that have established themselves or have entered the Indian market
- Contribute to the understanding of the relationship between knowledge and risk management

1.5 Delimitations
- We have only selected Swedish firms that with time have chosen to internationalize into emerging markets.
- We are strictly focusing on SMEs rather than MNCs since knowledge and risk management is not quite as established in SMEs as it is in MNCs.
- We are only analysing Swedish SMEs in India.
We have focused on SMEs in the industrial sector which already have managed to create a business network and establish themselves in India.

1.6 Outline of the thesis
2. Methodology

The second chapter presents the research approach and the research method that have been used in the study. Furthermore, this chapter will present how the empirical data was obtained and used. The last part of the chapter discusses the research quality, validity and reliability.

2.1 Research approach

According to Alvesson & Sköldberg (2008), the chosen research approach in a study can be divided into three different categories: deduction, induction and abduction. Creswell (2014) describes deductive approach as a method where the authors build different themes that are being checked against data continuously. Using an inductive approach would instead mean that the authors starts with collecting empirical data and thereafter develop theories from the explored data (Saunders et al., 2009). However, the chosen approach for this thesis is what authors like Alvesson & Sköldberg (2008), Patel & Davidson (2003), Teorell & Svensson (2007) and Dubios & Gadde (2002) describe as the abductive approach. Compared to the inductive and deductive approach, the abductive research approach highlights the theory in relation to the empirics (Patel & Davidson, 2003). Teorell & Svensson (2007) state that the abductive approach enables the authors to observe the empirical findings before the theoretical analysis is constructed. Thomas (2011) further states that abduction can be seen as a development of explanatory and theoretical ideas that results from examining specific cases. Hence, the opportunity to find new patterns and inspiration can according to Alvesson & Sköldberg (2008) be easily applicable for this approach as the researcher commute between theory and empirics. Furthermore, the abduction is good in ways that it allows the researcher to enter the empirics with some background through literature (Dubios & Gadde, 2002). Dubios & Gadde (2002) argue that it is not necessary to look through literature in beforehand since identifying all the theoretical findings only would result in the researcher not being able to cover the same theoretical findings as empirical findings. Starting with theory and ending with empirics without working back and forth would consequently according to Dubois & Gadde (2002) be risky as the authors risk to include needless theoretical findings into the research.
The abductive approach has been utilized in this thesis in order to keep a good judgement when explaining the main topics knowledge- and risk management in SMEs. Hence, Dubios & Gadde (2002) state that the abduction is the most reliable line of action when analysing new and rather unexplored fields of study as it is done in this case. Furthermore, case studies are being rendered throughout the thesis, something that Alvesson & Sköldberg (2008) reckon to be most suitable when compiling a thesis with an abductive approach. The authors started out by analysing necessary information through theoretical findings, thereafter the authors has gone from empirics to theory and then back to empirics again to keep the theory and empirics in line with each other. In accordance with the aforementioned text the authors see the abductive approach as the most suitable way to structure the thesis as the use of knowledge and risk management in SMEs is fairly limited within its field of research.

### 2.2 Research method

The analysis of empirical data can be carried out through a quantitative or a qualitative research approach (Denscombe, 2010). The choice of research method is related to how researches collect, analyse and interpret the empirical data (Creswell, 2014). A qualitative approach is suitable when the study aims to answer questions of *why* and *how*; however, a quantitative method is more appropriated when answering questions regarding *how much* (Bryman & Bell, 2007). According to Bogdan and Birklen (1992) a qualitative research approach aims to obtain information about individual´s opinions as well as the social aspects of our world, but it does not intend to predict the future. Moreover, Merriam (2002, p.9) states that a qualitative research approach is more suitable if the aim of the study is to understand reality and it different interpretations given a certain time and context.

In order to achieve the purpose of this study a qualitative research approach has been chosen. A qualitative research approach tends to comprehend words or visual images and it is associated to a holistic perspective of the specific factors of the study (Denscombe, 2010). Furthermore, a qualitative research is highly suitable when the study is carried out in a small scale and the study aims to achieve an in-depth description and understanding of the phenomenon (Bryman & Bell, 2007; Denscombe, 2010). Moreover, Creswell (2014, p.20) points out that the choice of this type of research method is adequate when “the topic is new, the subject has never been addressed with a certain sample or group of people, and existing theories do not apply with the particular sample
or group under study”. Therefore, a qualitative method seems to be the most suitable approach since the aim of this thesis is to generalize the results of the study, but also the authors consider that the topic of knowledge and risks management has not been enough researched in relationship with SMEs.

However, researches have to be aware of the disadvantages of conducting a qualitative research. One of the most significant disadvantages is the involvement of the researcher in the data collection and analysis since bias interpretations of the data could arise. Researchers conducting a qualitative study tend to be close to the data which may be a risk for the objectivity of the study. (Denscombes, 2010)

2.3 Case study

The selection of a suitable research strategy is, beside the choice of research approach and research method, a vital part of the research study. The research design is “a logical plan from getting form here to there, where here may be defined as the initial set of questions to be answered, and there is some set of conclusions (answers) about these questions” (Yin, 2014, p.28). There are three factors to take into consideration when choosing a research strategy, the type of research question, the degree of control the researcher has over behavioural events, the level of focus on contemporary or historical events. Five different strategies that can be used when carrying out a research can be identified: experiment, survey, archival analysis and case study. (Yin, 2014)

The term case study has been used in different ways. Merriam (2009, p.x) defines a qualitative case study as “an intense, holistic description and analysis of a bounded phenomenon such as a program, an institution, a person, a process, or a social unit”. The choice of case studies as a research method has been used among others in study fields like psychology, political sciences, business and community planning (Yin, 2014). The case study may be designed as an exploratory, descriptive or explanatory case study. Nonetheless the choice of case study, Yin (2014) identifies different phases in when doing a case study research: plan, design, prepare, collect, analyse and share. According to Thomas (2011), the starting point when designing a case study is thinking about the purpose of the case study: explanatory, exploratory or evaluating; the approach: descriptive, interpretative or theory-building; and finally, the process: single or multiple.
A case study has been chosen as a research strategy in order to answer the research questions addressed in this thesis and to achieve the aim of this study. A case study is appropriated when the aim of the study is to answer preferably “how” and “why” questions since they are more explanatory (Yin, 2014). Furthermore, the researchers of this study do not have any or little control over the behavioural events than the researchers may encounter during the study; and finally, the events studied are contemporary phenomena since the purpose of this study is to acquire a deeper comprehension of Swedish SMEs utilization of knowledge and risk management to identify and manage risks in the Indian market. The case study has been design as a multiple-case study since the study intents to generalize. A multiple-case study will provide the research with information from different SMEs that will contribute to different points of view of the topic studied. However, the authors are aware of the problem that the study is conducted to only a few companies which would not be enough to generalize.

Despite of the possibilities that a case study may provide to a qualitative study, there are critics addressed to the use of this type of research strategy. Yin (2014) points out the lack of rigor as a major concern due to fails in the systematic procedure or a biased view of the evidences that would influence the findings and conclusions of the study. It has been argued that the use of other research strategies would avoid the lack of rigor in the study. A second major concern is that a case study would not provide the basis for generalization. However, the use of a multiple-case study would solve the generalization problem. Therefore, having in consideration the advantages and disadvantages previously provided a multiple-case study is considered the most suitable research strategy for this study.

2.3.1 Selection of case companies
The selection of case companies would not be a random choice but selecting a sample that provide as much information as possible in order to better understand the case in its totality (Kumar, 2014). A sample is “a portion that shows the quality of the whole” (Thomas, 2011, p.62); therefore a good selection of the sample is necessary since it would represent the whole population. Thus, the bigger the sample will provide better accuracy (Thomas, 2011). Therefore, a previous reflection on which and where to find the most suitable units should be done by the researchers. The research question might be used as an indicator to where units or samples to focus on.
The two main forms of sample selection are probability and non-probability sampling. The non-probability sampling is more likely to be used in qualitative researches since it provides the researcher with information of what occur, its implications and the relationships connecting events (Merriam, 2009). The most common type of non-probability sampling is the purposive or purposeful sampling. The choice of a purposeful sampling is preferable when the researcher wants to acquire an in-depth insight of the phenomenon and the sampling selection is based on information-rich units for the study (Merriam, 2009). Therefore, the selection of the case companies has followed a purposeful sampling. The sampling carried out in this studied has been influenced by the following characteristics of the case companies: Swedish SMEs established or engaged in business activities in the Indian market. The companies chosen operate in different industries like energy, tub filling, automotive and coating industry.

### 2.3.2 Presentation of case companies

The following table presents the most relevant information of the case companies used in this study.

<table>
<thead>
<tr>
<th>Company</th>
<th>Industry</th>
<th>Location</th>
<th>Number of employees</th>
<th>Years in the Indian market</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amokabel Kraft</strong></td>
<td><strong>Energy industry</strong></td>
<td>Alstermo</td>
<td>20</td>
<td>6</td>
</tr>
<tr>
<td><strong>Norden Machinery</strong></td>
<td><strong>Tub filling industry</strong></td>
<td>Kalmar</td>
<td>220</td>
<td>64</td>
</tr>
<tr>
<td><strong>Trelleborg Sealing Solutions</strong></td>
<td><strong>Automotive industry</strong></td>
<td>Kalmar</td>
<td>235</td>
<td>8</td>
</tr>
<tr>
<td><strong>HangOn</strong></td>
<td><strong>Coating industry</strong></td>
<td>Hillerstorp</td>
<td>50</td>
<td>2</td>
</tr>
</tbody>
</table>

*Table 1. Presentation of the case companies*
2.4 Data collection
The two major approaches to data collection when undertaking a study are primary and secondary data. The primary data can be collected through observations, interviews and questionnaires. The main method to collect secondary data is extracting data from documents in all its forms (Kumar, 2014). Creswell (2014) identify the following steps in the data collection: boundaries for the study; gather the information and establish the procedure for recording the information. The use of both primary and secondary data has been source of information in this study.

2.4.1 Secondary data
Secondary data or second-hand data consists on information previously gathered by others in order to fulfil others purposes and studies (Kumar, 2014). One of the advantages of secondary data is that it provides the researcher with information than would not have been able to access otherwise (Merriam, 2009). Moreover, Merriam (2009) points out that secondary data is objective since the presence of researcher does not alter what is being studied. However, secondary data has also limitations since it could show fragmentary information and their authenticity may be difficult to determine (Merriam, 2009). The secondary data collected in this thesis comes from electronic sources. The purpose of the secondary data collected is to provide this thesis with general information about the case companies.

2.4.2 Primary data
Primary data or first-hand data comprises the data that is collected and examined by the research for the first time. The collection of data using primary sources can be carried out through different methods such as: interviews, questionnaires, focus groups and observations (Vartanian, 2010). It is important when collecting primary data that the potential respondents understand the purpose and relevance of the study in order to get the most suitable and appropriate information (Kumar, 2014). This study uses mostly primary data which has been collected through interviews carried out in the selected case companies. The data collected from the case companies aims to provide with enough relevant information for the purpose of this study.

2.4.3 Interview guide
An interview guide is considered is a tool used as a back-up in qualitative researches (Kumar, 2014). In order to formulate an interview guide the researcher has to be clear about what he/she
needs to know. Therefore, the researcher should get acquainted with the grounded theory that your questions will be based on. Furthermore, the questions guide should be enough defined to cover the research topic but from the interviewee perspective (Bryman, 2012).

The operationalization of the interview guide for this study started after the authors became acquainted with the theoretical used in the study, so the most relevant topics would be covered during the interviews (see appendix 1). The questions in the interview guide are intended to get some general information about the interviewee to later explore in-depth the topic of knowledge and risks management. The interview guide was set in Swedish since it is the language of three of the respondents. However, the authors translated the questions into English in order to be able to interview the person in Italy (see appendix 2). Having the interviews in Swedish allowed the interviewees to feel in a more comfortable environment in order to further develop their responses. It was predetermined that one of the authors of this study would conducting the interview while the other one would make notes of any interesting point or reflection made by the interviewee. This decision was made in order to keep a structure during the interview, although who takes notes could ask questions any time during the interview. Furthermore, having written notes of the interviews would help researchers for example in case the recording of the interview is not clear or audible enough. The authors have taken advantage of recording systems in order to do not miss any crucial information. In a later stage, the information recorded has been transcribed and translate in order to be compared and analysed.

### 2.4.4 Interviews

This study has chosen interviews as a method to collect the primary data. An interview is one of the most suitable methods when gathering qualitative data. Burns (2000, p. 424, cited in Kumar, 2014) defines as “a verbal interchange, often face to face, though the telephone may be used, in which an interviewer tries to elicit information, beliefs or opinions from another person”. Interviews would provide the researcher with in-depth information and insights of the phenomena studied. However, some weaknesses of interviews are bias responses, inaccuracies due to poor recall from the interviewee; and risk that the interviewee responds what the interviewer wants to hear (Yin, 2014).

Regarding its level of flexibility, interviews can be classified as structured, unstructured and semi-structured interviews (Denscombe, 2010). The type of interview chosen was one-to-one
semi-structured interviews. One-to-one interviews are the most common form of interview and the most suitable for this study due to its easiness to be arranged and controlled. A semi-structured interview has allowed the authors to discuss and go through the topic with the interviewee, but also it has allowed the interviewee to further elaborate and develop its answers. Furthermore, a semi-structured interview gave the authors margin to add or left out certain questions depending on the interviewee responses. However, if the interviewer does not pay attention to the interview flow it may turn into a simple conversation between the parts.

Four interviews have been carried out. All four interviews have been conducted with employees that possesses the main responsibility for the Indian market within the firm, either as sales managers or CEO:s involved in decision making concerning the Indian market at the company. Interviewing the employees with the main responsibility was relevant for the field of study. The following table below shows the dates of the interviews, position of the interviewees, and years in the Indian market for the interviewee as well as how the interviews were conducted.

<table>
<thead>
<tr>
<th>Company</th>
<th>Date</th>
<th>Interviewee</th>
<th>Position</th>
<th>Years in Indian market</th>
<th>Method of interview</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amokabel (AK) (2014-04-22)</td>
<td>Henrik Blad</td>
<td>CEO</td>
<td>worked since 2008 in the Indian market</td>
<td>one-to-one interview</td>
<td></td>
</tr>
<tr>
<td>Norden Machinery (2014-04-22)</td>
<td>Jörgen Johansson</td>
<td>Sales Manager</td>
<td>worked since 2007 in the Indian market</td>
<td>one-to-one interview</td>
<td></td>
</tr>
<tr>
<td>Trelleborg Sealing Solutions AB (TSS) (2014-04-30)</td>
<td>Alessandro Baggi</td>
<td>Area manager</td>
<td>worked since 2006 in the Indian market</td>
<td>Skype interview</td>
<td></td>
</tr>
<tr>
<td>Hangon (2014-05-21)</td>
<td>Petter Törefors</td>
<td>Chief executive</td>
<td>worked since 2012 in Indian market</td>
<td>Telephone interview</td>
<td></td>
</tr>
</tbody>
</table>

Table 2. Presentation of the interviewees
2.5 Data analysis

The data analysis process of any chosen research consists of examining, categorizing, tabulating, testing or recombining evidence to create findings that are empirically based in order to answer the research question through empirical findings (Yin, 2014). Yin (2014) claims that the researcher should play with the data in search for promising patterns, insights or concepts since it is difficult to analyse case study evidences. Through this technique one can easily define and prioritize what to analyse and why it should be analysed. Thus, five general strategies and techniques that can be applied for analysing case studies are pattern matching, explanation building, time-series analysis, logic models and cross-case synthesis (Yin, 2014). Out of these five strategies the authors for this thesis have utilized the pattern matching as the empirical based patterns from the case studies are being compared with the predicted theoretical findings made before the collecting of empirical data. Accordingly, the authors have used the abductive approach where theoretical and empirical finding are continuously being matched and compared with each other in order to conduct a pattern of relevancy throughout the thesis. Therefore, the authors have derived a structure where the main headings - knowledge management and risk management in SMEs - for the theoretical as well as the empirical findings are followed throughout the thesis. Hence, the intention with a consistent structure of headings is to find a pattern in the data analysis that can be applied to all case companies.

2.6 Quality research

As the research design of the thesis correspond to logical statements one can according to Yin (2014) evaluates the quality of the design with the help of various tests. The quality tests are defined to review trustworthiness, credibility, conformability and the dependability of the collected data. For case studies these quality test ought to be tested throughout the whole process and not only in the beginning as case studies as the authors otherwise easily risk to work outside the initial thesis structure. Accordingly, Yin (2014) states that there are four specific tests evolved in order to establish the quality of any empirical social research. These will in the following subchapters be addressed as construct validity, internal validity, external validity and reliability.
2.6.1 Construct validity

According to Yin (2014) construct validity can be notably challenging when conducting a case study research. McBurney & White (2007) explain the validity measurement as a test to where the results support the research theory. If the validity measurements in a research lack construct validity, the research will also construct validity (ibid.). Hence, Yin (2014) states that construct validity can be implemented by inquiring several sources of evidence, formulating a chain of evidence as well as by letting key informants reviewing a draft of the case study report.

In accordance to Yin (2014), the authors have used multiple sources to highlight the main purpose of the thesis and to support the main theoretical aspects of knowledge and risk management. To ensure that an external observer can follow a chain of evidence from the initial research question to the final case study conclusions, the authors has continuously checked the acquired data against the theory (Yin, 2014). Furthermore, the authors has ensured the construct validity to prevail by only interviewing key informants that has the most profound and thorough knowledge about the Indian market as they hold the main responsibility for the market within their company.

2.6.2 Internal validity

The internal validity is seen as the most fundamental type of validity as it concerns the extent to which a study provides evidence in which independent variables causes the dependent variables to change (McBurney & White, 2007). In most cases it is explanatory case studies, where the researcher tries to explain how the independent variables led to a change in dependent variables that the internal validity occurs. Problems that can occur whilst doing a study like this is that researchers assumes that a specific incident is causing the final result without knowing or reflecting that there might have been other factors causing the final result (Yin, 2014). Furthermore, Merriam (2009) claims that triangulation where multiple methods, multiple sources of data, multiple investigators and multiple theories works as a way to further strengthen the internal validity by confirming the emerging findings.

By applying a substantial amount of relevant sources such as scientific articles and academic literature into the theoretical framework, the authors aim to ensure the internal validity of the thesis and its chosen topic. This way the authors can generate valid information for a deeper
analysis of the topic and its emerging findings. Moreover, the internal validity can further be validated through constructive feedback from opponents of the thesis, the supervisor and the examiner. Besides continuous feedback, the two authors had on-going dialogues on how to keep the theoretical framework in line with the empirical data in order to avoid unnecessary information to the thesis.

2.6.3 External validity
External validity touches upon the concern of how well the case study findings can be generalized and applicable for other situations (McBurney & White, 2007). Yin (2014) states that case studies similar to doing experiments are built upon analytic generalizations. In order to retain an analytical generalization one must design the problem formulation into “how” or “why” questions. Thus, without a “how” or “why” problematization - an analytical generalization can be hard to achieve. Yin (2014) points out that generalization is not automatic. Hence, the stated theories must therefore be tested through replicating the findings towards additionally a second or third case to provide a strong support to the theory.

In order to maintain an external validity and analytical generalization for this thesis, the authors has formulated a “how” research question in accordance to Yins’ (2014) statements. This way the theories can be better analysed and supported by the findings of the case companies. Nonetheless, the authors are aware that the external validity could be more visible if interviews with more companies were conducted in order to generalize the results. However, Yin (2014) argues that if the study is carefully constructed, it is possible to generalize the findings towards other firms being in the same situation through the analytic generalization.

2.6.4 Reliability
Reliability can be described as the assumption where there is only one reality and that new studies made will show the same outcome as previously (Merriam, 2009; Yin, 2014; McBurney, 2004). Therefore, the main purpose of reliability is to minimize all potential deformities and errors of the study (Yin, 2014). However, Merriam (2009) claims that reliability is seen as problematic in the social sciences due to the fact that the human behaviour is never static. Hence, documentation of the research approach is an essential presumption in order for other researchers to replicate previous case studies. Documentation that has been excluded in a study prevents not
only future researchers but also the original researcher to repeat the previous study made. Thus, without a documentation of the case study, the reliability can be questioned (Yin, 2014).

Through the use of recordings of the empirical data, the authors aim to increase the reliability of the thesis. Consequently, a transcription of the findings in written words has been made in order for future researchers to be able to repeat the study if needed. For the case companies with interviewees having Swedish as their native language, interviews have been made in Swedish. With the use of a translated interview guide, the authors further intend to reduce potential misunderstandings and misinterpretations that could occur if the interviews were only made in English. Likewise, a translated interview guide opens up for the interviewee to speak more openly and elaborate the answers due to a broader vocabulary rather than a restricted one.
3. Theoretical framework

In the following theoretical framework the relevant concepts of this thesis are described. First, the internationalization of SMEs is presented. The following sections present the main concepts of the study: knowledge and risk management. Terms like tacit and explicit knowledge, employees’ competence, internal and external risks, and risk management in international business are presented in those sections. Finally, a summary of the link between knowledge and risk management is presented using a model.

3.1 Internalization of SMEs
According to Korsakienė & Tvaronavičienė (2011) during the last decades the role of internationalization for SMEs has become an important issue since SMEs has been forced to expand their business into new international markets due to international competition. Korsakienė & Tvaronavičienė (2011) point out that SMEs has got a significant role in the growth and change of economy which forces them to go international when international competitors emerge. Knight (2004) further argues that internationalization is a result of growing interdependence of national economies. It is a process that involves several stakeholders such as customers, suppliers, producers and governments stationed worldwide. In other words, internationalization is seen as a process that opens up new possibilities for value creation since it provides access to new resources, foreign stakeholders and new institutions (Khojastehpour & John, 2014). Among the different companies existing in the global market, SMEs have developed an important role for the growth, especially in emerging markets as they provide employment which increases the economic development for the emerging countries (Todd & Javalgi, 2007). Therefore, the internationalization in emerging markets is mostly seen as something beneficial. However, increased competition is alleged to induce a reduction on SMEs’ possibilities to have control over their own development paths (ibid).

Internationalizing for SMEs does not necessarily imply new possibilities for the firms. Todd & Javalgi (2007) argue that the competitive power can be a disadvantage for SMEs since they are relatively small on the market. Because of their small customer base, SMEs tend to have difficulties in influencing the global pricing. The size of the firm also results in a limited
expansion since there is a minimal access to financial resources in comparison to MNCs on the market. Moreover, SMEs that choose to not establish themselves in a foreign market perceive the global market as risky, unprofitable and hard to manage, mainly on account of the insufficiency of global business experience but also due to misinformation between counterparts. Therefore, Tesar & Moinin (1998) claim that due to their size SMEs tend to have a restrained financial budget which results in weaker human resources that are necessary for entering the international market. Thus, many SMEs lack the needed experience to develop a sufficient international strategy (ibid).

3.2 Knowledge management

Koening & Neverovski (2008), as cited in Lambe (2011), state that knowledge management originally arose from the world of consultants. They recognized that the potential use of intranet would be an effective and proficient way of communicating and linking together their own organisations around the world. In recent years the concept of knowledge management has acquired an increased recognition and importance in the business world (Pillania, 2008). In the business world as well as in academia, knowledge management is seen as a one of the most utilized and controversial concepts (Nunes et al., 2006).

Grant (2010), and Alavi & Leidner (2011) state that knowledge management can be seen as a reference frame for a sustainable competitive advantage and value creation on the market. According to Pillania (2008) there is a difference between knowledge and knowledge management. Moreover, knowledge as a term can be seen as “a whole set of intuition, reasoning, insights, experiences related to technology, products, processes, customers, markets, competition and so on that enable effective action” (Pillania, 2008, p. 1453). Knowledge management on the other hand refers to “a systematic, organized, explicit and deliberate ongoing process of creating, disseminating, applying, renewing and updating the knowledge for achieving organizational objectives” (ibid.). Easterby-Smith & Prieto (2008) argue that there are two approaches for firms acquiring knowledge management; those who are interested in the technology of knowledge management and those who are interested in the human process as a predominate feature. Those who prefer the technology of knowledge, control how information is processed and how business information systems are being handled in order to manage the required knowledge. The ones that are interested instead in the human aspect focus on social relations, cultural factors and on the
sense-making behaviour of individuals since they constantly touch upon important questions about the organization whilst handling the organizational knowledge (Easterby-Smith & Prieto, 2008).

The use of knowledge management is stated to have a fundamental role when it comes to create strategic initiatives as well as being a component for sustainable competitive advantage for firms (Easterby-Smith & Prieto, 2008). Hence, since creating the right knowledge has been proven to be the biggest strategic resource for organizations, Pillania (2008) claims that it is not only MNCs that acquire the creation and management of knowledge but also SMEs. However, knowledge management has mostly successfully used by MNCs as it has been in a large extent neglected by SMEs, since SMEs often lack a formal approach and use of knowledge in terms of utilizing, transferring and storing the organizational knowledge (Nunes et al., 2006). Desouza & Awazu (2006) argue that for SMEs the knowledge have to be leveraged in order for goals to be obtained in an effective and efficient way. The reason for this is because of their limited financial resources that hold them back. Due to this, the use of knowledge for SMEs can be seen as bountiful but also in many situations as an unlimited resource (Desouza & Awazu, 2006).

As it was previously stated, a sector of the scholars claim that knowledge management in the long term is a profitable approach for firms. However, Nunes et al. (2006) stress that the reason why so few SMEs in today’s society adopt knowledge management as a strategy for an innovative purpose and business growth, is due to the fact that they are not convinced that knowledge management is a lucrative way of working towards their chosen market. Kerste & Muizer (2002) as cited in Nunes et al. (2006) account that SMEs would only use the knowledge if it is easily accessible, disseminated and results in a practical and fast efficiency as well as an increased profit in terms of a growing competitive advantage.

3.2.1 Tacit versus explicit knowledge

Knowledge management can be divided into two sections; tacit knowledge and explicit knowledge (Grant, 2010; Nonaka & Konno, 1998). Explicit knowledge can be described as the knowledge that can be communicated between counterparts regardless of time and space (Grant, 2010). Cavausgil et al. (2003) argue that explicit knowledge is an objective criteria that is accepted by people all over the world. Nonaka & Konno (1998) further claim that explicit
knowledge is the knowledge that can be formulated and conducted through words and numbers and shared in form of data, specifications, manuals etc. Cavausgil et al. (2003) therefore state that explicit knowledge can be divided into individual explicit knowledge and collective explicit knowledge. The individual side of explicit knowledge can be easily taught and comprehended by writing it down while the collective explicit knowledge implicate the use of documentation, information systems as well as rules. As for the tacit knowledge, Grant (2010) describes it as the knowledge that cannot be codified or articulated. Moreover, tacit knowledge is considered as an experience that is planted within individuals as well as the beliefs and skill stored in an individual’s mind that are hard to share, communicate and transfer from one person to another; and be interpreted for the external environment (Nunes et al., 2006; Rodriguez & Edwards, 2008).

According to Nunes et al. (2006) it is through explicit and tacit knowledge that knowledge management can maximize the organizational and individual knowledge. By extracting the tacit and implicit knowledge and thereafter interpret them into explicit knowledge firms can store, share and codify the information. Hence, that is why Nunes et al. (2006) claim that many academics have chosen to embrace the knowledge management concept in recent years. Moreover, merging the explicit and tacit knowledge would therefore be a preferable choice for firms as they would benefit from the use of the knowledge being in a symbiotic mode. Hence, it is only when both the explicit and tacit knowledge are being embedded in firms’ infrastructure as training, basis of trust, benchmarking and sophisticated information technology that knowledge management is shown to be effective. However, the effectiveness and diversification of these features varies depending on how complex the firms’ objectives and goals are (Nonaka, 1991).

3.2.2 Knowledge management tools and techniques

One of the benefits of knowledge management is that the organizational information and experience can be stored in order to be reused in the future or when the firm needs it (Farias et al., 2003). According to Davenport and Prusak (1998) two of the main components of knowledge are the processes and procedures that act as the instruments to retrieve, describe and apply knowledge; and the organization where the knowledge is offered and processed. As it was earlier mentioned, knowledge is mostly associated with the individual, and in some cases with the group. Ghani (2009) points out that for firms, this can create doubts on how available the information
systems are in order to support the internal and external knowledge management. On the contrary to tacit knowledge, explicit knowledge is information emerging within the firm regardless of the amount of other individuals’ knowledge. Therefore, Ghani (2009) claims that knowledge management tools are essential for firms to possess.

The usage of knowledge management tools imply that firms can compile, list, organize and transfer the explicit knowledge information embedded in different types of documents and media such as internet, e-mail and companies intranets (ibid). Furthermore, Alhawari et al. (2011) point out that knowledge management and computer-based technology cannot be separated. For instance by utilizing intranets, firms are told to reduce the amount of new tacit knowledge that prevails through an internationalization mode of knowledge creation, where employees observe and interpret information (Alavi & Leidner, 2001). Alavi & Leinder (2001) therefore state that the intranet plays a significant role for the support of individual learning (the transition from explicit to individual tacit knowledge). Moreover, Alavi & Leinder (2001) argue that a tool such as the intranet allows employees to learn and accumulate knowledge more efficient on a needed basis. One can say that computer based communication in general works as way for the firms to increase the knowledge management since it helps staff members to share firm values, ideas, perspectives and information. Communicating this way leaves the individual to interpret things more accurate than if left to decipher the information on their own (ibid).

In combination with the computer based communication, Neef (2005) argues that there are several knowledge management techniques that should be integrated in an organization in order to incorporate a successful knowledge- and risk management within the firm. Four of these techniques as mentioned by Neef (2005) are: performance monitoring and reporting, business research and analysis, learning and last but not least community and stakeholder involvement. The performance monitoring and reporting imply on how organizations ought to measure, monitor and boast the inherent successful knowledge foundation of organizational performance. Hence, Low & Kalafut (2002) stress that firms through non-financial performance information such as human, social and environmental performance are able to better predict the future success of the firm. According to Neef (2005), the power to gain access to business research and analysis material as a technique, is one of the most useful parts of knowledge- and risk management. Neef
(2005) points out that it is essential for firms to create the ability to gather information as well as developing the capability to analyse, search, organize and distribute information from internal and external sources in order to find important issues such as local political, cultural and legal concerns about the market. Furthermore, as earlier highlighted through Gold et al. (2001), the continuously learning organizations with the ability to learn from each other is crucial for firms’ innovation process. Neef (2005) argues that one of the benefits of having learning as a knowledge management technique is that new employees can learn from earlier incidents and previous mistakes that has occurred. Hence, having an organization with eminent internal learning and communication techniques contributes into a better informed workforce that preserves the corporate memory so that previous incidents do not recur (ibid). Nevertheless, it is not only the internal aspects of the firm that benefits from a good communication. For stakeholders Neef (2005) states that the communication and knowledge sharing through e.g e-mail and electronic newsletters, is essential as a knowledge management technique. A good communication and knowledge sharing is therefore told to help managers to respond and prevail early concerns from outside parties such as governments and unions on policy matters that can emit serious incidents or conflicts (ibid).

3.2.3 Knowledge management and employees competence

Wong (2005) states that due to their size, many SMEs in comparison to MNCs, lack enough resources to handle the knowledge generated within the organization. Having the resources such as the right employees is crucial in order to regulate the quantity and quality of efforts that can be used through knowledge management. Wong (2005) claims that the answer to why some SMEs do not achieve an effective knowledge management is the lack of appropriate resources Desouza & Awazu (2006) claim that in order to manage the captured knowledge, it is essential that managers and owners of the firm transfer knowledge to their employees. Since SMEs often do not have the capabilities to employ top ranked employees, Desouza & Awazu (2006) state that the firms has to settle for less proficient but more motivated staff members. Hence, it is therefore by importance that the appointed personnel is taught through the transfer of knowledge and knowledge management on how to be successful employees for their work of responsibility within the company (ibid.).

As Durst & Wilhem (2012) argue, SMEs need adequate ways and suitable resources to manage
the knowledge. This is particularly important when long-term key employees decides to resign, quit or even becomes long-term sick. Moreover, when individuals within the organization decide to seek better jobs and higher salaries in larger firms, the employee leaving the company will most likely take the embedded knowledge with him (Wong, 2005). Durst & Wilhem (2012) and Wong (2005) points out that it for SMEs is not common that other staff members has to take the place of the departed employee in addition to their own workload. In the worst cases these positions instead stays vacant. Konzer (2001) as stated in Nunes et al. (2006) means that one cannot manage knowledge because knowledge exists between two ears and nothing else. As employees chose to leave the company, they take the knowledge with them no matter how much they have shared. Hence, the interaction between individuals within the firm is therefore stated by Gold et al. (2001) to be crucial in the firms’ innovation process in order to store as much knowledge as possible. Since having a dialogue between individuals is perceived to be the potential way for creating knowledge, both formal and informal employee interaction should be encouraged. By applying employee interaction to the firm, relationships, contacts and perspectives can be shared amongst those not working side by side (ibid.). Moreover, Gold et al. (2001) mean that an interaction and collaboration like this is significant when firms wish to conduct tacit knowledge between individuals as well as wanting to convert tacit knowledge into explicit knowledge.

3.3 Risk management

The topic of risk management has been studied since World War II. Scholars like Dionne (2013) set the beginning of modern risk management after 1955. According to Borge (2001, p.4) risk management is about taking the necessary actions that would “increase the odds of good outcomes and to decrease the odds of bad outcomes”. Furthermore, Anderson (2013, p.2) stresses that “risk management is about managing effectively in a risky and uncertain world”. The literature about risk management does not agree in giving a definition of risk. However, many definitions of risk agree on it is a situation or probability that something harmful or unpleasant may happen (ISO Guide, 2009; Aven & Renn, 2009; Oxford Dictionary, 2014). According to Power (2007) the concept of risk has acquired social, political and organizational significance. Knight (2012) makes a distinction between risk and uncertainty. According to Pender (2001) repetition and replicability are two characteristics of risks, whereas uncertainty applies when there is no prior knowledge of replicability and future occurrences defy categorization.
Furthermore, Knight (202) points out that once uncertainties enter into management systems they become risk. Thus, risk management systems can identify, assess and mitigate those risks.

Nowadays the topic of risk management has become a hot topic since it has evolved from technical or finance issues to a wider scale (Emblemsvåg, 2010). However, not every organization is willing or ready to apply risk management (Power, 2008). The implementation or disregard of risk management relies upon how managers perceive risks (Power, 2008). Managers´ attitude towards risks are biased either towards a risk-taking attitude or a risk-avoiding attitude (Douglas and Wildavsky, 1982). According to Emblemsvåg (2010) decision-makers would take more risks due to an increasing trust on risk management.

Olsson (2002) distinguishes four key steps in risk management: identification, measurement, management and monitoring (see, figure 1). In the first step Olsson (2002) points out that the identification and understanding of risks arise once organizations have an idea of which are the risks they are facing. Once risks have been identified organizations can assess the risks. Risk measurement would help organizations to assess the probability and impact of a risk event occurring. The next step is managing risks, which means that organizations would take the decision about what to do with the previous identified risks. Olsson (2002) points out three different options: accept, mitigate and decline. Finally, organizations that have decided to either accept or mitigate the risks, needs to keep monitoring those risks. Another reason to follow-up the risks that organizations face is to identify potential new risks, this way the risk management process starts all over again. Furthermore, Emblemsvåg (2010) identify four steps regarding risk management strategies: risk prevention, impact reduction, transfer of risk and risk acceptance.
The identification of risks may be considered the most important step within risk management since “risks that are not identified are not likely to be managed” (Olsson, 2002). Hagigi & Sivakumar (2009) claim that managers would be able to formulate better risk management strategies if they understand the interrelated nature of the elements of risk. The risks that organizations regularly face and deal with are either or not subject to be controlled. Those risks that organizations are able to control are known as internal risks; however, those risks that are out of the organization control are known as external risks (Anderson, 2014; Miller, 1992). Scholars like Pastor (1999a; 2002b) have been applying the terms internal risk and external environment risk regarding bank efficiency. Furthermore, Olsson (2002) enumerates the different risks that organizations face in an international environment as: business risk, credit risk, sovereign risk, market risk, liquidity risk, operational risk, accounting risk, country risk, political risk, industry risk, environmental risk, legal/regulatory risk, systemic risk and reputational risk. Olsson (2002) points out that the main risk that organizations deal with is business risk which relates to the organization capability to recognize its business goals from the opportunities available in the market. After business risk, firms mainly face credit, market and operational risks. However, Olsson (2002) identify that for those organizations that operate in emerging markets, there are risk of vital importance like country and political risks. Furthermore, Hagigi & Sivakumar (2009, p.290) claim that one important risk that firms deal with is “the behavioral differences in managerial perception of risk”
3.3.1 Internal risks

Internal risks, also known as endogenous risks, are those risks that arise from within the firm and organizations are able to control but not always able to predict (Anderson, 2014; Power 2005; Hagigi & Sivakumar, 2009; Chiu & Chen, 2009). Hagigi & Sivakumar (2009, p.288) point out that internal risks include as well “managerial perceptions, attitudes and organizational practices”. Besides the managerial perceptions, business risk, operational risk and credit risk can be considered as well as internal risks since they are risk that firms can control.

Business risk is considered the most important risk that companies deal with (Olsson, 2002). According to Miles (2010, p. 10), business risk may be defined “as the chance of loss associated with a given managerial decision”. Firms through their managers take risks in order to get profit. Therefore, the level of expected return in riskier ventures would be expected also to be higher as it is its risks (Hagigi & Sivakumar, 2009). Thus, profitability and growth for the firm are two main reasons why managers take sometimes the wrong decisions (Olsson, 2002). However, not only bad or unfortunate decisions are considered business risks. Olsson (2002) points out that it is often that managers underestimate the level of inputs needed to support a strategy or plan taken by the firm.

Business risk and managerial perceptions of risk are two side of the same coin. Holton (2004) states that there is not true risk but only the individual´s perception of risk. It is presumed that people tend to avoid and reduce risks. Furthermore, Aven & Renn (2009) point out that risk and risk perception are the same. The authors (2009, p. 6) states that risk perception is “based on personal beliefs, affects and experiences irrespective of their validity”. Moreover, Douglas and Wildaysky (1982, p.6) state that “the perception of risk is a social process” and the authors relate individuals’ risk perception and cultural differences developing “the cultural theory of risk perception” (p.7). Therefore, managers’ decisions are based on individuals expertise about the company and its environment; but it is important to take into consideration individuals’ cognitive constrains (Neef, 2005; Massingham, 2010). The identification and management of risks are usually carried out by expert and accredited individuals that may be considered as key employees (Massingham, 2010). This situation in which only a few individuals in an organization, and sometimes even just one, are responsible for sensing and responding to risks, it is a risk per se (Neef, 2005; Durst & Wilhem, 2012). This problem of losing a key employee is more critical in
SMEs where an erroneous decision can turn into serious complications (Durst & Wilhem, 2010). Miller (1992, p.320) claims that firms may deal with specialized labor uncertainties which are defined as “changes in employee productivity”. However, the author classified labor within operational risks.

*Operational risk* can be considered as an internal risk. Operational risk is defined by the Basel Committee on Banking Supervision (2001, p.2) as “the risk of direct or indirect loss resulting from inadequate or failed internal processes, people or systems or from external events”. According to Power (2005) the consideration of this concept as a distinctive element of risk is relatively new since operational risk has been considered as part of financial and credit risk. Power (2005) defines *credit risk* as “the risk that a counterparty may not pay amounts owed when they fall dues”. Firms that enter new markets and acquire new customers face the risk of loss due to not receive the debtor’s payment (Chen *et al.*, 2010).

### 3.3.2 External risks

External risks are considered those events that influence an organization but they are not able to be controlled (Anderson, 2014). Hagigi & Sivakumar (2009) define external risks as exogenous risk. External or endogenous risks include among others general environmental factors as well as uncertainties related to the industry in which the firm operates (Hagigi & Sivakumar, 2009). Furthermore, the authors identify different risks and uncertainties within each of the last mentioned factors. Environmental factors include risks such as political risk, and uncertainties such as government policy, social and natural uncertainties. Risk and uncertainties derived from the industry in which the firm operates are identified as “input-market uncertainties, product-market uncertainties and competitive uncertainties resulting from actions of competitor and product and process innovations” (Hagigi & Sivakumar, 2009, p.289). Olsson (2008) mentions some risks that are external to the organization. The author includes market risk, country risk, political risk, industry risk, reputational risk, legal/regulatory risks, environmental and systemic risk as those risks that organizations cannot control.

Everett & Watson (1998) suggest that firms have to pay close attention to exogenous risks since they are an important factor in small business failure, especially firms in foreign markets since they are facing unknown risks.
3.3.3 Risks and risk management in international business

According to Power (2005) “managing risk is all about seizing opportunities not simply avoiding risk”. This statement gains important for firms that enter new markets since they will face with new and unknown risks during their internationalization process. Hain (2011) points out that those new opportunities in foreign markets would mean new and different risks which can differ significantly from country to country. Moreover, Figueira-de-Lemos et al. (2011) point out that the foremost difficulty that firms encounter during the internationalization process is the absence of knowledge of foreign markets. Furthermore, Karan & Arslan (2009) (2009) state that the internationalization of firms leads to their exposure to higher risks, particularly political and refinancing risks, which could lead to greater credit risks. Business performance in foreign markets may be influenced by the ignorance and unfamiliarity with vital risks for the firm such as market, political, country and legal/regulatory risk. Changes in the market, new governments, new regulations and currency controls are consequences of these risks (Olsson, 2008).

Miller (1992) points out that treating uncertainties in isolation from one another is suboptimal for sound risk management. Olsson (2008) points out that it is crucial for firms in international markets to examine and apprehend which risk are interconnected in order to develop a better risk management.

There are different methods and sources for firms to collect updated information of the foreign country. The utilization of country risk analysis is one of the methods firms may use in order to prevent the downturns that unknown risks in the foreign market may cause to them (Collier & Pattillo, 2000). Furthermore, since firms in international markets deal with unknown risk they would have find solutions in order to share and prevent the negative consequences of those risks. The acquirement of insurance instruments and agreements is one of the procedures that international firms have in order to mitigate, transfer or share risks with its counterparts (Hain, 2011, Shapiro, 2006). The partnership and collaboration with local agents and distributors is another solution to transfer risks since reduces market and country uncertainties (Shapiro, 2006; Freeman et al.,2006; Westhead et al., 2002)

3.4 Knowledge risk management

Two components of business management are knowledge and risk management which have been mostly explored separately. The study of knowledge management has increased in interest since
it is believed as an important factor for sustainable competitive advantage and value creation for firms (Alavi & Leidner, 2011; Easterby-Smith & Prieto, 2008). Risk management is a well-studied topic that has become a trend in the last decades due to an increased organizational awareness of corporate and social responsibility (Massingham, 2010). Nowadays, scholars have started to study the link existing between both knowledge and risk management which have received different terms in literature. Massingham (2010, p.466) uses the concept knowledge risk management since the author apprehends that “knowledge is necessary to comprehend and manage the risk”. The emergence of this new field of research aims to study the application of the tools and techniques used by knowledge management to the management of organizational risks (Massingham, 2010). Neef (2005) points out that the implementation that firms do of knowledge management focus on coordinate operational knowledge and increase productivity, leaving aside the identification and management of potential risks. Rodriguez & Edwards (2008) claims that it is necessary to understand how the implementation of knowledge management processes can lead to a better understanding of risk.

The increased internationalization of firms has contributed to those organizations in foreign markets face new and unknown risks (Figueira-de-Lemos et al., 2011). The correct utilization of the firm’s internal and external resources would prepare the company to anticipate for potential its surrounding environment (Alhawari et al., 2011). Managers need to be aware of new situations and uncertainties. Massingham (2010, p.465) aligns risk management and managers competence in the sense that “decision makers have the necessary knowledge to anticipate and respond to risks”. Furthermore, Neef (2005) points out that the ability to organize employees’ knowledge and expertise in the key to a proactive risk management process. Moreover, the mobilization of employees’ competences will help managers to get accurate information about potentially harmful incidents (Neef, 2005). In order for managers to be able to take complex decisions it is necessary that the information systems and risk modeling process are more efficient and effective (Rodriguez & Edwards, 2008). Rodriguez & Edwards (2008) points out that managers need models that would help them to reduce unknowable uncertainty unknowable when taking decisions. These models would help the organization to create a risk scenario that is knowable and would be a support in the market opportunities identification. Moreover, those models and support system are necessary for the “creation of knowledge through operations.
research, decision analysis tools, data structures and methods of sharing knowledge and collaboration” (Rodriguez & Edwards, 2008).

Massingham (2008) points out that knowledge provides individual with better tools for understanding the nature of risk. Therefore, the process of knowledge management can improve risk management. Marshall et al. (1996) classifies knowledge management into four levers: knowledge transfer to decision makers, knowledge accessibility improvement, embedding knowledge in controls and systems; and as a way of avoiding financial catastrophes due to poor risk management. In a more competitive business environment, firms “have transformed a reactive RM into a strategic discipline, which adds value through the learning, risk analysis and solutions as part of the day-to-day business” (Rodriguez & Edwards, 2008). Thus, firms would benefit of the implementation of knowledge tools and techniques and risk management when identifying and managing both business environment uncertainties and cognitive constrains.

3.5 Theoretical synthesis: developing a model

The theoretical framework developed in this thesis aims to present the main concepts that have been used in the formulation of the research questions. The following model is built after the most important concepts that have been described in this thesis. Thus, the concepts of knowledge and risks management are shortly presented as well as some of the factors previously examined in this thesis.
The concepts of knowledge and risk management have been extensively discussed in literature. The interaction of tacit and explicit knowledge embodies the based of knowledge management (Nonaka & Konno, 1998). The main difference between tacit and explicit knowledge is how the knowledge itself is stored. Explicit knowledge is codified in documents while tacit knowledge is accumulated inside individuals’ minds (Rodriguez & Edwards, 2008). The interaction of both types of knowledge is the core of knowledge creation (Nonaka & Konno, 1998). Scholars like Davenport & Prusak (1998), Alavi & Leinder (2001) and Ghani (2009) agree on the importance of knowledge management tools and systems as intranet and computer-based technology in general. The knowledge generated within the firm needs to transfer from managers and owners to employees and vice versa in order to be embedded in the organization (Desouza & Awazu, 2006). Durst & Wilhem (2012) points out the importance of key employees’ competence as a source of knowledge. Employees and managers knowledge are vital for organizations in order to to anticipate and respond to risks (Massingham, 2010). According to Knight (2012) risks are that uncertainties enter into management systems and then can be identify, assess and mitigate. Risk
can be divided into internal or endogenous risks, and external or exogenous risk. The difference between those lies in if they can or not be controlled by the firm (Anderson, 2014; Power 2005; Hagigi & Sivakumar, 2009; Chiu & Chen, 2009). Internal risks to the firm are business, operational, credit and reputational risks but also the managerial perception to risks. External risks that can affect a firm are among others market risk, country risk, political risk, industry risk, legal/regulatory risks, environmental and systemic risk. Firms seeking new opportunities in foreign markets will face new and unknown risks during their internationalization process (Hain, 2011). Therefore, Olsson (2008) points out that it is crucial for firms in international markets to examine and apprehend which risk are interconnected in order to develop a better risk management.

Finally, scholars who have studied the link between knowledge and risk management (Massingham, 2010; Neef, 2005; Rodriguez & Edwards, 2008) stress that the implementation of knowledge and knowledge management tools to the identification of risks would lead to a better risk management. According to Massingham (2010) it is important that managers have the clear knowledge of their company and its environment in order to better anticipate and respond to risks. Managers need to be aware of new situations and uncertainties. Rodriguez & Edwards (2008) points out that managers need models that would help them to reduce unknowable uncertainty unknowable when taking decisions. These models would help the organization to create a risk scenario that is knowable and would be a support in the market opportunities identification. Moreover, those models and support system are necessary for the “creation of knowledge through operations research, decision analysis tools, data structures and methods of sharing knowledge and collaboration” (Rodriguez & Edwards, 2008).

Knowledge is necessary so firms will be able to understand and manage the risks and at the same time knowledge will make those risks “learnable” instead of random (Massingham, 2010).
4. Empirical findings

In the following chapter the empirical findings are presented. One-to-one interviews, Skype and a telephone interview with the selected case companies have provided the data collected. The findings from each company are presented one at a time. The followed headlines are in accordance with the research question and the theoretical framework.

4. Amokabel Kraft

Amokabel Kraft (AK) is one of the 12 divisions that are part of the Amokabel Group. AK is specialized on complete products for safe energy transportation (Amokabel, 2014). Amokabel Kraft office and factory is located in Alstermo. The Amokabel concern employs 120 people which 20 of them are Amokabel Kraft employees. AK has developed what they call the “AMO System” that nowadays is used in Europe and parts of Asia (Amokabel, 2014).

4.1.1 Approach to the Indian market

The first approach of AK to the Indian market was in 2008 when AK together with an Indian company started a production plan that did not succeed. AK owned 49% of the joint venture until they were “diluted” when their counterpart made a new emission of shares. Blad was by that time account for visiting customers and sell the product. Before 2008 the company did not have any kind of business in the Indian market. Nowadays, AK still owns 25% of the joint venture and partially supplies the market through a local partner that the company found in an exhibition. Besides its subsidiary in India, AK also supplies Indian the market selling direct from Sweden. This is because the subsidiary in India does not manufacture the same type of cables that the Swedish plant does. AK is basically an exporting company that, in order to sell its products in the Indian market has a local distributor in the country which represents them. Although the company is in partnership with a local distributor its first order was placed after 7 years. Blad considers India an important market for AK that revenue around 10 million a year in sales.

4.1.2 Knowledge management

Blad first assignment at AK was to establish the Indian subsidiary; therefore he possesses a vast knowledge of the Indian market. Blad´s main tasks towards the Indian market are sales and
management. However, he is not the only one who is involved in this market. AK has a management team of six people working in different projects. This management team has both technical and commercial knowledge regarding the Indian market. Blad considers himself as a key employee for AK due to his vast knowledge of the country. Moreover, due to this knowledge of the country his first task was to find a qualified distributor, as well as doing a study of which products were the most suitable to sell in the Indian market. However, Blad is aware that everyone is replaceable in some way. The loss of a key employee is associated with the loss of knowledge because it is impossible to store all information; and for AK would be such an unbelievable work to develop policies for this purpose.

AK´s sources of information of the Indian market are, among others, its distributor in India who has almost daily contact with Blad; newspapers and rumors in the market; and macroeconomic reports from banks. According to Blad, the use of a consult is costly and sometimes does not provide with valuable information. However, Blad admits that the use of a consult would have help AK during its establishment in India in 2008. AK does not impart internal course or seminars regarding the Indian market, however Blad attended some seminars about how to do business in India before he started his job in the country. AK´s partner in Indian was in Sweden to be upgraded in order to be able to sell AK products in Indian. Furthermore, the Indian partner was able to get an in-depth insight of AK´s work practices. Knowledge is transferred through this kind of technical training as well as they create a database.

“It is usually when you are a bit more social that you learn how to work and to spread knowledge” (Henrik Blad, 2014-04-22)

Employees´ systematic training is important for AK in order keep employees updated about the product range. This kind of training is implemented to both Swedish and Indian employees, as well as to the Indian partner. Blad claims that employees´ training requires many resources from the company. Therefore, employees get an intense training that will decrease with time when the have assimilated enough knowledge of the products that they can start meeting the customer.

“Employees´ training is always necessary; you can never train your people too little”

(Henrik Blad, 2014-04-22)
According to Blad, AK does not apply any particular tool or technique to transfer the knowledge. One-to-one communication in the traditional way is AK’s habitual method to transfer knowledge. He mentions that documents are sent via email, telephone meetings are held weekly and Skype is used from time to time. Blad admits that due to the nature of its product the company has a high degree of confidentiality. This is the main reason why AK does not allow all employees to have access to its data bank and they only get the necessary information to be able to sell the products. Catalogues, installation manuals, and diverse technical information are available. Regarding the communication flow with the Indian partner, Blad points out that communication in India is more interactive than Sweden.

“In Scandinavia and Northern Europe, we work a lot more in other ways, in our culture there is not much need to talk to each other, but Indians call gladly and email a lot.”
(Henrik Blad, 2014-04-22)

4.1.3 Risk management
AK has chosen to approach the Indian market through a local partner. Blad states that a partnership is the common approach to this market. India is considered as one the most interesting markets in the world, but at the same time undoubtedly one of the world's most difficult markets to enter.

“So, we have made every mistake in India that one can do” (Henrik Blad, 2014-04-22)

A local partner is the easier way to reduce and overcome uncertainties and problems like bureaucracy. Furthermore, a local partner can provide the company with a network that would have been difficult to build without it. Blad points out that even MNCs like Saab and Eriksson use local partner. However, Blad is aware of the problem of finding a qualified partner. He claims that in order to find the right partner AK follows certain criteria like where the potential partner is on the market; and what technical understanding they have. A potential partner would make risk analysis which would help AK to reduce the risk on the market. A partnership with an Indian distributor raised the question of culture clash. Blad states that:

“One can try to understand what another culture does, but it is learning-by-doing that applies when you are in such a market” (Henrik Blad, 2014-04-22)
The most important internal risk that AK encounters in the Indian market is credit risk. Blad claims that to receive payment in time is to a certain extent difficult in India. He considers that around 90% of the foreign companies in the Indian market are exposed to credit risk. In order to assure the payment the most usual method used in the Indian market is the Letter of Credit or Ambush. This method is the safer way to receive the payment; however, this method is not free of charge. Therefore, Blad claims that AK has to consider the importance of every payment individually before the use of the Ambush payment method. Regarding external risks, Blad considers India as a fairly stable country with a growing economy. However, he points out that the general election has been the source of some political instability. Nevertheless, this minor instability in the country has not affected AK exports to the country.

AK does not apply any risk management tool in order to identify and manage risks. Blad states that only MNCs apply such tools and techniques due to they have larger resources; AK manages risks and uncertainties as they arise and step by step.

“Risk management as a concept becomes very difficult to use in practice since it is very theoretical” (Henrik Blad, 2014-04-22)

Therefore, Blad points out that if risks unexpectedly arise, it is the local partner who is expected to manage the situation since the partner it is AK’s legal representative in the country. He states that the company does not utilize any tool like macro analysis in order to foresee future potential risks. Blad does not consider that unexpectedly or future risks would have a major impact for AK due to the fact the company does not keep any assets in the country that may be seized or destroyed.

4.1.4 Knowledge risk management

Blad points out that entering a new market like India requires that a company reflects about if there is a market for its product and how to create a need for the products among the local customer. Therefore, a qualified local partner is part of AK strategy in order to success in India. AK’s partner accounts primarily for knowledge and risk management.

Blad considers that a better knowledge of other countries customs would help AK in other to attract new customers since:
“Business is done between people, so personal relationships are everything. We have lost a lot with many developing countries because we work very little with personal relationships”

(Henrik Blad, 2014-04-22)

Blad states that knowledge and risk management does not have any utility for AK in order to survive in the Indian market. However, AK’s current knowledge of the Indian market comes from the company’s difficult beginning in the market.

“So to everyone who asks me how it has been in India, I say “you do not set up a plant there, work with a partner and let him take care of everything”” (Henrik Blad, 2014-04-22)

4.2 Norden Machinery

Norden Machinery is a company based in Kalmar that originally started out as a machinery manufacturer in 1877. However, since 1934 the firm started to exclusively focus on advancing tube filling systems, which makes them the world’s leading supplier of high-performance tube filling systems today. The production of tube filling systems is divided into five different segments: cosmetics, pharma, toothpaste, food and industrial segment. Norden’s headquarter is still based in Kalmar where it all started and employs 225 people. Among these 225 employees, Norden has got over 40 employees working in the external sales network. Besides the headquarters in Kalmar, Norden is represented in 85 different countries where both offices and factories are included.

4.2.1 Approach to the Indian market

Despite starting as producers in the tube filling industry in 1934, Norden have only been working in the Indian market since the 1950’s. It began as a relationship where Norden, formerly known as Arenco, delivered their products through a local agent in India that they found through word of mouth. The collaboration with its local agent has been so successful that 3 years ago they have opened their own subsidiary together with the Indian agent.
4.2.2 Knowledge management

Besides Johansson, there are a few other employees that possess the relevant information about the Indian market. At the head office in Kalmar it is mainly Johansson’s closest business managers that possess the knowledge. The sales manager as well as the CEO also has sufficient knowledge about the Indian market. However, the amount of knowledge varies. Johansson states that the higher position they have, the less knowledge they possess about the Indian market. Furthermore, at the firm there are different sales managers for every region in the world that is represented. Hence, all sales managers have their own business area to manage, which makes it hard to keep track of what the other colleagues do. Therefore, Johansson claims that all sales managers should be considered as key employees as they all possess great knowledge and understanding for their assigned business area. Moreover, when recruiting new sales managers to the firm, Norden primarily search for men with experience from the international market. Due to the apparent hierarchy existing in India, it is foremost the elder and more experienced men that are allowed to take decisions. Therefore, Johansson claims that it is favourable for Norden if they approach their markets the same way. As for knowledge transfer within the firm, Johansson argues that Norden is rather conservative. Nevertheless, they are strict when employing new people from India since it is crucial that the employee from India gets the right training. Therefore, Norden invites the new Indian employee to Kalmar in order for him to see how the business works from the ground. Even if the new employee works as a sales director, he has to put on protective clothing and work a little at the production floor so that he will be able to get an insight on the production as well. In addition to this, the new employee gets commercial training and training in marketing techniques. Johansson points out that one of the major components throughout the whole training process is to integrate the employee from the Indian culture to the Swedish culture.

“We believe that the right way to learn is to be here with us, to be trained and educated, drink coffee and hang out. We see it as one of the most significant links when it comes to communicate the knowledge to our employees” (Jörgen Johansson, 2014-04-22)
Besides internal education about the firm, Norden utilizes static sources of information such as distributed manuals, distributed technical information sheets as well as pure technical information sheets about the detailed products that is being sold. Henceforth, recurring training sessions on the first training course are being held. Johansson state that for the recurring training sessions Norden calls in all sales directors at one occasion and the service engineers at another occasion. The main purpose with the recurring training sessions is to keep the employees constantly updated.

Norden has not developed any integrated information systems such as an intranet to transfer knowledge; as Johansson claims that they are very conservative at Norden. The information is instead conveyed to Johansson as he continuously travels to India to associate with the Indian managers. The sales managers are very independent and more or less work as chief executives. Thus, when the sales managers have generated new knowledge during their travelling, the information is hard to document and share. Documenting the entire information is hard a process as Norden is represented in 85 different countries with diverse mentalities. Above all, the Indian culture is very different in comparison to the Swedish culture, which makes it hard to apply suitable models for the market. Therefore, Norden assigns most of the communication in India to the Indian agent, as he knows the country and knows what is most suitable for the Indian market. Henceforth, Norden does not collect knowledge such as new rules and regulations about the Indian market. The only knowledge that is continuously possessed regarding rules and regulations, is the information provided by the Swedish trade and investment council. Hence, the business in India often refers to different projects where the supplier and the final customer set the rules for the deal. Johansson therefore points out that Norden already have Swedish rules and regulations written down and so does the customers that they work with, they have rules and regulations written down for their country as well. Consequently, if necessary changes would be done in the legislations, the information would hopefully be provided through the customer when doing business.

Regarding recruiting a new employee to the firm if Johansson decides to resign, Norden is very good at planning ahead. For Norden it is essential to plan ahead so that the new employee can learn as much as possible about the position. For that reason Johansson state that Norden recruits
the new employees 1-1.5 years before the old employee resigns. If the situation was that Johansson became long-term sick, then there would not be any replacement, no backup. Johansson argues that if a situation like that occurred, then it would be extremely tough for the firm. There is no one that can take care of someone else’s workload as they are working 100% of their time on their own field. Therefore, Johansson states that such a situation would only imply harm to the company’s continued development on the Indian market.

### 4.2.3 Risk management

Johansson identifies some risks that the company is exposed to when it comes to India market. For Norden the biggest risk is the fact that some customers in India are difficult to rely on in terms of payments, delivering samples and orders according to the agreement. These are just some of the many risks that Norden faces when working in the Indian market. In order to avoid unpaid invoices Norden uses the letter of credit as a payment solution. Therefore, before delivering the machines, the payment for the machines must be done. Another risk that is very apparent in India is the problem with corruption. Furthermore, Johansson see environmental risks such as protests and bomb threats in India as something that influences Nordens work in India. There have been situations where Norden transported machines to India for exhibitions when a bomb exploded. Due to the bomb, the company was not able to show their machines at the exhibition to potential customers, something that instead ended up in an economical loss for Norden. Damaged transports are also risks that they are continuously being exposed to. Johansson states that Indians are not the most precautious people to do business with. Many times the machines are damaged because the machines are being dropped to the ground, something that becomes costly in the long term for the firm.

Norden strictly focus on selling their machines for different projects. Consequently, there are approximately 5 orders per year made between Norden and the final customer in India. Unfortunately, they do not utilized tools or techniques to manage the risks.

“You do not analyze much when doing a business transaction except how you did previously. This is regarding very particular business transactions; otherwise we do not do anything”

(Jörgen Johansson, 2014-04-22)
If any risks would occur, then the responsible person for following up and managing the risks would be Johansson, this since he is the sales manager for India. Johansson points out that they always try to carry out the deal as good as possible by offering excellent quality. Hence, Norden aims for the delivered machines to come through the transportation in same condition as it was when leaving the factory. Together with the Indian agent, Johansson compiles occurred risks in a specific way. Johansson argues that the risks are being handled from case to case, as it is hard to plan on how to manage the risks. The customers do not reappear every year but every 10th or 5th year, which makes the risks even harder to handle.

When analysing potential future risks, Johansson claim that there are no detailed plans on how to manage them. Most of the market risks are monitored through moderate surveillance of the daily news and media and some through the agent. One can think that companies like Norden studies markets through a macro and micro perspective, but that is not the case. Instead, Norden focuses on trying to understand their customers rather than understanding all rules and legislations. Even if they have basic rules, Johansson states that Norden is fairly flexible, something that has been very appreciated by their customers. Generally the flexibility concerns the payment conditions, which basically is 40% in advance and 60% when shipping, something that Johansson claims is negotiable. If any risks would occur during the process, Johansson together with the agent sit down and discuss about the situation and how to handle it. Thereafter, the agent and Johansson set up an action plan. The risks are seldom handled through a legal level as its costly and takes time to involve layers and law firms.

4.2.4 Knowledge risk management

Johansson believes that knowledge and risk management can help the firm to develop a firm’s strategy. However, he argues that the knowledge exists in the mind of the people working at the firm. Due to risky situations, Norden have more or less protected themselves through the use of “letter of credit”. Johansson points out that knowledge and risk management can partially help Norden to survive in the Indian market, but not fully. The companies find often optional solutions to solve the problems. For example, Johansson mentions when India during the 80’s suddenly decided to increase the import taxes with 400%. A tax increase of 400% meant that Nordens machines would become highly expensive. Hence, sales started to decline due to the high prices.
that Norden had to set. The solution to this problem was therefore to start a joint venture together with the agent in India. Consequently by identifying the risk rapidly, Norden could avoid the high taxes and continue to sell like they did before.

4.3 Trelleborg Sealing Solutions
Trelleborg Sealing Solutions Kalmar AB (TSS) is a global supplier of polymer-based sealing solutions used in general industry, light vehicle and aerospace environments. The company produces around 140 different materials and has more than 1,000 materials under development. Their primary product is known as brake shims and can be found on more than 50 percent of the world’s passenger cars (Trelleborg, 2014). The company became part of the Trelleborg Group in the early 90s. The head office and Research & Development is located in Kalmar, Sweden with production plants located in Kalmar, Gävle and Trelleborg. Technical centers are located in Kalmar (Sweden), Northville (USA) and Shanghai (China). Furthermore, the company has engineering offices in Sweden, USA, England, Germany, France, Italy, Spain, Japan, South Korea, India, China, Australia and Brazil. Nowadays, TSS accounts in total for 235 employees.

4.3.1 Approach to the Indian market
TSS first approach to the Indian market took place in 2006 when Baggi was appointed as area manager for India. According to Baggi, his first contact to the Indian market was with the occasion of an automotive exhibition. The attendance to this kind of exhibitions was the best way for TSS to gather information about the market, as well as to establish a network of potential customers. Only six months later TSS started to get some direct customers and through them Baggi was able to meet a potential partner in India that by the time was producing similar components than TSS. At the end of 2007 Baggi realized that:

“the best approach to the Indian market was to find or to partner with someone because Indians are, how can I say, they are more open to the foreign companies if they have some local contact supporting the foreign company” (Alessandro Baggi, 2014-04-30)

According to Baggi, despite the fact that the company do not want to make large investments or to take any big risks on the market, TSS in India is nowadays number one in its sector. In the future the company will increase its presence in India since the company is working in a strategy plan for the establishment of a technical lab in the country by 2016. Baggi points out that this
investment implies TSS direct involvement in the country as well as the exposure to more risks. According to him, this is the general approach of almost every medium-sized company in India.

4.3.2 Knowledge management

Regarding knowledge and knowledge management, Baggi states that knowledge management at TSS is partially guided from the Trelleborg Group since TSS as part of this concern. The Indian office is included in the Trelleborg organization, so it means that the employee in India has been trained through training courses in Sweden. According to Baggi, the Indian partner is attending twice a year courses in Sweden in order to be upgraded on the product and on the market. Through the Trelleborg headquarters in Bangalore the Indian partner gets more general information regarding Trelleborg policies and is trained in other courses. The knowledge about the production is concentrated in Sweden, but TSS together with the Indian partner try to improve the local partner’s quality system by sharing documents and making some sort of audit.

The Trelleborg Group has an instrument to distribute the information through the concern. This “instrument” is the Trelleborg Group University which provides employees worldwide with internal and external courses. The Trelleborg Group University is managed by the headquarters and distributes the same information and training to everyone in the concern. In terms of day by day work, Baggi states that regarding sales, TSS has specific software working online where sales quotes are registered. This software allows information about sales to be available for everyone inside the organization and also the information can be shared very easily.

“This allows me for example to control the quote that employee in India is doing and to check them, and to approve them when it’s needed so it’s sort of shared information.”

(Alessandro Baggi, 2014-04-30)

Baggi states that TSS has implemented the intranet as a tool to distribute the information where employees around the world can talk and chat. Moreover, TSS has also other kind of software use for example when prototypes of different material are ordered. The prototypes are prepared in Sweden and then they are shipped. Through this software everyone around the world can see what it has been ordered and the progress. Baggi states that tools like that are nowadays very important in international organizations because businesses have become global. Business
transactions in Europe can be easily transferred to India or to China. Baggi mentions that when TSS launches a new product worldwide they use this kind of tools so sales reps receive the same information and reports at the same time. The information generated is vital for TSS in order to, for example set the correct prices for the product in every subsidiary. Baggi points out that they have IPhones in order to get 24/7 access to the email and to these types of software.

Regarding the Indian market, Baggi claims that he has quite a good knowledge about the Indian market. In order to keep a good knowledge and be informed about what is going on in the country he reads newspapers and also gets monthly reports by the Indian partner. However, he is not the only one who has the knowledge about the Indian market. In the office in Italy there are two more employees working with the Indian market who are well updated. Moreover, he mentions the marketing director Anders Broberg, the quality manager and some staff from the R&D. However, Baggi considers himself as the person who possesses more knowledge about the market and considers himself as a key employee for TSS.

4.3.3 Risk management

Regarding risk and risk management, TSS has tried to keep a fairly low-risk profile in order to not have any risks. When the company decided to enter the Indian market Baggi was responsible of identifying the possible risks that they might encounter. According to Baggi, the study of the Indian market that he carried out was based on his own experience and by collecting information about the market through market and marketing analysis. The result of that study shows that one of the potential and biggest risks that they might encounter when they entered the Indian market was to find the right partner. He mentioned that TSS needed a partner that was able to produce the product with the same quality as they do in Kalmar.

“We check the quality of the product because at the end even if it has been stamped or finished by them is our name on it, so need to be sure that the quality in Sweden is the same as the quality in India.” (Alessandro Baggi, 2014-04-30)

Another requirement for the prospect partner was that they would be able to follow Trelleborg’s policies, for example against the use of child labor. Finding the right partnership has been a challenge for Baggi. According to him, the first partner was a total mistake since they were not
able to improve in the way Trelleborg required. Furthermore, Baggi suspected that this partner was not playing fair in the market which was against Trelleborg’s policies.

Baggi identified another main risk that TSS faced in the Indian market. According to him, the company had some credit problems with its customers.

“For example, if the invoice is expiring after 30 days, it means that in Indian after 30 days they start to think that they have to pay; in Sweden after 30 days they pay.”

(Alessandro Baggi, 2014-04-30)

In order to reduce the risk of unpaid invoices, TSS found out that the best solution was to invoice everything directly to its partner in India. In the contract of partnership they agreed that the partner in India would manage the cash flow inside the country, strict rules to pay were set; and finally, TSS would sell the material to the partner to a reduce price so it could cover the risk of the market that they may encounter. Furthermore, in order to prevent the possible future problems of unpaid invoices if a customer has not paid a certain amount so the company stop the shipment. This measure first allows TSS to do not increase its accounts receivable and second it forces the customer to pay because they need the material.

Changes in the Indian market are considered as a problem or risk for TSS. Baggi points out that the market in India has many times undergone changes which may affect the stock they have in the country. If the material in stock is standing there for some months it will become obsolete and be useful to be sold. Therefore, if the material becomes obsolete TSS is forced to destroy the material because it is too expensive to ship it back to Sweden. So, the company has to establish a good strategy in order to cleverly manage the stock over there. The Indian market can be also be influenced by the recently general elections in the country. The last general election in India does not mean a direct risk for the company but it could lead on to further risks. Baggi states that the automotive market could be influenced by the new government. Baggi points out that nowadays the market has become flat due to problems like the high prices of the gasoline and a lack of incentives to renew the car. Furthermore, he mentions that TSS tries to forecast trends in the market. According to him, they have forecasted an expected growth of around 5% in the Indian market for 2014, which is decrease from last year’s 10%. Therefore, Baggi points out that 2014 will not be a good year for TSS.
Environmental risks that can unpredictably happen are not considered as a threat for the current set up that TSS has in India. Baggi mentions that a flood could cause problems for TSS however their partner in India could easily stop the production in India. Furthermore, Baggi points the humidity in the Indian weather as a source of risk for TSS material since the material could easily be damaged. The prediction of other types of risks is not important for Baggi.

“Risks like these things we don’t predict, we just manage.” (Alessandro Baggi, 2014-04-30)

According to Baggi, risks are managed day by day and he associates risk management to the production in order to prevent any kind of incidents. Baggi has to follow the rules and policies set by the headquarters in Kalmar. However, the Indian partner does not have to follow TSS risk management rules regarding the production of the material. Regarding the problem of unpaid invoices, Baggi mentions that for this matter the norm at TSS is that they cannot have more than a certain percent of the unpaid invoices. Therefore, the best solution was to compromise with its Indian partner in order to find the best solution for both. Next step in risk management is the monitoring or follow-up of risks. According to Baggi, it is basically the area managers in charge of this task. However, in India it is the Indian partner the one who monitor the risks, especially regarding local customers. As previously mentioned, the payment of due invoices is identified by Baggi´s as a risk that has to be closely monitored. TSS rule for that is to have less than 7% of unpaid invoices. Therefore, Baggi follows weekly that the accounts receivable do not exceed this index. In the case that the percent of unpaid invoices is higher, then Baggi starts the process to manage the problem. Moreover, every year they produce a budget to forecast the possible sales, and then to manage the sales in relationship to the numbers forecasted in the budget.

4.3.4 Knowledge risk management

Regarding if knowledge and risk management might affect the company strategy in the Indian market, Baggi states that it does affect TSS strategy in India. Baggi points out the problems they have had regarding invoicing Indian customers since the market is requesting to invoice in local currency and TSS guidelines establish that invoicing has to be in USD or Euro.

“Sometimes it is our own rules affecting directly the business, but so far it’s not so negative, I mean it is affordable.” (Alessandro Baggi, 2014-04-30)
In the future when TSS has a technical centre they will definitely have to deal with other risks. Therefore, the company would have to improve their risk management since it is something that every company that has any sort of investment in a country needs.

4.4 HangOn

HangOn, a family-owned company based in Hillerstorp, started out their business in 1989. The company owned by the Törefors family, works with hanging, masking and handling industrial coating in order to increase the efficiency and profitability in the coating process. As HangOn develops customized solutions to their customer, they analyse different solutions in the chosen coating process in order to solve customer requirements in the best possible way. During the production a wide range of materials are used; various wire qualities, metal sheets, magnetic sheets, MDF, paper, magnetic silicone, various tapes, rubber and plastics (HangOn, 2014). The company manufactures products in their own factories and distributes to more than 40 countries around the world. The HangOn headquarters are located in Hillerstorp but they have both foreign subsidiaries and production plants in five different countries: Germany, China, The Netherlands, Great Britain and India. All together the company employs approximately 75 people around the world, of which 20 of them are employed in Sweden.

4.4.1 Approach to the Indian market

According to Törefors, HangOn is fairly new as an industrial company in the Indian market. A few years ago HangOn started direct selling their products in India, but they did not have their own business in the Indian market. However, at end of 2012 the company started out a joint venture with a local distributor in India. Törefors states that their local distributor is not just someone that they found through the Internet. Their local distributor is well-known for HangOn since one of their employees at the sales department has been in contact with the same distributor while this HangOn´s employee was working for another company. Therefore, the company considers that they have a fairly good insight of the distributor they are partnering up. Since the start-up of the joint venture, the employee has done four long business trips to India in order to strengthen the collaboration with their Indian distributor. In the beginning, HangOn´s intention with the joint venture was to own the majority of the shares, but Törefors points out that finally the company decided to own a minority of the joint venture.
4.4.2 Knowledge management

Regarding knowledge management Törefors claims that there are no specific guidelines for the employees to follow in the Indian market. However, the knowledge about the Indian market is equal between many employees in the firm. The employee from the sales department has worked within the Indian market for 15 years and has got the needed experience through other industries working in India. Hence, the only knowledge that the company needed to transfer to the employee was knowledge about HangOn’s products. Regarding the local distributor, Törefors states that since the collaboration with the distributor is a joint venture, the knowledge transfer is an ongoing and continuous process. It is important for HangOn that employees in India are acquainted with HangOn’s products. Therefore, Törefors points out that HangOn persistently must educate its personnel in India on how the products work and how they should be handled. Designing policies or knowledge in written words is something that Törefors does not currently see as necessary. Most of the knowledge is being transferred mouth-to-mouth. Thus, the business in India today is very small with very few employees which mean that the partner must be infused with as much knowledge as possible on how to work.

“*The most frequently asked questions in the beginning from the distributor concerns to more detailed questions. Consequently, we must make him understand and endure our concept in many ways, something that we do by hanging out a lot with him*” (Petter Törefors, 2014-05-21)

Despite the fact that Törefors has been assigned a management position at the company, he does not see himself as a key employee. Due to the fact that there are many at the company that possesses knowledge about the Indian market, Törefors points out instead that the employees with more technical knowledge should be seen as the key employees for the Indian market. The technical knowledge is seen as the most essential part in this branch since the firm develops solutions to other companies. In order to improve the knowledge accessibility within the firm an intranet is being utilized. Through the intranet HangOn’s distributors are able to find necessary information about the products, both customized and non-customized. Furthermore, continuous internal courses are being held in order to transfer knowledge to new employees as well as new distributors. Besides internal courses, Törefors claims that the company has initiated conferences, which is intended to work as an optional way to train and transfer knowledge continuously between the Swedish and the Indian counterpart. The conferences are both market and technical.
Based during the conferences HangOn’s distributors from different countries are gathered and trained in order to solve problems in a specific and standard way that is required by the company. Therefore, Törefors stresses that the transferred knowledge at the conferences can be both implicit and explicit.

### 4.4.3 Risk management

Regarding risks Törefors identifies that some difficulties and risks followed the business process in India. Törefors states that internal risks as business risks arise when organizing the distribution chain; therefore, the company is highly dependent on having skilled employees during this process. Thus, the company identifies as an internal risk the loss of employees that could undermine the ongoing business. Furthermore, Törefors points out that currently the company has not developed any system if payment problems would arise. The company put much trust in their Indian distributor when it comes to getting the payments in time. Törefors further argues that due to the company size and the fact that they produce such small quantities, left out payments does not affect HangOn’s internal economy.

“We deliver a very small quantity, so as long as we monitor the payments ourselves, we won’t lose that much money. We might come across one or two credit losses, but due to the way we are selling, we don’t consider ourselves being prone to a substantial credit loss. However, it is necessary to have a well-functioning system for payments; otherwise you might be exposed to one to many unpaid invoices” (Petter Törefors, 2014-05-21)

However, Törefors has observed some external risks that might arise throughout the distribution process in India. There will always be customers that the company should not deal with; many times it is all about finding the right business segment to work in. Then there are always the political risks. Since laws and regulations in India constantly changes, the company cannot be sure that the governmental rules and regulations see to the best for Swedish companies. Hence, this could result in a market shift that affects HangOn in a negative way with a declining business in the Indian market.

According to Törefors, HangOn have close contact with the Swedish trade and invest council. It is through this organization that they have been able to identify many risks on the Indian market.
However, Törefors claims that it is their local distributor that identifies most of the risks since it possesses the most significant knowledge about the Indian market and its risks. Thus, no written guidelines have been setup to handle potential risks. According to Törefors larger companies might have policies and guidelines on how to handle risks, but not for SMEs such as HangOn. Using guidelines and policies is a rather abstract concept for small firms. It does not come naturally. Törefors states that due to HangOn’s size, potential problems and risks are to a large extent easy to identify. If unexpected risks would arise, the company would together with the distributor deal with the problem immediately. Furthermore, Törefors states that the owners of the firm are very dedicated in the business and they continuous strive to be successful. Hence, since it is a family owned company the dedication becomes more special than for others.

4.4.4 Knowledge risk management

According to Törefors, one cannot discuss knowledge and risk management as a concept on how they affect a firm's strategy. Knowledge and risk management are something that is implemented among firms while avoiding taking larger risks than the firm is capable to.

“With time you try to learn from previous mistakes and constantly strive to become better.”

(Petter Törefors, 2014-05-21)

However, it is hard for the firm to be sure of everything. The companies need to evaluate the factors that are necessary to succeed in the market, and thereafter be prepared to re-evaluate them in order to keep themselves on track. Hence, it is essential to continuously obtain knowledge and not give up when things does not work. It is all about striving for a continuous development. Therefore, better knowledge can help companies to manage risks. Törefors points out that knowledge and risk management helps companies to survive in new markets, it is a prerequisite for companies.
5. Analysis

In this chapter the three main subjects knowledge management, risk management and knowledge risk management is further being highlighted. The chapter will compile, compare and analyse the previous fields of study in empirics and theory, hence the voices of the authors will lastly finalize and connect the subjects into an entireness.

5.1 Knowledge management

Knowledge management can be described in many ways, but scholars like Grant (2010), Alavi & Leidner (2011) and Jashapara (2011) all argue that the term should be seen as an approach to how firms manage their internal factors. It can be seen as a reference frame for how to sustain competitive advantage and create value on the market. Easterby-Smith & Prieto (2008) state that there are two ways to approach knowledge management; the human process of knowledge and the technological knowledge. Out of these two approaches the authors have observed the human process of knowledge to be the most visible one. All four case companies claim that they travel constantly to India in order to understand their business partners better, but it also works the other way around. However, before entering the Indian market the authors can see that none of the case companies had any previous extensive knowledge and experience about doing business in the Indian market, except HangOn. Norden Machinery (Norden), Amokabel (AK) and Trelleborg Sealing Solution (TSS) all found their partners through fares or word of mouth. In accordance to Alavi & Leidner (2001), Jafari et al (2011) and Olsson (2002), firms, especially SMEs have to understand the various factors that impact the international performance when their environment becomes very competitive. The authors have identified that it is difficult for SMEs to acquire the relevant knowledge of the Indian market by themselves. Therefore, SMEs in most cases uses an external partner to acquire and manage the knowledge on the Indian market in order to become competitive.

The most effective and proficient way to communicate and linking together the firm own organisation is said to be through the use of intranets (Koening & Neverovski, 2008). Both HangOn and TSS has incorporated it into their information system. TSS supports Koening &
Neverovskis (2008) theory saying that the implementation of an intranet as a tool helps the firm to distribute the internal information to their employees around the world. Furthermore, for TSS the intranet also works as a platform where their employees can talk and chat to each other if they have any queries. Hence, the utilization of intranets helps the firms to reduce the tacit knowledge that arises through knowledge creation (Alavi & Leidner, 2001). In contrast to TSS and HangOn, Norden and AK have chosen not to implement an intranet system. Instead, they keep in contact with their Indian business partner through e-mail and telephone meetings from time to time, which is said to help firms to compile and transfer any explicit knowledge within the organisation (Alhawari et al. 2011). This shows that knowledge problems can be solved in different ways, however one of them more efficient than the other. Through the use of intranets it is easier for employees to transfer knowledge and solve any issue that might arise during the working process. Eliminating tools such as intranets would therefore imply an increase of tacit knowledge and weakening in efficiency.

Knowledge management within a firm is highly important as suppresses how firms have to interact internally between individuals in order to transfer both tacit and explicit knowledge within the firm (Gold et al., 2001; Durst & Wilhem, 2012; Wong, 2012). Gold et al. (2001) state that it is essential that firms store as much knowledge as possible if they want to innovate. Hence, both formal and informal interaction should be encouraged. Wong (2012) further argues that it is the managers and owners of the firm that need to transfer the knowledge, but many times due to the lack of resources managers of SMEs hardly do such a thing. Due to this, Durst & Wilhem (2012) claim that it is uncommon for other staff members to take the place of a departed employee in addition to their own workload. In worst cases, if there is no one at the firm that possesses the necessary knowledge for the position, the position stays vacant. These arguments can be supported by Norden where a sudden resignation or long-term sickness of the key employee Johansson would suppose a setback for the firm. Thus, no other employee in the firm possesses the same amount of knowledge as he does. TSS on the other hand has Baggi as their key employee for the Indian market, but he has employees helping him with the task. For a family owned business like HangOn however, there are always other managers and employees that can manage Törefors assignments. Therefore, AK states that every employee in a firm is replaceable, even if this implies a loss of knowledge there are other people that can manage the task in an equal way. Hence, the authors identify that firms do not have an extra plan if the
employee with the most profound knowledge would disappear as they consider the situation to be resolved as it comes. This theory can further be supported by Nunes et al. (2006) who claim that SMEs often lack a formal approach and use of knowledge when storing the organizational knowledge

**5.2 Risk management**

Literature about risk management does not agree about giving a definition of risk. However, a situation or probability that something harmful or unpleasant may happen is common to many definitions (ISO Guide, 2009; Aven & Renn, 2009; Oxford Dictionary, 2014). Scholars like Knight (2012) and Pender (2001) distinguish between risks and uncertainties. According to Knight (2012) uncertainties become risk when they enter into management systems. Once risks enter management systems can be identified, assessed and mitigated. Anderson (2014) stresses that risk management is about effectively manage in a risky and uncertain world. Managers´ perception of risk is crucial when companies implement risk management. Managers´ attitude towards risks are biased either towards a risk-taking attitude or a risk-avoiding attitude (Douglas and Wildavsky, 1982).

All the managers interviewed in this study agreed on the difficulties to enter a country like India but also about the many possibilities that the country provides to their companies. Therefore, in order to seize these opportunities, the solution is not to avoid risks but to manage them (Power, 2005). Firms might face with new and unknown risks during the internationalization process. Theory states that partnership and collaboration with local agents and distributors is a solution to transfer risks since it reduces market and country uncertainties (Shapiro, 2006; Freeman et al., 2006; Westhead et al., 2002). Theory and case companies´ managers agree that the absence of knowledge of the foreign market can be mitigated by the partnership with a local distributor or local firm. Regardless the business volume that the case companies have in India, a local partner has been identified by the managers as the key to enter the Indian market. The authors found that a local partner could also represent a source of risk for the company. Three out of the four case companies have encounter difficulties finding qualified partners in India. Furthermore, once the companies contacted the right local partner they had to be trained and upgraded. Local partners can be used as insurance instruments in order to mitigate, transfer or share risks (Hain, 2011, Shapiro, 2006). An example of how to transfer risk from the foreign company to the local partner
is TSS, which has signed an agreement with its partner in order to reduce the risk of unpaid invoices. This agreement states that TSS would invoice everything directly to its partner in India and the local partner would manage the cash flow inside the country.

*Credit risk* is one of case companies’ major risk in the Indian market. Firms that enter new markets and acquire new customers face the risk of loss due to not receive the debtor’s payment (Chen *et al*, 2010). Theory considers credit risk as an internal risk that organizations are able to control but not always able to predict (Anderson, 2014; Power 2005; Hagigi & Sivakumar, 2009; Chiu & Chen, 2009). As previously mention, case companies’ have identified credit risk as a major problem for them. AK points out that around 90% of the foreign companies in the Indian market are exposed to credit risk. Theory states that credit risk can be controlled from the organization. The authors found that, besides an agreement with the local partner used by TSS, a letter of credit is the most common method used to prevent credit.

Another type of internal risk is *business risk*. Business risk is considered the most important risk that companies deal with (Olsson, 2002). Miles (2010) identifies business risk with unplanned loss related with a given managerial decision. However, HangOn identifies that the loss of employees could undermine the ongoing business. Therefore, the authors have identified that these managers/CEOs interviewed are key employee. Thus, their loss could lead to business risk and consequently to economic loss for the company. Business risk can also arise if managers fail to perceive risks the Indian market. Theory states that managers’ decisions are based on individuals expertise about the company and its environment; but it is important to take into consideration individuals’ cognitive constrains (Neef, 2005; Massingham, 2010). There are different methods and sources for firms to collect updated information of the foreign country. The utilization of country risk analysis is one of the methods firms may use in order to prevent the downturns that unknown risks in the foreign market may cause to them (Collier & Pattillo, 2000). Managers in the case companies admit that they do not utilize specific any kind of tool or technique to identify risks. Newspapers, rumors in the market, information from the local partner are the most common methods that the case companies apply in order to be updated.

External risks are considered as those events that influence organizations, but they are not able to be controlled (Anderson, 2014; Hagigi & Sivakumar, 2009). External risks include among others general environmental factors as well as uncertainties related to the industry in which the firm
operates (Hagigi & Sivakumar, 2009). Moreover, Olsson (2008) mentions that external risks to organizations include market risk, country risk, political risk, industry risk, legal/regulatory risks, environmental and systemic risk as those risks that organizations cannot control. The case companies in this study have been exposed to different external risks.

Karan & Arslan (2009) state that firms in foreign countries are exposed to higher external risks, particularly political risk. Three out of four of the case companies state that India is a fairly political stable country with a consolidate democracy. However, Norden points out that terrorism in the country is one risk that companies are exposed to. Due to the explosion of bombs in the county the company the company could not show its machines to potential customers in an exhibition they were attending. Therefore, the company suffered from economical loss due to this incident. This year India has held general elections that might affect the case companies. HangOn and AK state that the elections have caused some instability in the country. However, TSS does not perceived the elections as a risk for the company but the results could be the source of future potential risks for the company.

The case companies mention two more external risks that they have been exposed to in the Indian market. These risks are reputational and country risk. Norden mentions that the company´s reputation would be damaged if their customers do not handle correctly the product. Furthermore, TSS major concern is that its local partner gets the right upgrading in order to effectively represent the company in the country. Regarding country risk, Olsson (2008) identifies this risk with a foreign currency control from governments or lack of foreign currency in the market, highly common in emerging countries. TSS is a company that has to invoice in the local currency since the market does not allow them to invoice either in Euro or USD. The authors found that the transfer of this risk to the local partner could be a solution to avoid exchange loss. A solution to reputation risk is more difficult to find; however, a successful transfer of knowledge between the case company and its customers/local partner could help to mitigate the risk.

5.3 Knowledge risk management

The link between knowledge and risk management has recently arose scholars´ attention and has become a trend topic. One of the many terms that this link has received is knowledge risk management (Massingham, 2010). Knowledge management focus primarily on coordinate operational knowledge and increase productivity, leaving aside the identification and
management of potential risks (Neef, 2005). Therefore, scholars agree that in order to achieve a better identification of risks, the implementation of knowledge management processes are necessary.

HangsOn points out that knowledge and risk management as a concept do not affect a firm's strategy. However, the company states that the utilization of knowledge and risk management arise when the firm avoids to take larger risks that they are able to manage. Furthermore, the company states that knowledge and risk management helps companies to survive in new markets. After HangsOn last statement the authors found out that even if the knowledge and risk management as two different concepts are somehow can be abstract for companies. However, in practice the companies as HangOn strive to learn from previous mistakes to become better. This is also the case of AK, which experience many difficulties when they entered the Indian market. According to AK, they made every mistake a company could do when entering a foreign market. Norden is a company that successfully could manage an ongoing risk in India due to the fact that they got a good knowledge of the country during the 80’s.

As it shown managers need to be aware of new situations and uncertainties in order to anticipate and respond to risks. Massingham (2008) points out that knowledge provides individual with better tools for understanding the nature of risk. Therefore, the authors point out that companies would benefit of the combination of knowledge and risk management, and the implementation of knowledge tools and techniques and risk management when identifying and managing both business environment uncertainties and cognitive constrains.
6. Conclusions and recommendations

In this chapter the conclusions of the study will be presented. Firstly, the conclusions section aims to answer the two research questions. Secondly, the authors will present the managerial implications. Thereafter, the limitations and suggestions for further research are described.

6.1 Conclusions

The research in this thesis has aim to answer the following research questions: 1) How do SMEs utilize knowledge and risk management to understand, and be competitive in, the Indian market?; and 2) How do SMEs apply knowledge management tools and techniques in order to identify and manage potential internal and external risks in the Indian market?

6.1.1 How do SMEs utilize knowledge and risk management to understand, and be competitive in the Indian market?

From the analysis it can be concluded that the case companies are familiar with the concepts of knowledge and risk management. Case companies agree that knowledge and risk management has a better use in MNCs due to its size and multiple resources. However, SMEs in the practice utilize knowledge management to identify and to some extent manage risk in the Indian market.

Regarding knowledge management, this is basically applied to transfer knowledge about the production, sales results, and R&D. The case companies´ are effective in transferring this kind of knowledge to the local partner, to customers and within the firm. In order to do that, the case companies apply different tools and techniques. Internet-based tools as the intranet and different software are applied by some companies to distribute the knowledge within the firm.

The knowledge about the Indian market is being storage in managers´ heads which make more difficult the knowledge transfer to the firm. Therefore, these managers that are highly specialized in the Indian market become a key employee for the firm, and their loss is a risk for the company. Regarding the knowledge about the Indian market and the risk that the company might encounter there, companies utilize different tools. The knowledge from the market is transferred by the local partner orally or via email.
The case companies consider risk management as a theoretical term that companies apply primarily to the production process, in order to avoid harmful incidents. The case companies did not utilize risk management in order to identify and manage the risks in the Indian market. However, all case companies were able to identify the major risks that they face in the country and all agree that to transfer them to the local partner is the best way to manage them. SMEs knowledge about the Indian market comes in a large extent from the local partner the information. This way of getting information about the market has its advantages and disadvantages. The advantage is that the local partner has first-hand information about what is going on in the country. However, the information that the company receives could be bias. Furthermore, the local partner perception of risk might be different from the Swedish company.

There is not unanimity regarding how the utilization of knowledge and risk management can affect companies’ strategy in the Indian market. Despite the fact that SMEs recognized that knowledge and risk management are too theoretical concepts to be applied, the case companies did apply them in a practical way. However, the case companies agree that previous better knowledge of the Indian market would help SMEs to better identify and manage the risk they might encounter in the country and therefore be competitive in the market.

6.1.2 How do SMEs apply knowledge management tools and techniques in order to identify and manage potential internal and external risks in the Indian market?

Based on the analysis it can further be concluded that the SMEs does not actively apply any tools or techniques to the company. However, some of them use the resource in shape of an intranet, but they do not utilize it to handle potential internal and external risk in the Indian market. Instead, it works as a body of knowledge for their business partners where they can gather information about the products that are being sold. One out of four companies however appear to have a live chat system integrated to the intranet. Hence, the live chat system could function very well as a tool to reduce internal and external risks where sudden obstacles and risks are being reported to the management instantly. Furthermore, it can be concluded that all four firms employ their Indian business partner due reduce the amount of internal and external risks that occurs. Moreover, continuous educating of the Indian business partners with knowledge about the
companies Swedish values and beliefs are constantly being conducted. The continuous training sessions works as a way to minimize any knowledge misinterpretations about the company and what it has to offer. Through this the Indian business partner is being guided to think in the same way as the company in Sweden. By managing internal education in Sweden, the distributor or agent can more easily accentuate the knowledge and beliefs of the company when they travel back to India.

It can further be concluded that the payments are the largest risks to handle. The majority of companies that have orders exceeding to larger amounts, utilize tools such as letter of credit in order to minimize the risks of economical loss. However, it can be concluded that most of the firms puts a whole lot of responsibility on their Indian business partner, not just to analyse the market, but to minimize the own risk when it comes to payments by sending the invoice directly to the distributor. Mainly, this strategy is used due to the fact that the Swedish firm does not have the adequate knowledge to deal with Indian customers that does not pay in time. Through the above arguments, a clear pattern can be derived from SMEs in India. Due to the fact that India in comparison to Sweden can be seen as a complicated market with rather complicated customers that seldom keep their promises, the case companies choses to use their Indian business partners to manage and identify potential external and internal risk. However, these risks are not something that they can predict as all companies take the situations as they come since they think that it is impossible to create a risk analysis in order to handle the risks that might occur. Consequently, through the analysis it can be said that risks are “learnable”, but not until the firms have been exposed to it. Therefore, risk is not something that they predict and prevent from start. Hence, the only risk that they actively work to prevent from being repetitive is the credit risk.

Managers perceive that the companies learn from their mistakes; they learn how to manage the risk through previous knowledge about the “risky” situation. Even if most managers do not acknowledge that they use knowledge management as a tool to strengthen their risk management, they unconsciously apply knowledge management tools and techniques. The analysis shows that larger SMEs are used to integrate both management systems in order to identify and manage potential risks on the market. After the analysis, it can be concluded that larger SMEs are better in the use of knowledge and risks management because they have more resources that can be
invested into the development of those systems; and at the same time these SMEs have more money at risk when working towards markets such as India.

6.2 Managerial implications
The lack of knowledge about a market often leads to risks. Managers who desire to understand and be competitive in the industry can benefit from this thesis as it shows that knowledge and risk management actively can help them to better identify and manage risks. The findings shows that risk can be learnable with the use of right tools, something that the managers actively can work with to minimize the amount of internal and external risks that occurs within the firm during the internationalization process. Therefore, managers need to recognize the importance of transfer as much knowledge as possible to other employees in order to reduce unexpected risks. Our interviews showed that the firms rarely put effort in applying tools and different techniques to reduce risk as they, mostly due to lack of time, consider it to be needless. However, our research showed that the firms can benefit from utilizing the simplest tools such as intranet in order to keep the employees in both India and Sweden updated to new knowledge as well as risk on the Indian market.

6.3 Limitations
There are some limitations in this study that need to be point out and that can affect the validity of it. The limited number of companies in this study is a drawback to generalize the analysis to SMEs. Therefore, the conclusions are only valid for the four case companies used in the study. The size of the firms is also a limitation. Although all case companies are considered as SMEs, those that are part of a multinational concern had the access to their concerns’ guidelines and tools in order to apply knowledge and risk management. Another limitation is the foreign market chosen for this study. Although this study expects to target emerging markets in general, the study has focused in particular on the Indian market. It was convenient for the purpose of this study to choose only a common market for the case companies. Finally, this study has encounter constrains as time limitation and translation problems. The time to carry out the study has been limited to less than 10 weeks, which in this case has shown to not be enough. The authors have used different tools when translating the empirical findings in order to avoid errors in the Swedish-English translation.
6.4 Further research
With this thesis we added to the knowledge about SMEs and how they through the use of knowledge and risk management can better understand and be competitive in the Indian market. Our findings showed that the theory presented by Neef (2005), where knowledge management is told to be risk management, coincide with the empirics as knowledge management is shown to create better risk management. However, most of the studies conducted on the relations between knowledge and risk management are primarily focusing on the relationship for MNCs in emerging market rather than SMEs in emerging market. Further research could therefore focus more on SMEs in emerging markets to see if utilization of knowledge and risk management is the same for SMEs as it is for MNCs. Moreover, it necessary to research how SMEs can be competitive through the use of knowledge and risk management. We have with this thesis showed that there is a relationship between these factors. However, a more extensive research needs to be conducted in order to affirm the relationship between the factors. Moreover, further research could also enquire the diverseness of SMEs knowledge and risk management when entering different emergent markets.
Reference list

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Appendix

Appendix 1: operationalization

<table>
<thead>
<tr>
<th>Field of study</th>
<th>Theories</th>
<th>Key words</th>
<th>Interview question</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tacit vs. explicit knowledge</td>
<td>Cavasausgil (2003)</td>
<td>Knowledge management, Tacit knowledge, Explicit knowledge</td>
<td>1</td>
</tr>
<tr>
<td>Knowledge Management tools &amp; techniques</td>
<td>Neef (2005)</td>
<td>Knowledge transfer, knowledge tools, knowledge techniques</td>
<td>11</td>
</tr>
<tr>
<td>Knowledge Management and employee competence</td>
<td>Desouza &amp; Awazu (2006)</td>
<td>Knowledge creation, key employees, knowledge resource management, employee interaction</td>
<td>2,3,4,5,6 &amp;10</td>
</tr>
<tr>
<td>Internal Risks</td>
<td></td>
<td>Business risk, operational risk, credit risk, managerial perception of risks</td>
<td>12, 13, 14, 15, 16</td>
</tr>
<tr>
<td>External Risks</td>
<td>Hagigi &amp; Sivakumar (2009)</td>
<td>Market risk, country risk, political risk, industry risk, legal/regulatory risks, environmental and systemic risk</td>
<td>12, 13, 14, 15, 16</td>
</tr>
<tr>
<td>Risk Management in international business</td>
<td>Hain (2011)</td>
<td>Interconnected risks Insurance methods</td>
<td>12, 13, 14, 15, 16</td>
</tr>
<tr>
<td>Knowledge Risk Management</td>
<td>Massingham (2010)</td>
<td>Learnable risks</td>
<td>17, 18</td>
</tr>
</tbody>
</table>
Appendix 2: Interview guide (English version)

General information

1. How old are you?
2. What kind of higher education do you have?
3. How many years have you been working in the company?
4. What position do you have in the company and for how long have you had the position?
5. How long have you personally worked with the Indian market?
6. What kind of tasks do you have while working towards the Indian market?
7. How long has the company operated in the Indian market?
8. How many employees working in the Swedish office are involved in the Indian market?

Knowledge management

9. How does your company assimilate and apply new knowledge? Ex: new policies, rules, internal education
10. Who else except you have the required knowledge about the Indian market?
   • If anyone else than the interviewee: What kind of requirements do you have when employing the staff for this task?
   • if no one else: Do you consider yourself as a key employee?

11. What kind of KM tools and techniques does your company apply to:
    • transfer knowledge (tacit-explicit) to decision makers/employees
    • improve knowledge accessibility (internet/intranet)
    • embed knowledge in controls and processes
    • generate new knowledge?

Risk management

12. What potential risks does your company face in the Indian market?
   - internal?
   - external?
13. What kind of tools/guidelines does the organization use/apply in order to:
   - identify
   - quantify/assess
   - manage
   - follow up/monitor those risks?

14. Who is (Sweden/India office) in charge of identifying, quantifying/assessing, managing and following up those risks?

15. How does your company predict future potential risks?

16. How does your company deal with unexpected risks?

**Knowledge risk management**

17. How does KM and RM affect the company’s strategy in the Indian market?

18. Do you think that KM and RM can help your company to survive in the Indian market?