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MASTER THESIS



CUSTOMER VALUE CREATION

How do External Factors Influence SME's Customer Value Creation in a New Foreign Market? A Case Study of Axelent A.B.

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ABSTRACT

When companies go international some factors present in the host country act like forces that might drive the company to standardize or adapt its strategies. The choices between to standardize or to adapt to local needs are of a great importance, since it can have significant impact in the company's performance in the foreign market. In this paper these forces are characterized in country specific and industry specific factors. The aim of this study is to investigate the influence of external factors in the customers' value creation in a new foreign market, under standardization and adaptation strategies. In order to fulfill the purpose of the paper, a qualitative research was conducted using a single case study of a Swedish SME, focusing on a single product, namely *machine guarding*, in connection with one foreign market, Brazil. The study shows that the factors that were most influenced in the customers' value creation were social/cultural aspects and competition, which tend to lead the company to adapt in order to fulfill local needs and to react to the competitiveness. It was also presented that economic factors and market size did not represent any influences in the standardization or adaptation strategies of the company studied. However, other external factors, as technological, political/legal and industry structure, have shown impact to some degree, whether in adaptation or standardization strategies.

Key Words: adaptation, country factors, customer value creation, external factors, industry factors, standardization.

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1. INTRODUCTION

The first chapter introduces a background to the topic investigated in this study. The background gives the reader a familiarity with the topic to further presenting the problem discussion and narrowing it to the research question. Thus, the research question guided the whole study. Finally, the purpose of the research and delimitations have been presented.

1.1 BACKGROUND

Internationalization is a vital step when companies want to go beyond domestic boundaries, expand markets, seek opportunities and/or have competitive advantages. Entering into foreign markets may also be a response of the companies' desire to exploit opportunities on a broader geographic scale (Douglas & Craig, 1995). Due to globalization, the homogenization of markets and the increasing of competitors, foreign markets have become a more attractive field, especially for companies looking for growth.

When entering into a new foreign market it is important to consider the factors that surround the company in this new country. For instance, a company may face different types of economies, varying in accordance to the country's development. Several other issues might arise, which influence in the performance of the company in this market. One of the most important decisions that a company might discuss is whether to standardize or to adapt its products when offering to local customers (Doole & Lowe, 2008).

The standardization approach relies on the strategy of offering the same product/service in the same way across different markets (Doole & Lowe, 2008). The standardization strategy is seen as a globalization trend (Theodosiou & Leonidou, 2003). This strategy becomes viable when a product meets universal needs (Levitt, 1983). Furthermore, it has been discussed that the global marketplace has been homogenized with standardization strategies (Ibid).

At the same time that globalization integrates worldwide economies, another perspective arises, which is the adaptation to the local needs (Doole & Lowe, 2008; Czinkota & Ronkainen, 1995). Cavusgil, Zou and Naidu (1993) argue that differences among countries emerge regarding cultural, political and economic differences, which require adaptation to local market conditions. According to Theodosiou and Leonidou (2003), the contextual factors that encourage a company to choose adaptation, are related to environmental, market, customer, competition, product, industry, organizational and managerial aspects. Moreover, adaptation strategy responds to local conditions (Douglas & Craig, 1989).

When discussing standardization and adaptation it is also important to mention that every product must be adapted in some degree (Doole & Lowe, 2008). The main issue regarding the decision whether to standardize or adapt the marketing strategy in order to seek superior business performance, will depend on the set of circumstances that a firm is confronted with, within a particular foreign market, at a specific period of time (Theodosiou & Leonidou, 2003). Besides, as commented by Jain (1989) the final circumstance of the marketing strategy, standardization or adaptation, depends on its performance outcomes, which can be seen as the value added to the customer from its implementation.

Concerning customer value creation, some authors define it as the trade between the sacrifices made by the customer and benefits received (Menon, Homburg & Beutin, 2005; Woodruff, 1997). In this extent, customers that are looking for benefits must be willing to pay the price required for a product offered. Some factors also play an important role in the customer value creation when picturing standardization and adaptation strategies. For instance, cultural factors are one of the most sensitive factors that describe the customer's perspective and also the customer buying behavior (Ravasi, Rindova & Dalpiaz, 2012). These factors might influence the way a company will act in a new foreign market.

1.2 PROBLEM

Within international marketing, controllable and uncontrollable variables emerge when operating across a number of foreign countries. These variables compose the complexity of operating in international markets. Hence, the type of strategy adopted in the foreign market, as an attempt to deal with the complex environment, will define the overall performance of the company in the foreign market (Doole and Lowe, 2008).

One challenge faced by the company when operating beyond its home market is whether or not to adapt to local requirements (Doole & Lowe, 2008; Czinkota & Ronkainen, 1995). It has been shown as a challenge for international companies to determine which specific strategic elements are feasible or desirable to standardize or to adapt, under what conditions and in which degree (Theodosiou & Leonidou, 2003). Each country and each industry has its own characteristics that may have an influence on customer value creation. As cited by Cavusgil, Zou and Naidu (1993) adaptation is prioritized in a company when considering the different cultural, economic, political and legal issues, as well as the customer values and preferences. As discussed by Ravasi, Rindova and Dalpiaz (2012) the cultural perspective should be considered when identifying the means to seek customer value creation.

Researchers have been arguing that the company's decision for standardization and adaptation strategies is related to a number of factors that influence the performance of the company in a foreign market (Cavusgil, Zou & Naidu, 1993; Cavusgil & Zou, 1994; Jain, 1989; Theodosiou & Leonidou, 2003; Yakhlef, 2010). These factors are considered as background forces that influence the company's decision to standardize or to adapt the international marketing strategy (Theodosiou & Leonidou, 2003). The choice between standardization and adaptation seems to have a serious impact in the company's financial performance and competitiveness (Leonidou, 1996).

When verifying the theories around standardization and adaptation strategies, a number of studies have been discussing external factors affecting these phenomena (Cavusgil, Zou & Naidu, 1993; Cavusgil & Zou, 1994; Jain, 1989; Theodosiou & Leonidou, 2003; Yakhlef, 2010). However, there is still a lack of studies that connect these external factors with customer value creation in a new foreign market. By answering the research question this study investigates the influence of external factors affecting standardization and adaptation strategies, creating customer value for the host market.

Taking into consideration the importance of the country and industry specific factors, influencing

the customer value creation in an international context, the aim of this paper is to answer the following research question:

How do external factors influence SME's customer value creation in a new foreign market?

1.3 PURPOSE

Considering the importance to fulfill customers' needs and the different aspects founded in a foreign market, the purpose of this paper is to investigate how external factors act as driven forces affecting standardization and adaptation strategies, in order to create customer value in a new foreign market.

1.4 DELIMITATIONS

This study considers Brazil as the foreign market analyzed. The country was chosen due to personal affiliation from the researchers. Moreover the researchers have an implicit knowledge of business in Brazil, the industry structure and especially the culture of the country, which provides good insights about practices and differences regarding the country. Brazil is a developing country, which has been receiving worldwide attention in the past years. This attention has been especially due to its fast growth rates, as well the election of Brazil as host of important international events. According to Goldman Sachs Group (2003), it is expected that in the future, Brazil will be among the world's largest economies.

The selection of the company was made with help of the professor responsible for supervising this paper who made the first contact with the company. Furthermore, the choice of the company matched with the fact that the researchers are naturally from the host country analyzed. They are currently living in the home country of the company and by experience have noticed differences between the two countries in daily life. Both researchers have background knowledge in the area in which the company operates, which consists of the automation industry and the relationship with occupational health and safety legislation. Since the company is based in Sweden and they showed an interest in the Brazilian market, the researchers found it interesting to analyze the differences in business relations. The company develops, manufactures and sells machine guarding, warehouse partitioning, anti-collapse and property protection. In the present time the company is trying to open their own subsidiary in Brazil. Hence, the company presented the information and experiences needed to develop this study.

To be able to address the research purpose and the research question, this study focused on country specific and industry specific factors that a company may face when entering into a new foreign market. It is seen that these external factors have a great impact on standardization and adaptation strategies. Furthermore, this study is limited to B2B¹ context and focused on SMEs²,

¹ B2B (business-to-business) are companies that commercialize products or/and services to other businesses rather than to consumers (Doyle, 2011).

² Small and Medium-sized Enterprises (SMEs) are defined by The European Commission (2014) as those enterprises with less than 250 employees, with turnover up to € 50 million a year.

as the case in the study also consists of a small born global³ enterprise.

³ Born global are companies with early internationalization (Rialp, Ria & Knight, 2005; Doole & Lowe, 2008). One of the most used definitions of born global is presented by Knight (1997), which refers to companies established after 1976, with foreign sales accounting 25% or more.

2. THEORETICAL BACKGROUND

This chapter presents the theoretical background divided into literature review and theoretical framework. In the literature review it was shown what has been discussed around the topic of the present study. Further in the chapter a theoretical framework based on several collected theories has been presented.

2.1. LITERATURE REVIEW

The literature review was characterized in two headlines: standardization and adaptation and value creation theories. These topics are the most discussed in the paper and as follows it was presented the external factors as background forces that influence customer value creation.

2.1.1 STANDARDIZATION AND ADAPTATION

Several authors argue that the company's decision of whether to standardize or adapt to a local market needs, is related to a number of factors that influence the performance of the company in a foreign market (Cavusgil, Zou & Naidu, 1993; Cavusgil & Zou, 1994; Jain, 1989; Theodosiou & Leonidou, 2003; Yakhlef, 2010). Regarding this topic, external factors, such as environmental and industry factors, are mentioned by some scholars (Cavusgil, Zou & Naidu, 1993; Cavusgil & Zou, 1994; Craig & Douglas, 1996; Yakhlef, 2010; Hitt, Ireland & Hoskisson, 2013) whereas internal or organizational factors are also pointed out when discussing the topic (Jain, 1989; Craig & Douglas, 1996). Even though this study has its focus on external factors, divided into industry and country specific, it was considered relevant to note that there are studies that bring internal factors into the adaptation and standardization strategies.

Both strategies of adaptation and standardization present benefits, which are crucial when defining the extremes of whether to standardize or to adapt and/or in which degree. For the advocates of standardization, the globalization of an economy's integration is highlighted and also the benefit of lowering the overall cost with economies of scale (Buzzell 1968; Czinkota & Ronkainen 1995; Levitt, 1983). Using adaptation strategy is relevant when taking into consideration aspects such as different usage, governmental and regulatory influences, competitors, cultural factors and mainly differences in the consumer behavior pattern (Doole & Lowe, 2008; Czinkota & Ronkainen, 1995). Furthermore, some scholars (Yakhlef, 2010; Zou & Cavusgil, 2002) have implemented the standardization and adaptation strategies bringing a new perspective to the topic. Yakhlef (2010) divides standardization and adaptation of products as non-listen and listen strategies, where non-listen strategies do not fulfill the local needs; and listen strategies are used to adapt due to local needs. Besides, the author even brings a new perspective, which is the transformation of the environmental context, which recognizes and complements the standardization and adaptation approaches (Yakhlef, 2010).

Furthermore, external factors might affect the performance of the company in a foreign market, which address to adaptation and standardization strategies (Cavusgil, Zou & Naidu, 1993; Cavusgil & Zou, 1994; Jain, 1989; Theodosiou & Leonidou, 2003; Yakhlef, 2010). For each factor, some company's strategy is expected. Thus, on table 1 the expected influence of each factor regarding standardization and adaptation strategies is shown.

Table 1 - Expected strategy within standardization and adaptation

	Factors	Expected strategy	Cited by
<i>Country Specific</i>	Social/Culture	Adapting to fulfill the local needs and specifications.	Baack, Harris and Baack (2013)
		Adapting due to differences in the customers' preferences in different countries.	Johnson and Arunthanes (1995)
	Technological	Standardize when having high technology levels, since it tends to be acceptable worldwide.	Cavusgil and Zou (1994)
		Standardize just if have an elevated rate of technological changes (i.e. microchip industries).	Samiee and Roth (1992)
	Political/Legal	Adaptation due to the government differences between the domestic and the host market.	Johnson and Arunthanes (1995)
		Adaptation due to legal aspects (packing specifications, usage instructions, measurement units, product features).	Czinkota and Ronkainen (1995)
	Economic	Adapting so the product can be affordable in the local market.	Czinkota and Ronkainen (1995)
		Adaptation due to differences in the market infrastructure.	Johnson and Arunthanes (1995)
<i>Industry Specific</i>	Market Size	The larger the market, more adaptation is required.	Theodosiou and Leonidou (2003)
		Similar markets might present successful standardized strategies.	Dahringer and Muhbacher (1991)
	Competition	The presence of some competitors leads to local responsive posture related to product adaptation .	Prahalad and Doz (1987)
		The intensity of the competition is positively related to product and promotion adaptation .	Cavusgil, Zou and Naidu (1993); Johnson & Arunthanes (1995).

Factors	Expected strategy	Cited by
	Standardization as an attempt to offer lower prices to seek a competitive advantage.	Levitt (1983)
Industry Structure	Technology-oriented industries tend to have standardization strategies to allocate the vast costs of R&D.	Cavusgil and Zou (1994); Cavusgil, Zou and Naidu (1993)
	Adaptation used as a differentiation strategy.	Porter (1985)
	Standardization to reduce production costs.	Czinkota and Ronkainen (1995); Doole and Lowe (2008); Buzzell (1968)

Source: Own table.

Besides the theories presented above, Zou and Cavusgil (2002) pointed out a different extent while discussing global marketing strategy that is the configuration strategy, which relies on the company's management of value chain activities. The authors assert that the configuration of the value-chain activities of a company depends on the exploitation of the synergies of different countries (Ibid).

2.1.2 VALUE CREATION

When analyzing the theories towards customer value creation, it is possible to identify a number of different variables analyzed by different authors. According to Keränen and Jalkala's (2013) studies, one of their findings says that the starting point that defines how the supplier can add value to its customers is by identifying their needs. Other authors search for strategic value beyond the cost/benefit conception, as for example Biggemann and Buttle (2012) that consider four dimensions in the business relationship value: personal, financial, knowledge and strategic value.

Recent studies have divided customer value into tangible aspects, that are considered the value of the goods and services and intangible ones, that consider the relationship between buyer and seller, also known as monetary and non-monetary aspects (Lindgreena & Wynstra, 2003; Biggeman & Buttle, 2012, Lindgreen, Hingley, Grant, & Morgan, 2012). Authors are bringing into focus intangible aspects on the customer value creation (e.g. Ulaga & Eggert, 2006). For instance, Eggert, Ulaga and Schultz's (2005) study about the customer value creation through relationships (intangible) shows that the longer the cycle of the relationship, the higher value has been created by the customer, towards the supplier, as in relation with the service support and personal interaction given by the supplier.

On the other hand, some authors tend to focus on the monetary impact of the customer, by creating tangible value (e.g. Doyle, 2000). Especially in B2B markets, companies are focusing

more on offering whole of products and services, in order to create value to the customer (e.g. Windahl & Lakemond, 2010).

Some studies have also brought companies' internal aspects that might have an effect on the creation of value to the customer and the focus on the fact that companies need help to be more value creation-oriented (Woodruff, 1997). Moreover, the authors have studied the companies' external factors as the main subject on the creation of value to the customer. For instance, in country specific factors, it is possible to verify the importance of culture and its symbolic importance when creating value to the customer, as it changes among different countries (Ravasi & Rindova, 2004, Ravasi, Rindova & Dalpiaz, 2012).

Furthermore, when considering a company in an international context, Sainio, Saarenketo, Nummela and Eriksson (2011) conclude in their study the importance of customer value by adding partner relations in the host country, as those may provide the market knowledge for the company, as well help on the value-adding services.

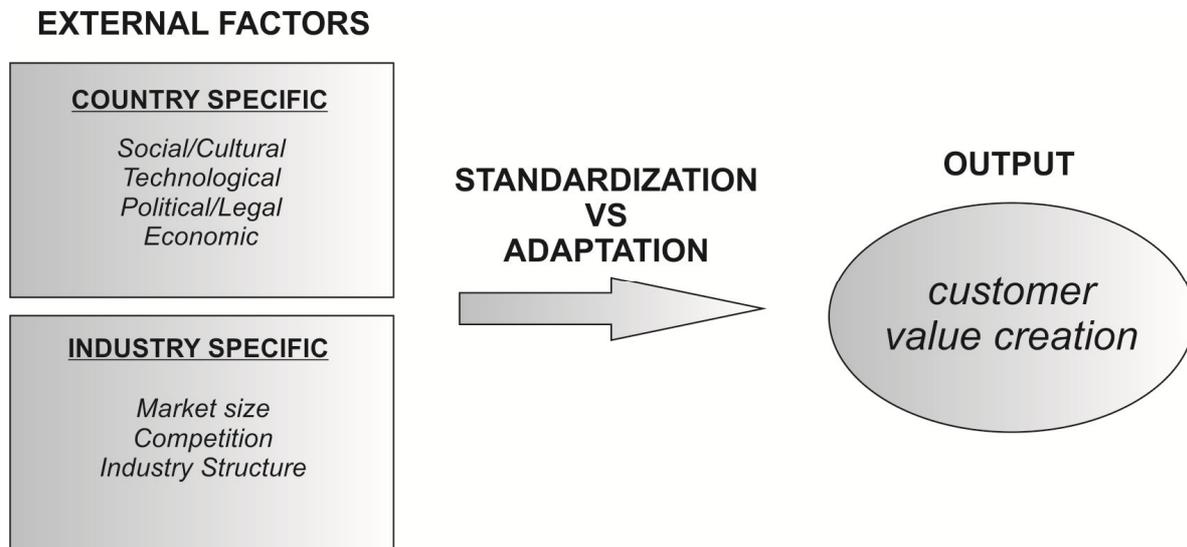
When validating the theories in this area, it is possible to identify that many authors rely on the value creation as differential for companies, creating a competitive advantage towards its competitors (e.g. Woodruff, 1997). It also relies on the value creation through the relationship between buyer and seller (e.g. Ulaga & Eggert, 2006). However, just a few of them bring external factors affecting the creation of value (Ravasi & Rindova, 2004; Ravasi, Rindova & Dalpiaz, 2012). There is also insufficient research that analyzes these external factors when influencing standardization and adaptation strategies in overseas markets with the aim of creating customer value. This study wants to investigate the external elements, both industry and country specific factors, when affecting standardization and adaptation strategies, in order to create value to the customer in a new foreign market.

2.2 THEORETICAL FRAMEWORK

Through the literature review it was possible to build the model presented in the figure 1 that is composed of three variables: external factors; standardization and adaptation; and output (customer value creation). The framework is contextualized by born global SMEs within a B2B context. The construction is addressed to the standardization and adaptation strategies that operationalize in the company's actions the attempt of creating value in the host country.

For the purpose of this study, just the external factors that are characterized in country and industry specific factors were considered. These external factors are considered as background forces that influence the firm's decision to standardize or adapt its international marketing strategy (Theodosiou & Leonidou, 2003). Within country specific factors are discussed social and cultural differences, technological, political, legal and economic factors faced by the company when deciding to explore a new foreign market. Within industry specific factors are discussed the characteristics of the industry, such as market size, competition and industry structure of the market. It is argued that both, country and industry specific factors, act in the standardization and adaptation strategies with the aim of creating consumer value in the host market. As the chapter follows, each factor is briefly explained, as well the standardization and adaptation strategies and value creation concepts.

Figure 1 - External Factors in the Process of Value Creation



Source: Own figure.

2.2.1 COUNTRY SPECIFIC FACTORS

When entering in a new foreign market a company may face a number of factors within the host country, which might influence the way they will act in the market (Ferrel & Hartline, 2002). These external factors, such as cultural, social, legal and economic factors are generally uncontrollable and refer to all external environmental factors that might impact in the company's functionality (Ghuri & Cateora, 2010; Kotler, 1991; Todd & Javalgi, 2007).

In order to study the variables surrounding this issue the environmental factors have been analyzed through a tool called PEST analysis, which consists of the following factors: social/cultural, technological, political/legal, economic characteristics of a country.

2.2.1.1 Social/Cultural

A country may differ among others in a vast list of factors, making them unique and a subject of study. Each country has its own beliefs and cultural expressions that might influence the consumers' behavior, as well in the way they see a product utility (Doole & Lowe, 2008; Baack, Harris & Baack, 2013). When considering a local culture, it is also important to emphasize possible adaptations in order to avoid misunderstandings with the local language and interpretation (Doole & Lowe, 2008). By these factors it is possible to consider communication as a fundamental issue in the relationship between companies and customers. Ghauri and Cateora (2010) and Baack, Harris and Baack (2013) emphasize that is truly important to understand the local language in order to have a successful business.

Furthermore, according to Czinkota and Ronkainen (1995), the education will also affect the company in the host country by the level of training of its employees, as well, the way of presenting its products for the customers. For instance, in a country with low rates of literacy the

company may opt for visual aids (Ibid).

When concerned with business practices in a business-to-business context, the interactions of the parts involved are very significant and more complex (Doole & Lowe, 2008). Some differences can arise when negotiating with different cultures. For instance, Helgesson (2009) considers how the internal decision process works and whether the agreement is clearly explicit or implicit as important factors when negotiating with different cultures. In which way the internal decision process works, depending on who makes the decision, if by collectivism or by the top management (Helgesson, 2009).

The differences in business practices are mostly related to the cultural factors that surround the international business. Baack, Harris and Baack (2013) believe that in order to understand local culture, a company must find a local partner in order to help the company in this process.

When dealing with different cultures, it is expected that companies adapt their products in order to fulfill the local needs and specifications (Baack, Harris & Baack, 2013). Johnson and Arunthanes (1995) believe that differences in the customer preferences among different countries may affect the product adaptation. Also, a business will just be successful when understanding the local culture and responding to these changes (Ghauri & Cateora, 2010). Since being able to create value to the local market, it is important to understand and fulfill customers' needs and requirements.

2.2.1.2 Technological

Advances in technology took the companies' functionalities to another level, improving their management capabilities (Doole & Lowe, 2008). The technological factor is related to the technical infrastructure of the host country and its accessibility to modern technology, also important is the local consumers' capability to handle this new technology (Ibid). According to Hitt, Ireland and Hoskisson (2013) a country's level of technology can be perceived through new products, materials and/or processes. Furthermore it is suggested that early adopters of a new technology tend to have a higher share of the market (Ibid).

Cavusgil and Zou (1994) believe that industries with a high level of technology have a tendency to standardize their products, since it tends to be acceptable worldwide. Samiee and Roth (1992) claim that product standardization is applicable just to industries with an elevated rate of technological changes. According to Levitt (1983), standardized products offer reliability. Since the product is consistent among all the markets, offering the same standard and quality, the company is able to offer reliable products to the customers.

2.2.1.3 Political/Legal

Legal aspects may affect the role of the product and/or service of a company in the host country (Czinkota & Ronkainen, 1995; Ferrel & Hartline, 2002). Doole and Lowe (2008) and Baack, Harris and Baack (2013), argue that most simple aspects of a product may be affected by a local legislation. The legislation can, for instance, influence the way or material used for packing the product, or even can influence the entire marketing mix, which consists of product, price, distribution and promotion (Doole & Lowe, 2008; Baack, Harris & Baack, 2013). On the other

hand, Czinkota and Ronkainen (1995) argue that laws and regulations are not always made to inhibit a company's action in the host country, therefore some of them may present opportunities for the company. For all the reasons mentioned above it is of extreme importance for a company to know and understand which regulations and laws they are getting into (Ferrel & Hartline, 2002; Ghauri & Cateora, 2010).

Political stability is directly related to the government attitudes towards its own country (Baack, Harris & Baack, 2013; Czinkota & Ronkainen, 1995; Dow & Lowe, 2008; Ghauri & Cateora, 2010). When considering unstable politics, where the government tends to change the regulations constantly, the risks faced will be higher in the host country (Doole & Lowe, 2008). According to Doole and Lowe (2008) and Czinkota and Ronkainen (1995), when a country puts into practice political actions it may affect a product characteristic and its prices or, moreover, a specific foreign company and specific country that is exporting.

Considering legal and political aspects of the host country, when choosing whether to adapt or standardize the product, both issues are influential in the adaptation of products (Baack, Harris & Baack, 2013). Johnson and Arunthanes (1995) believe that adaptation is due to the government differences between the domestic market and the host market. Czinkota and Ronkainen (1995) state that legal aspects such as packing specifications, usage instructions, measurement units, product features and others, make the company choose to adapt in order to fulfill the local specifications. In order to be able to be present in certain markets, it is important that the company fulfill some requirements, by that they are able to sell in the market desired, as well avoiding government interference.

2.2.1.4 Economic

According to Doole and Lowe (2008) and Baack, Harris and Baack (2013), the economies can be divided into developed, emerging and less developed. In the internationalization process it is important for a company to be aware and understand how this specific economy behaves and develops (Doole & Lowe, 2008; Ferrel & Hartline, 2002). Doole and Lowe (2008) also point out that besides understanding the development of the host country economy, it is important to verify how it may affect the company's marketing strategy.

Some developing economies such as Brazil, Russia, India and China, are becoming more powerful economies and are gaining the attention of bigger economies (Baack, Harris & Baack, 2013; Czinkota & Ronkainen, 2012).

The economic level of a country also points to the Gross National Income (GNI) per capita. The consumers' income around the world varies between extremes. Such differences are what challenge companies when entering into a new foreign market, in relation to identification of a target market with the purchasing power needed and especially when developing the right marketing strategy (Doole & Lowe, 2008).

Czinkota and Ronkainen (1995) believe that the economy also influences the level of adaptation of a product, by saying that in countries with low incomes, this may lead the company to simplify the product, in other words, adapt so the product can be affordable in the local market.

Johnson and Arunthanes (1995) state that the product adaptation is due to differences in the market infrastructure. Within this information, it is possible to perceive that in order to create value in the new foreign market, a company must have the knowledge of which type of economy they are entering, as well understand the local capacity, making it possible for the local market to purchase this product.

2.2.2 INDUSTRY SPECIFIC FACTORS

Besides country specific factors, it is also important to consider all the industry specific factors surrounding the company. Industry features may influence several factors in internationalization and thus on the standardization and adaptation strategies. Andersson (2006) referred to studying internationalization within different industrial contexts. Industry specific factors relate to characteristics of business of the environment in which a company operates (Todd & Javalgi, 2007).

Considering industrial levels, they are explored as factors influencing a company's strategies in a new foreign country: the market size, competition and industry structure.

2.2.2.1 Market Size

Scholars have been reinforcing the importance of market size in the selection of the host country, when a company decides to explore opportunities abroad (Russow & Okoroafo, 1996; Sakarya, Eckman & Hyllegard, 2007). Market size is related to the number of potential customers present in the market (Campbell & Hopenhayn, 2005). Furthermore, studies have shown that market influences on the firms' performance on the local market (Melitz, 2003; Melitz & Ottaviano, 2008). Bigger markets tend to offer high levels of product variety, presenting more competitive firms (Melitz & Ottaviano, 2008). With more companies on the market, the higher the effort that a company needs to make to survive and succeed on the market (Melitz & Ottaviano, 2008).

According to Theodosiou and Leonidou (2003), market size determines the demand potentials in a foreign market. Market size has also great influence over marketing strategy. The larger the market, more adaptations are required, mainly on aspects related to the promotion actions, in order to fulfill the demand (Theodosiou & Leonidou, 2003). Furthermore, it is likely that similar markets present successfully standardized strategies, which influence the positive performance of the company at the foreign market (Dahringer & Muhbacher, 1991).

2.2.2.2 Competition

Competition relies on the degree of rivalry between companies. The comparison of local and multinational competitors relates to the market structure. The presence of some competitors in some significant markets, which reflects in investment intensity, technology, cost reduction pressures, universal needs for raw materials, differences in customer needs and distribution needs, substitutes and productions adaptation, market structure and host government, leads to local responsive posture (Prahalad & Doz, 1987). According to Cavusgil, Zou and Naidu (1993) and Johnson & Arunthanes (1995) the intensity of the competition is notable and positively related with product and promotion adaptation. Standardization strategies are positively related

to the attempt to lower prices in order to bring competitive advantage (Levitt, 1983).

2.2.2.3 Industry Structure

The industry structure is related to the strategy chosen by the company on how it operates at a certain market (Porter, 1985). The dynamic of the industries is shaped by a set of contextual factors that characterize a group of companies (Boter & Holmquist, 1996). For instance, in the context of companies that are technology-oriented, there is a trend for standardization strategies, mainly in products, considering the need of allocate the vast costs in research and development over the products (Cavusgil & Zou, 1994; Cavusgil, Zou & Naidu, 1993). Furthermore, within the industrial goods industry, it might require a more standardized approach, due to the fact that purchasing decisions are based on 'rational' rather than 'emotional criteria' (Cavusgil, Zou & Naidu, 1993).

Differentiation and cost leadership are the main strategies that address to industry structure and competitive forces. Differentiations are earned by strengthening parts of the product, service, or marketing mix (Doole & Lowe, 2008). It typically requires systematic incremental innovation to continually add value. The cost of maintaining high levels of differentiation over competitors in a number of international markets, can be demanding of managing time and financial resources (Ibid).

Several authors bring standardization as a strategy to reduce production costs (Czinkota & Ronkainen, 1995; Doole & Lowe, 2008; Buzzell, 1968). As presented by Buzzell (1986) one of the benefits of opting for standardization is related to economies of scale. Furthermore, Porter (1985) presents in his studies the usage of cost leadership strategy in markets with price-sensitive customers, where the lowest cost is the most important.

2.2.3 STANDARDIZATION VS ADAPTATION

When thinking about internationalization, one of the first decisions of a global marketing strategy relies on the modifications that are needed or warranted (Czinkota & Ronkainen, 1995). It is a question of two extremes, of whether to standardize in a global marketing context or to adapt it to address to local differences and expectations (Doole & Lowe, 2008). Both Czinkota and Ronkainen (1995) and Doole and Lowe (2008), bring Buzzell (1968) when presenting the benefits of using a global strategy, such as in economy of scale, faster accumulation that can help to gain effectiveness and reduced cost of design. Czinkota and Ronkainen (1995) also pointed out the economic integration and global competition, as a beneficial point of standardization. On the other hand, every product must be adapted in some degree to supply local needs (Doole & Lowe, 2008). Some factors that encourage adaptation are different usage, governmental and regulatory influences, cultural factors, differences in the consumer behavior patterns and local competitions (Doole & Lowe, 2008; Czinkota & Ronkainen, 1995).

In practice, the strategy most used by firms is the combination of standardization and adaptation (Doole & Lowe, 2008). Zou and Cavusgil (2002) discuss three perspectives of global marketing strategy: the standardization perspective; the configuration perspective; the integration perspective. In this approach, standardization is the global marketing strategy across different

countries with regard to product offering, promotional mix, price and channel structure. The second perspective is about configuration, which is one of the major strategies that focuses on the configuration and coordination of a firm's value chain activities. In other words, it is about the exploitation of the synergies of the different countries and configures its value-chain activities in different markets. Furthermore, the third perspective concerns an integration perspective that relies on the gaining of competitive leverage on the efficient integration of the firm's competitive campaigns across the participation in the major world markets. This view reflects on the firm's decision of whether and how to adapt its activities in order to add value to its activities (Zou & Cavusgil, 2002).

2.2.4 VALUE CREATION

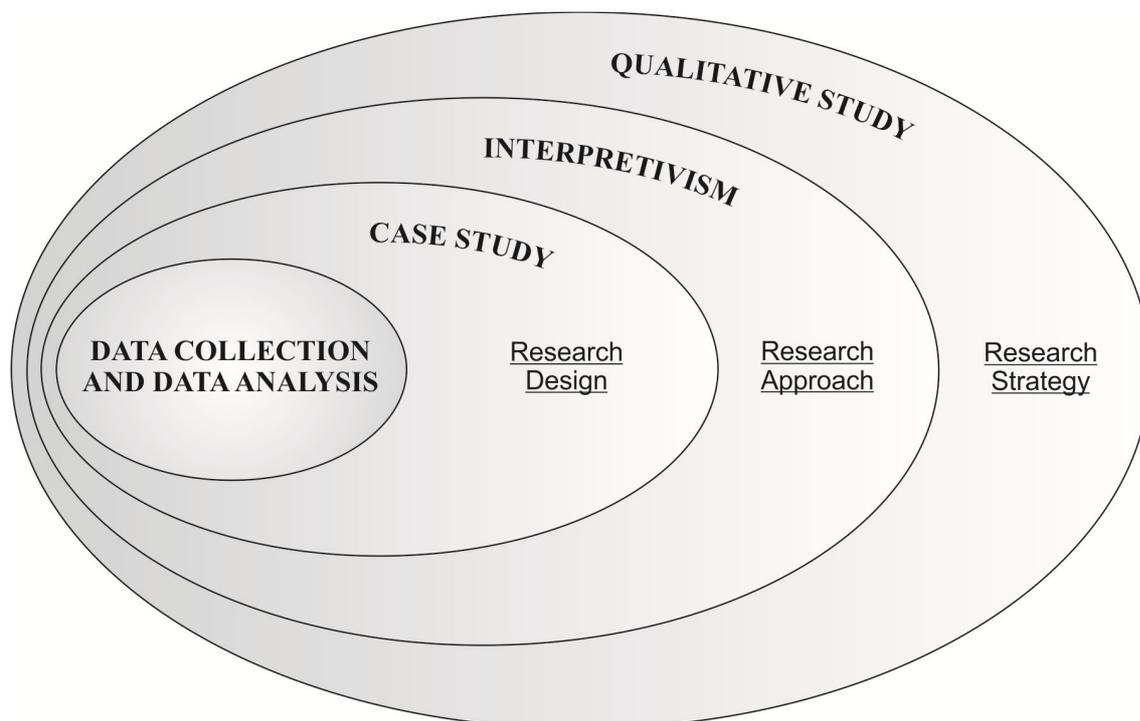
When defining customer value, the authors usually explain that it is a trade-off between the parts, which can be handled through benefits received and sacrifices that have to be made (Menon, Homburg & Beutin, 2005; Woodruff, 1997). For Czinkota and Ronkainen (1995) in a consumer perspective, the value created on a product is directly related to the level of their needs and expectations that will be fulfilled. In accordance with this point, looking also through a business-to-business context, it is important for the supplier to know and understand their consumers' needs in order to be able to create value (Ulaga & Eggert, 2006).

According to Ravasi, Rindova and Dalpiaz (2012) the cultural factors within a country play an important role in the consumers' value creation perspective, as well in their buying behavior. The authors also point out that in consequence, companies may develop a cultural knowledge of the host country in perspective, in order to integrate it to the company's practices and processes (Ibid).

3. METHOD

This chapter presents the research preferences (figure 2) with the aim of highlighting the choices of the methods used in this study. To this extent the four layers of the model concerning research strategy were explored: research approach, research design, data collection and analysis. The model shown on the figure 2 is a modified model of 'The Research Onion' of Saunders, Lewis and Thornhill (2007). Further in this chapter issues concerning the research validity and reliability was approached.

Figure 2 - The Research Preferences



Source: Modified Model of Saunders, Lewis and Thornhill (2007), p.132.

3.1 RESEARCH STRATEGY

Quantitative data is mostly used when the study emphasizes the numerical quantification, rather than words on the data collection and analysis, such as in the use of graphs or statistics (Saunders, Lewis & Thornhill, 2007; Bryman & Bell, 2011). On the other hand, the qualitative collection and data analysis focus on words and non-numerical data, as through the elaboration of interviews (Saunders, Lewis & Thornhill, 2007). The use of qualitative data is important when it comes to understand an unknown problem, helping in the development of the right research(s) question(s) (Doole & Lowe, 2008).

When dealing with an unknown phenomenon with the intention to understand it clearly through existing literature, furthermore by interviewing people in the specific area of interest, an exploratory study is of great use (Saunders, Lewis & Thornhill, 2007). According to Yin (2003),

in this case the goal of the study usually involves either the explanation of an incident, or about some expected output of it. Furthermore, explanatory studies may help to understand the relationship among variables that are being studied, as why a study subject acts in a specific way towards a specific situation. According to Saunders, Lewis and Thornhill (2007) exploratory studies are used to find the relationship among variables. Usually the research question may start with 'how' or 'why' and uses case studies (Yin, 2003).

Since the purpose of this paper is to investigate how external factors influence SME's customer value creation in a new foreign market, regarding standardization and adaptation strategies, which consists of non-numerical data, the qualitative research presented the best choice for the study. It also makes use of both exploratory and explanatory studies, the former by the use of secondary data with the aim of developing more understanding about the subject and the second, by finding the relationship between the company's attitudes and the variables chosen.

3.2 RESEARCH APPROACH

A qualitative strategy leads to a non-positivism consideration (Bryman & Bell, 2011). The biggest challenge of the interpretivism considerations is to understand the phenomenon by the point of view of those who are living it (Saunders, Lewis & Thornhill, 2007; Diniz, Petrini, Barbosa, Christopoulos & Santos, 2006). The research strategy generally adopted by this approach is the case study and frequent visits to the field (Diniz et al., 2006).

The epistemological consideration called interpretivist, can be divided into deductive and inductive approaches (Saunders, Lewis & Thornhill, 2007). While an inductive approach is utilized to understand the phenomenon by interviewing specialists on the desired area (Ibid), the deductive approach is more emphasized in the creation and testing of hypotheses or theories (Saunders, Lewis & Thornhill, 2007; Bryman & Bell, 2011). This study has employed the combination of the deductive and inductive approach. The former can be found in the use of existing theories to help in the development of the conceptual framework in order to guide the study and helping to understand it, while the inductive approach can be seen in the interviews made when collecting the empirical data. Both the deductive and inductive approaches were used for data analysis.

3.3 RESEARCH DESIGN

The research design of a study is used as a basis for data collection and analysis (Bryman & Bell, 2011). It also reflects on the extension of the research process, as well on the validity of external findings (Ibid). The research design chosen to develop this study takes place with a single case study that allows going deeper into this topic. Investigating a single company enables the researchers to understand practical and empirical view of how external factors influence adaptation and standardization strategies in order to create customer value in a new foreign market. According with Yin (2014) and Robson (2002), a case study analyzes and understands a phenomenon in a contemporary context through an empirical investigation. The intention of a case study is not to generalize to a population (Bryman & Bell, 2011), but to get a better understanding on how some social phenomena work and with what result (Yin, 2014).

In order to define the area of the case study approached in this research, Brazil was chosen as the foreign market on which to focus. The country was chosen due to personal affiliation from the researchers. Moreover the researchers have an implicit knowledge of business in Brazil, the industry structure and especially the culture of the country, which provides good insights about practices and differences regarding the country. Brazil has been highlighted as a country that is getting worldwide attention, as it is expected to be one of the world's largest economies by the year of 2050 (Goldman Sachs, 2003). Furthermore, a chapter of this study was made with specific information about Brazil, in order to help the researchers in the development of the interview guide and also to provide support to the analysis, as well as to provide to the reader with insights about the country (see chapter 4).

The selection of the company was made with help of the professor responsible for supervising this paper who made the first contact with the company. Furthermore, the choice of the company matched with the fact that the researchers are naturally from the host country analyzed. They are currently living in the home country of the company and by experience have noticed differences between the two countries in the daily life. Both researchers have background knowledge in the area in which Axellent operates, which consists of the automation industry and the relationship with occupational health and safety legislation. Since Axellent is based in Sweden, they presented with an interest in the Brazilian market, the researchers found it interesting to analyze these differences in business relations. Therefore, a Swedish SME in the machine guarding industry area, was analyzed, namely Axellent AB, which is located in Hillerstorp. The company manufactures, develops and sells machine guarding, warehouse partitioning, anti-collapse and property protection, over 55 countries. In case of this study, the company works with the mesh walls in the Brazilian market.

Considering the whole scope of the research, this study took place in a B2B context. This extent relates to business to business negotiations, in other words, it is the negotiation between company to company and not company to end consumer (Doyle, 2011). Within the B2B context, the SME's perspective of the topic was studied. SMEs that market its products and services in the home country often grow in a dimension that the home market gets limited. Whilst export markets offer what seem to be an unlimited scope for small-medium enterprises, they have a significant effect in importing jobs and foreign currency and also creating wealth in the domestic economy (Doole & Lowe, 2008). In a context that SMEs survive and grow is, therefore, a significant objective of policy makers in both developed and emerging economies around the world (Todd & Javalgi, 2007).

3.4 DATA COLLECTION

Primary and secondary data are the two kinds of data collection. Primary data consists of the information collected especially for research, while secondary data was previously collected and analyzed for some other purpose and not especially for this research (Saunders, Lewis & Thornhill, 2007).

With regard to primary data, the main research method and source of empirical data was through semi-structured interviews that, according to Bryman and Bell (2011), is a method that uses an interview guide but it also allows the interviewers to ask questions that are not in the interview

guide, if appropriate. This kind of interview is considered by Bryman and Bell (2011) as a flexible interview process, since it emphasizes on how the interviewee frames and understands the phenomenon. Yin (2003) pointed out that using interviews in a case study enables the researchers to focus directly on the case topic and to provide perceived causal inferences.

The questions used in the interview guide were developed in a way to identify and understand the main aspects founded by the company when it entered the Brazilian market. These aspects were separated into country and industry specific factors, in order to fulfill all the relevant aspects of this research. By identifying the issues founded by the company and how they reacted, it was possible to verify the relationship with standardization and adaptation strategies that addressed the creation of customer value.

In this present research two kinds of interviews were used, being two of the interviews through internet, using the program Skype, due to geographical distance and one was an 'in person' interview. The interviews were held with three people involved with Axelent, these people were: the Sales Manager South America, who worked both with the Swedish and Brazilian market; the Brazilian representative seller, from *SRP do Brasil*, who has been working within the Brazilian market for one year and a half; and one of the owners of Axelent who is also the Export Manager, which allowed us to have more information regarding the entrepreneur view on the topic approached.

The first interview was done with Cássia Cunha, the Sales Manager South America. The interviewee was chosen by the fact of being the responsible one to carry the Brazilian market, being present in the market with the aim to conduct business, as well, together with the SRP Company in the search for new clients. She is responsible for dealing with the Brazilian government in order to go through all the bureaucracies with opening the Brazilian subsidiary. Furthermore, for the fact of being the only one speaking the Portuguese language in the company she is the person responsible to carry out the negotiations, giving to the study valuable insights of the company's action in the Brazilian market.

The second interview was with Durvalina Rodrigues da Silva, the SRP Seller. She was selected for being responsible for the final sale of the product, interacting with the final clients, being aware of their specifications, needs and behavior, as well, having the industry knowledge regarding the Brazilian market. Durvalina is of great importance for the company, as well has all the knowledge about the local market. She was chosen for this study in order to get insights because of her direct relationship with the final client, to better understand specific country and industry characteristics.

Finally, the third interview was carried out in person, in the meeting room of Axelent's headquarters in Hillerstorp/Sweden, with Stefan Axelsson, one of the owners and Export Manager of the company. In his position he deals with the export processes of the company. He was one of the decision makers responsible when deciding to enter the Brazilian market, as well the one responsible for the first steps of the company in the country, looking for information and partners. His insights were of great importance to give the authors information about the Axelent's background, as well as its real actions in the present time of the study.

After the third interview with the Export Manager of the company, the authors were invited to visit the manufactory building for a better understanding of the whole system of Axelent. With the Export Manager's presentation of the company's production line and how it is carried, the authors were able to understand the great difference the company has regarding its competitors and why it is the best company worldwide in the production of their main product.

The interviews were carried out in about 40 minutes each, with a production tour inside Axelent's facilities, which took about 30 minutes. The development of the interviews with different hierarchical levels inside the company was of great importance, since it was possible to triangulate the information, having different levels of insights. The triangulation of the collected data is viable to use in a case study, as it improves the overall quality of the study (Yin, 2014).

According to Saunders, Lewis and Thornhill (2007), secondary data could be information collected by books, journals, newspaper and some government publications. As secondary data, to be able to gain more information about the company, we made use of information taken from the company's web page, as well product catalogs and the company's published documents. Some of the main sources of the secondary data was books and journals from different databases that built the theory consulted for this study. Other kinds of databases were used, such as the World Fact Book, which is a database developed and updated by the Central Intelligence Agency (CIA, 2014) with specific information regarding Brazil.

3.5 DATA ANALYSIS

Data analysis is one of the last steps developed in a case study (Bryman & Bell, 2011; Yin, 2003). According to Yin (2003) the strength of the data is very much dependent on how the data is analyzed, as well as the ability to draw the conclusions. Data analysis consists of examining, categorizing, tabulating, or otherwise recombining the evidence related to the initial purpose of the study (Ibid).

The technique of data analysis was borrowed by the interactive model to analyze qualitative data developed by Miles and Huberman (1984). It consists of the data collection, the data reduction and data display, which leads to drawing the conclusions and verifications. Data reduction consists of selecting, focusing and simplifying the data, while data display is to categorize and organize the information acquired (Miles & Huberman, 1984). The examination of the data analysis enables the researcher to draw the conclusions (Ibid).

3.6 RESEARCH VALIDITY AND RELIABILITY

In order for a research to present trustworthiness there is a need to consider the internal and external validity and reliability. Validity relates to whether the researchers are observing, identifying or 'measuring' what is proposed with the study (Bryman & Bell, 2011). Reliability relates to the consistency issues, as agreement between the researchers and the replication of the study (Ibid).

3.6.1 Validity

Internal validity concerns the integrity of the conclusions and whether or not there is relationship between the investigators' observations and the theoretical framework developed (Yin, 2003; Bryman & Bell, 2011). In an attempt to increase the internal validity, in this study the same framework brought in the theoretical background was brought in the empirical findings and also in the analysis, so it eased the connection between theory and results. Tables as tools were also used to visualize the connection between what is expected according to literature, furthermore what was analyzed. Regarding the theoretical framework the main literature was reviewed and the authors that have studied the topics discussed it in this research. Moreover, the interview guide was constructed based on the same categories was proposed in the literature framework. To increase the quality of the answers in the interview, we tried to get the right people interviewed. All the three people interviewed had great knowledge about the company and about the foreign market in which the company acts. Furthermore, it was possible to have three different perspectives, which strengthened the results, under a triangulation of the empirical findings.

Regarding external validity, which is the extent of whether or not the study can be generalized (Yin, 2003; Bryman & Bell, 2011). In this paper a single case study was conducted in a qualitative research, which limits the generalization of the paper. The generalization of the results is linked with the fulfillment of the same conditions presented by the company analyzed, otherwise it might lead to different results. Companies in similar situations may learn from the experience of the company analyzed in this case study.

3.6.2 Reliability

Internal reliability is concerned with the consistency of the methods that have drawn us to the findings (Yin, 2003; Bryman & Bell, 2011). When dealing with more than one researcher it is important that the study has been conducted through a mutual agreement (Bryman & Bell, 2011). Bryman and Bell (2011) also pointed out that reliability is a difficult factor regarding qualitative research. With regard to the reliability of this paper, all the decisions and structures concerned with the paper were fully agreed by both parts. Both authors have participated on the interviews, as well in their transcription and analysis, avoiding misunderstandings. With regard to the interview guide, this was developed in a way to avoid leading questions. Furthermore, the interviews were conducted in person or through Skype and all the interviews were properly recorded. The researchers tried to be as objective as possible, both during the construction of the interview guide, as during the interview. In order to provide consistency of information the interview guide was not available for the respondent before the interview. Nevertheless, the interviewee was exposed only with the topic of the research, thus they were able to gather information. Two interviews were conducted in Portuguese since this is the mother language of both researchers and interviewees. Using the mother language during the interview allows for better communication between the researchers and interviewees (Bryman & Bell, 2011). Both, interview guide and interviews in the Portuguese language were translated into English by the authors. The Portuguese interview guide is found in the appendix C.

Regarding external reliability, Bryman and Bell (2011) explain that this issue is concerned with

the replicability of the study. It is important to point out that in order to do a qualitative study to be replicated, it is necessary that the researchers adopt a similar social role to that adopted by the original researchers (Ibid).

Now that the aspects and methods of conducting this study have been detailed, it is possible to follow to the next chapter and look at the empirical findings.

4.0 BRAZIL'S SPECIFIC INFORMATION

When negotiating with Brazil it is possible to perceive a lot of differences between that culture, economy, industry, political issues and others. To consider all the factors surrounding a business relationship is important for the success of the negotiation (Theodosiou & Leonidou, 2003). This chapter analyzes specific data from Brazil, in order to have a better understanding about the country's characteristics, which might have an influence on the performance in the country. Furthermore, some of the information revealed in this chapter was compared with Sweden, which is the home country of the company chosen for the case study.

4.1 BRAZILIAN SOCIETY AND CULTURE

Brazil is a large country, according to the Website of CIA (2014). With data from July of 2014, Brazil has a total of 202,656,788 inhabitants, being the 6th largest country in the world in population size (CIA, 2014). However, when analyzing Brazil's education level, it is still possible to perceive that a high number of the population is illiterate. According to data from Unesco (2014), Brazil had in 2010 a total of almost 14 million of people over the age of 15 years old that cannot read or write.

This information is important to understand the country's situation, especially when considering expansion of the company's performance to the Brazilian market. With this information in mind, it is understandable that the quality of the work force may be affected.

Furthermore, it is important to consider the number of people in Brazil that can speak another language, for instance English. Hence, the English Proficiency Index remains in 50,07, reflecting in a low proficiency, being in 38^o position within 60 countries analyzed (EF, 2014). Speaking a foreign language is an important advantage when doing business with companies worldwide, besides having a low proficiency in English may reflect in a low efficiency in business relations.

4.2 DOING BUSINESS IN BRAZIL

Opening a foreign company in Brazil is not an easy task. According to the rank of ease in Doing Business (2014), Brazil takes the 116th position within 189 economies analyzed. This is a reflection of the bureaucracy involved in the process, which can be seen in the numbers in table 2 below.

Table 2 - Starting a Business

Indicator	Brazil	Sweden
Procedures (number)	13	3
Time (days)	107.5	16.0
Cost (% of income per capita)	4.6	0.5
Paid-in Min. Capital (% of income per capita)	0.0	13.1

Source: Adapted from Doing Business (2014).

With the data presented above, it is possible to verify the high amount of time and money that is consumed when opening a company in Brazil. When comparing Brazil with Sweden it is possible to see a big difference in the number of procedures required to register a company that consist of 3 at total, while in Brazil 13 is necessary. Also, well when comparing the number of days required to complete all the procedures, Brazil stays with the amount of 107,5 days, while for Sweden only 16 days are necessary.

As a matter of fact, when looking to the number of taxes in table 3, which a medium-size company must pay in a year, Brazil takes the 159^o position according to the rank of Doing Business (2014).

Table 3 - Paying Taxes

Indicator	Brazil	Sweden
Payments (number per year)	9	4
Time (hours per year)	2.600	122
Profit tax (%)	24.9	16.0
Labor tax and contributions (%)	39.6	35.5
Other taxes (%)	3.8	0.6
Total tax rate (% profit)	68.3	52.0

Source: Adapted from Doing Business (2014).

Big differences arise in Brazil in this subject. When analyzing the high taxes and the time consumed of a SME, it is possible to verify a big gap between Brazil and Sweden. While in Sweden it is just necessary to make 4 payments and spending 122 hours preparing, filing and paying it, in Brazil the company must make 9 payments and spend 2,600 hours on this procedure. The high taxes value, the time consumption and bureaucracies involved in the Brazilian market, may all be inhibiting factors when considering Brazil as a company's next investment.

4.3 BRAZILIAN ECONOMY

Brazil is a developing country. According to the CIA (2014), Brazil is expanding worldwide and has an important economic presence in the South America market, besides being the largest country. In addition, Brazil has established its economies since 2003 due to the foreign reserves (Ibid). Furthermore, when considering the Brazil's Foreign Direct Investment (FDI), according to the United Nations Conference on Trade and Development (UNCTAD, 2014), Brazil has the biggest FDI regarding to the sub-region, being at the 7th position worldwide. With a sum of 47% of all FDI flows in South America in 2013, with the amount of US\$63 billion, 3,9% less than in 2012 (Ibid). The fact is that more large economies have been attracted to invest in Brazil. The appreciation of the Brazilian currency in the past few years has led the government to interfere in the economy, raising some of the foreign capital inflows taxes (CIA, 2014).

The disparities in the income distribution in Brazil are highly unequal (CIA, 2014). Through comparing data from 2013 of the GDP per capita, Brazil has a total of \$12,100, while Sweden totalize \$393.8 billion (Ibid). By these numbers it is possible to identify high inequalities in

Brazil, which may inhibit a company's capability to sell in this market.

4.4 BRAZIL'S LEGAL ASPECTS

When importing to Brazil a company is subject to pay high taxations in order to bring the foreign product inside Brazil. According to a simulator of the Receita Federal (2014) in Brazil, when importing the mesh walls which are sold by Axelent, it is possible to verify that the tax of import has a total of 14%, while the tax charged on industrialized products has a percentage of 15, among other taxes. High taxations may inhibit a company's performance in the Brazilian market.

When considering specific requirements, companies importing to Brazil are required to mark in the product the country of its origin in order to be in accordance with the IPI (tax charged on industrialized products) regulation. According to decree n° 7.212 from 2010 of Palácio do Planalto (2014), it is prohibited to import foreign products written in total or part in Portuguese without the mark of its origin. In case of products not being marked, it will be considered not in conformity with the original documents. Not attending to specific requirements of the country may lead the company to have further problems within local government and also retard the import process.

Furthermore, when considering this line of products, it is also important to bring up the specific legislation called NR12, with regard to the safety in machinery and equipment. The new updated version in Brazil considers the European standard. According to the Ministério do Trabalho e Emprego (MTE, 2014) the law applies all the fundamental principles and protective measures to guarantee the health of the employees, as well to prevent accidents. As a result of the new legislation, it may create an opportunity in the market for companies in this industry, enhancing the possibilities of performance.

Brazil had a total increase of 3% in the industry growth rate of 2013 and the country took the 106th position when compared with other countries (CIA, 2014). However, the Brazilian industry still has a great labor force, being in 6th position worldwide in 2013, which makes more use of labor force (CIA, 2014). Regarding the division of the total labor force by sectors, it is possible to verify that industry takes 13.3% of the amount of 107.3 million (Ibid). These numbers may reflect on a low technological level, since much is still handmade, which may bring opportunities for high technological industries to bring their technology to the market.

The information brought in this chapter was used as support to the following research, in order to give the reader insights about the country addressed in this study, as well to give support and credibility to the analysis.

5. EMPIRICAL DATA

In this chapter empirical findings of the given study are presented. The findings were drawn in a case study of Axelent, a Swedish SME. The data presented was organized by the company's general information, followed by information related to the country and industry specific factors, which address the research question and theoretical framework. The interviews were conducted with people from the company and from Axelent's Brazilian exclusive retailer, all with knowledge regarding the company and the host market. The people interviewed from Axelent were, Stefan Axelsson, Export Manager and Cássia Cunha, Sales Manager South America; and, from the Brazilian exclusive retailer, Durvalina Rodrigues da Silva, seller.

5.1 GENERAL COMPANY INFORMATION

Axelent AB is a born global SME located in Hillerstorp, Sweden. It was founded in 1990 by three brothers and one cousin. Currently, the company is run by one brother, one cousin and one manager director from outside the family.

The Company is part of the Axelent Group that is composed of four companies: Axelent AB, Axelent Wire Tray AB, Axelent Engineering AB and S.Works AB. The group offers a whole package solution for clients, as perceived by the Export Manager, Stefan Axelsson. Axelent Engineering is responsible for solutions in automation and special projects; Axelent Wire Tray offers a cable management system based on wire trays; Axelent S. Works develops and markets user licenses for their in-house drawing application; and Axelent AB produces and sells mesh panel systems for machine guarding and partitioning within industry, warehousing and property protection. The company works with a “three legs” base, as mentioned by the Export Manager, where 70% of the turnover is machine guarding, 15% is warehouse and 15% is Scandinavian products of property protection. Axelent AB also offers the service of risk analysis for the client's production. The export Manager explains that by being Axelent's client, it is possible to have one supplier that can supply everything.

“We sell the concept that it is all inclusive.” (Stefan, Export Manager).

Axelent AB is a company leader in its segment with a rapid growth. In 2001 they were in 12 countries and since then the company presented a big improvement. In current days, Axelent is present in 55 countries with sales offices and with subsidiaries in Germany, Belgium, the Netherlands, France, Spain, Australia, Italy, the UK, the USA and it is now opening one in Brazil. Axelent keeps the whole production in Sweden and a workforce of 83 employees.

“That is the whole idea we had, if we can't produce it here we have to find another product or something else to do.” (Stefan, Export Manager)

In the company's vision, Axelent wants to be always the quickest, offering the best function/solution and delivering the highest quality. They want to be “[...] a natural choice when thinking about machine guarding, industrial walls, anti-collapse and property protection, regardless of the customer's location in the market.” (Axelent, 2014). The company is always concerned with the quality of its products. Therefore, Axelent puts a great effort renewing and

improving products and expertise in the sectors in which they are acting.

A broad standard range of mesh walls can be offered by Axelent, since the products are seldom customer specific. The company believes that what makes them different from its competitors is that they do not just sell mesh walls, they also sell fast delivery, top quality mesh walls. Even the “X” in the Axelent logo (see appendix D) represents two arrows that illustrate speedy delivery. For instance, the company commits to send a commercial quote, with mesh guard drawing, within four hours after the request and they undertake to deliver inside Sweden on the same day, if they received the order before 2 PM. Moreover, as Axelent delivers mesh walls to many different places in the world on a daily basis, they built procedures with general terms that ease the sales and delivery process. These terms concern issues of sales and delivery (Axelent, 2014).

Axelent also focuses on solutions of an efficient way of transport, since it developed a special pallet that enables the mesh walls to be transported in a standing position, making transportation easier and faster. Axelent trained the entire work force to be faster. Furthermore, being efficient also depends on their suppliers. They always look for suppliers that understand Axelent’s needs and that are fast and flexible and which could quickly adapt to the daily demands.

On table 4 presents an overview of the main characteristics of Axelent, based on Axelent's website information, in order to facilitate the visualization by the reader.

Table 4 - Axelent’s Overview

Name	Axelent AB
Location	Hillerstorp, Sweden
Number of employees	83
Business’s size	SME
Revenue	approx. MSEK 248
Presence worldwide	55 countries
Business Concept	Axelent produces and sells machine guarding, warehouse partitioning, anti-collapse and property protection.
Key words	Speed, Knowledge and Quality

Source: Own table.

5.2 AXELENT IN BRAZIL

Axelent entered Brazil in 2012 following their clients. They required the company's presence in the country. The Export Manager explains that the interest of acting in the Brazilian market especially happened because of their clients in the car industry. With this new opportunity Axelent asked the Swedish Trade Embassy, Business Sweden, to help them to find agents for the company in the Brazilian market. Thereafter, Stefan went to Brazil in order to settle business with one of the companies suggested by the Swedish Trade Embassy.

5.2.1 Social factors of Brazil

When Axelent entered the Brazilian market it made a partnership with a local automation

company in order to have local market knowledge. This company is called *SRP do Brasil* and is located in Americana, São Paulo. SRP has a department to provide Axelent with a sales representative and support area. They are Axelent's exclusive retailer, acting as a client by purchasing Axelent's products and reselling it into the Brazilian market with their own markup. The Sales Manager South America also emphasizes that the automation company had already experienced the competitors' products, obtaining knowledge about their problems and weaknesses. SRP realized that their competitors do not offer the services that the local market asked for. Regarding to the Brazilian culture, Cássia corroborates that the local consumer wants a complete service, where they do not need to make any effort. Even though it is an easy product to manage and install, they want someone to do this work for them. Axelent normally does not operate with this complete service in all the markets. Therefore, in Brazil, as in some other markets, they work with these partnerships, to be able to offer a complete service to the customer.

One note made by Stefan about cultural differences founded in Brazil, it was with regard to the language barrier, he says that in Brazil it is not so common to find people who speak English inside the companies. This made it difficult for Axelent to succeed in the business, since it was difficult to communicate, being by email or phone.

“The English language is normally not so common at the company, a lot of people are interested but they have nobody with English.” (Stefan, Export Manager)

Stefan emphasizes that because of this difficulty, it led him to search for someone who had some technical knowledge, but at the same time could speak both languages, Swedish and Portuguese. Furthermore, he explains that the fact of the employee who was found by him was originally from Brazil, it was really important, since she also has knowledge of the culture.

The role of the buyer in the negotiation also caught the attention of the Sales Manager South America. She had both experience of working with the Brazilian and European consumers and pointed out the differences in the purchase processes of the countries. In Brazil, Axelent's representative usually negotiates with the buyer and this person usually does not have direct contact with the product, it is just the one assigned to negotiate. Also, she felt that in Sweden there is more involvement of the people who are going to work directly with the product, which facilitates the whole negotiation. In addition to the cultural differences, Stefan emphasizes the decision making time, which is much longer in Brazil than in other markets. Moreover, when they finally decide in favor of Axelent's product, they are in a hurry to get the product ready and inside their facilities. Durvalina also says that the projects take around five or six months to close. It is around four or five visits until the customer decides in favor of the product. Sometimes, there is a need to change some details on the product and review the negotiation until the customer is satisfied.

“It is around 15% of the orders that we can negotiate in 2 visits.” (Durvalina, SRP Seller).

Delivery time is one of Axelent's aspects that creates more value in the European markets. In Brazil, SRP tries to keep a local stock of the standard product for smaller orders that can be delivered quickly and directly to the final customer. Durvalina emphasizes that they already lost

a lot of business because they did not have the material in stock.

“You need to have a stock there otherwise you cannot fulfill the service level.” (Stefan, Export Manager).

According to the Export Manager if the client requires any other material or specification, then there is a need to import the product from Sweden and the lead time is of around 40 days. If the project is big Stefan explains that normally the customer accepts that the product might come directly from abroad and it will take a longer time. Axelent has a different position in Brazil compared with the Swedish Market.

“But you can’t fulfill all the ideas you have in Sweden to Brazil.” (Stefan, Export Manager)

Furthermore, there is also a prejudgment over Axelent’s products. Durvalina explains that when potential clients meet the product they already expect high prices and do not even want to know the real price. She explains that Axelent’s products have a competitive price. Durvalina states that there is a need to change their behavior and sometimes convince the customer to get to know the products first, before building opinions about it.

“Some of them do not even let you speak. ‘This is too expensive’. However when you say the price, some of them change their minds (...) Some are afraid, others try it. You have to convince them.” (Durvalina, SRP Seller)

Another characteristic of the Brazilian culture reinforced by Cássia is that the companies usually do not invest much in the security of the production facilities, unless there is a law requiring it and/or a fine had been applied. Consequently Axelent’s product is the last part of the production in which the clients usually invest.

“What is going to determine if the customer will invest or not in the protection is the law, they are not doing it by themselves.” (Cássia, Sales Manager South America)

5.2.2 Technological factors in Brazil

Stefan emphasizes that the local producer in Brazil is still based on massive labor force and handmade products. On the contrary, Axelent’s products are made with fully automatic machines, with that they are able to produce thousands of panels in a month. When comparing Axelent’s technology with the local competitors Stefan emphasizes that the Brazilian competitors are outdated and corroborates:

“They are light years behind (...). The technology is there, but still a lot of handmade.” (Stefan, Export Manager)

In the technological area, Cássia states that Axelent has a highly advanced technology, allowing the company to bring something new to the Brazilian market. She also emphasizes that Axelent does not operate in the scope of adapting the product to fulfill the local needs. However, they try to fulfill 100% of the legislation (NR12). By that, the company is able to offer the same product

worldwide, being reliable in its offer. Stefan explains that their competitors do not have the same capability they have to offer a standard product.

"The customer said that when they bought once from us, they always come back, they said, 'it is impressive, your product looks the same when we get it, the same color, same sizes.'" (Stefan, Export Manager)

5.2.3 Political/Legal factors in Brazil

Brazil has now adopted the European standard for work safety, known as NR12. According to Durvalina, the demand for guarding machines is increasing in Brazil, especially in the South and Southeast regions. This change in the market, according to her, is due to the new updated version of the NR12 and the growth of the government presence through fining companies that are not in accordance with the new legislation. Stefan also pointed out that many of the European companies that are acting in Brazil want to have the same standard as they have in their home country. When asked if the change in the laws influenced the choice of Brazil as a next step, Cássia emphasizes that they were not aware of the updated legislation of the NR12. She explains that it was not a decisive factor to enter the Brazilian market, but the coincidence of entering the market in the right moment.

Stefan also brings up the fact that in Brazil the import taxations are very high and consequently a lot of companies choose by producing inside Brazil, avoiding the importation of their products. He emphasizes the taxation differences in Brazil by saying that there are so many kinds of taxes that people do not even know what they are paying for. The high taxes also made Axelent choose for opening a subsidiary in Brazil, which will act as an importer. Axelent's plan in Brazil is to open their own subsidiary; therefore they can act as an importer of its products and keep SRP as its exclusive retailer. They are in the process of opening this subsidiary. The Export Manager explains that taking this decision of being their own importer, is an attempt of get the prices a bit lower and increase the profits, as well the intention of having more presence in the market.

"We would like to have the trademark to push Axelent's brand. So we would like to have our own company." (Stefan - Export Manager)

Furthermore, it is also important to consider that Axelent must mark the origin of every product and its parts, when sending it to Brazil, in order to fulfill local requirements. Otherwise, Stefan explains that the container will probably be blocked for a couple of weeks, besides they cannot do anything about it.

5.2.4 Economic factors of Brazil

Since Axelent is present in several countries, choosing Brazil for the next investment was a matter of the worldwide attention to the country. According to Cássia, the Sales Manager of South America, when the company decided to enter in the Brazilian market the country was already in the spotlight and naturally was chosen as the next step. Furthermore, Stefan explains that they could perceive Brazil as a growing country and that it was receiving more investments due to the World Cup of 2014 and Olympic games of 2016. No mention was made of any

influence of the economic factors of Brazil, in Axelent's adaptation or standardization strategies.

5.3 THE BRAZILIAN MARKET

Axelent did not have much knowledge about the Brazilian market when they first decided to explore it. The Export Manager states that they did not know the market so well and they needed to understand the market and how it works. Furthermore, he also pointed out that some characteristics of the country they just learned after being there for a while.

5.3.1 Market size

Brazil has a big market, offering great opportunities for companies. However, Cássia states that the size of the country did not have much influence when Axelent entered the Brazilian market, because they are present in smaller markets as well. Moreover, Stefan emphasizes that they recognize Brazil as a massive market and corroborates:

“So of course we are interested in a piece of the cake.” (Stefan, Export Manager)

The biggest clients in Brazil are composed of big industries, such as the car and food sectors. On the same line of thought, Durvalina states that Brazil is a really big market for Axelent to reach. Axelent has a competitive product and price, therefore their only concern is with developing a good strategy in order to reach the entire country.

“And then when you are there you realize how big it is and I think that in logistics you can't have one agent that represents the whole country.” (Export Manager)

No mention was made of any influence of the market size of Brazil in Axelent's adaptation or standardization strategies.

5.3.2 Competition

Competing in the machinery guarding market has been a challenge for Axelent when dealing with local competition, especially the informal ones that are not specialized in this market, which is composed by the blacksmiths, according to Cássia and Durvalina. Stefan believes that they may bring the solution for the existing legislation in a lower price, however they do not have the same appearance and especially do not have the same quality.

When talking about the informal competition in Brazil the Export Manager states that the blacksmiths do not have much influence on Axelent's sales with regard to bigger projects. This type of competition is just able to produce in smaller amounts, not being a significant business loss for the company.

When dealing with competitors that have the same quality, their biggest competitor worldwide is a Swedish company, called Troax, which has been in Brazil for a long time before Axelent. However, Stefan believes that when dealing with this competitor there is not much to do, because they offer the same range of price and quality, being the customer's responsibility to

choose the right supplier.

“But it is a good competitor, they do good quality, similar quality and similar process as we do and Troax is in Sweden, so we have the same competition, the prices are the same, the electrical power is the same, labor is the same, so it is much easier to compete.” (Stefan, Export Manager)

When comparing Axelent with Troax in the machinery guarding industry, Axelent is the number one in the world. If considering the whole company’s portfolio, it was mentioned by the Export Manager that Troax takes the leadership. Durvalina explains that the market in Brazil is dominated by their competitor, but Axelent is starting to increase their market-share.

Regarding the price Axelent offers in the market, Cássia explains that they do not really understand the price differences in the market, regarding their main competitor. This happens because who defines the final price of Axelent’s product to the final customer is SRP and Axelent do not have any influence in the markup defined by them. However, she believes that they have a competitive price in the Brazilian market.

Stefan emphasizes that Axelent’s product is not cheap, not only in Brazil, but also in other markets. He explains that having a cheap product is not the company’s focus. Yet Axelent’s focus remains in selling quality products and good service, which they charge for. Durvalina also states that the good quality is perceived and has a positive relationship between cost versus benefit. Furthermore, in the Brazilian market Axelent offers installation and automation together with the product. Yet this is not offered by their main competitor in the same way, once Axelent works in partnership with the automation company that can provide the service.

5.3.3 Industry Structure

Having a differentiation towards the competitors has been necessary for companies to be ahead of the competitors. Axelent has been offering a partnership with a Brazilian automation company in order to offer to the local customer a full service. This is a different posture compared with Axelent’s biggest competitor, Troax, which works just with resellers of their main product in the Brazilian market.

Some clients require special projects. For Axelent, having SRP acting in Brazil is a differential since they do not just sell Axelent’s products, but also install and make adaptations when required by the client’s specifications. Durvalina pointed out that their main competitor in Brazil does not provide the same service added as Axelent, which is created due to this partnership. SRP is capable to fulfill this gap in the market, by offering the whole solution, selling the product together with the automation service, which meets the customers’ needs.

“In Brazil there is no way of just selling the material to the client (...) If the client wants someone to install or do an adaptation on the product, it is the automation company that is going to do it.” (Cássia, Sales Manager South America)

Stefan states that in Brazil they must offer something more, besides the benefit pointed out by him as the high quality offered. Therefore by having SRP as a partner makes it possible for them

not just to offer the guarding machine, but also other products surrounding this industry, as the automation and machinery.

“I think there we have to be better local, we have to be better in Brazil, then we can show, we can give them, we can go to the extra mile. We can do something extra for the service.” (Stefan, Export Manager)

6.0 ANALYSIS

Based on empirical findings and in the theoretical framework, the analyses of how external factors influence customer value creation in a new foreign market were conducted. Furthermore, the analysis is presented in summary in a table with evidence, which were discussed through the analysis.

6.1 VALUE CREATION AS AN OUTPUT OF ADAPTATION AND STANDARDIZATION

A company's decision of whether to standardize or adapt is related to a number of factors that influence the performance of the company in a foreign market (Cavusgil, Zou & Naidu, 1993; Cavusgil & Zou, 1994; Jain, 1989; Theodosiou & Leonidou, 2003; Yakhlef, 2010). The performance of the company can be concerned with the value created in the foreign market. In the case of Axelent, they opted for some adaptations to fulfill the requirements of the Brazilian market, but still they had parts of their concepts that standardize the product. The benefits added to the product, the services provided, represented the value that the company created to the market. As explained by Menon, Homburg and Beutin (2005) and Woodruff (1997) customer value is based on benefits that are received and sacrifices that have to be made. For instance, the knowledge of the market relates to the choice of the right strategy regarding whether or not to adapt to the local needs. Customer value creation is directly related to the level of needs and expectations that are achieved (Czinkota & Ronkainen, 1995). Whilst Cavusgil, Zou and Naidu (1993) mention adaptation when considering the different cultures, economies, political and legal issues, as well the consumers values and preferences. These issues also concern the choices of the value that company wants to create in that determined market and if the same values stand or not through all the other markets that the company operates. It is not always possible to stand for the same values in all the markets, since it might require any level of adaptation. In the case of Axelent, they are aware that it is not possible to fulfill the exact same concept they have in Sweden, their home market, to Brazil and mainly because of all the different aspects that the company faced in that country.

In the table 5 is presented the evidence found in the case of Axelent of standardization and adaptation, as an attempt of create customer value in the Brazilian market.

Table 5 - Evidences of external factors influencing customer value creation

	External Factors	Adaptation	Standardization	Output (Value created)
<i>Country Factors</i>	Social/Cultural Differences	Hire a Brazilian employee	No Evidence	Better negotiation process
		Creation of stock		Fast deliver
		Efforts to convince the client about the product		Product awareness
		Partnership with SRP		Offer complete service

	External Factors	Adaptation	Standardization	Output (Value created)
	Technological Factors	No Evidence	The same product through all the markets High technology	Reliability and fulfill expectation. Influenced in the opportunity the company has in the market
	Political/Legal Factors	Marking products with stamps of origin for customs clearance Opening a subsidiary	NR12 has the same standard as in Europe	Fulfill the local specifications and delivery of the product in the expected time. Lower the prices and be more present in the market.
	Economic Factors	No Evidence	No Evidence	It Influenced in the decision of entry in Brazil
<i>Industry Factors</i>	Market Size	No Evidence	No Evidence	It Influenced in the decision of entry in market
	Competition	Different way of offering the product	Standard product Offer high quality products	Benefits added to seek competitive advantage Customer Satisfaction
	Industry Structure	Partnership with local company Offering installation and automation	Standard product	Fulfilling the local needs Service added

Source: Own table.

6.2 COUNTRY SPECIFIC

According to Ravasi, Rindova and Dalpiaz (2012), the cultural aspects of a country have an

important role when looking for customer value creation. When Axelent entered in the Brazilian market, it faced some cultural differences. As is shown in the table 5, when analyzing these aspects it is possible to verify that the company made adaptations, as well in some cases standardized its product in order to comply with local needs and expectations. The company may choose between adapting to answer to local differences or standardize in a global marketing dimension (Doole & Lowe, 2008).

In Doole and Lowe's (2008) opinion, when dealing with a different culture, the company has to have in mind possible adaptations that they may have to make. Axelent faced language issues when it entered the Brazilian market, since it was difficult to find someone who speaks English, to be able to have a good communication. Brazil's situation can be reflected by the data showed in Chapter 4, where indicates Brazil's low English proficiency (EF, 2014) is demonstrated. As emphasized by Ghauri and Cateora (2010) and Baack, Harris and Baack (2013), in order to have a successful business, knowing the local language is of great importance. In order to overcome this difficulty found, Axelent reacted by hiring someone that could fulfill this necessity, which reflects an adaptation the company made in order to have a better negotiation process.

Furthermore, as stated by Doole and Lowe (2008), when dealing with cultural context, it is possible to perceive differences within countries. For Axelent, when negotiating with Brazil, the company could perceive a great difference in the negotiation time, which has shown to be much longer. However, when the customer decided to buy the product, they need it really fast. In order to adapt to this different response, Axelent had to create a stock in Brazil to have a fast delivery. Also, as shown by Helgesson (2009) differences arise when negotiating with different cultures, as the internal decision process, especially when taking into consideration how many levels in the company are involved in the process. It could be a reflection of the fact perceived by Axelent that usually who buys the product in the companies in Brazil are people that are not directly related to the product, but just the one responsible for the purchasing process of the company and consequently not having the knowledge needed. When facing a long decision making time, the creation of a stock was necessary, in order to fulfill the local need of fast delivery.

As stated by Ravasi, Rindova and Dalpiaz (2012), cultural factors of the country influence directly in the customer buying behavior. When selling in Brazil, Axelent perceived that people had a prejudgment over their products, when potential customers just looked at it, they already think that it is a very expensive product. Therefore, Axelent had to make efforts to convince the customer that it was not an expensive product, as well that the customer also pays for the services added. Axelent's efforts are reflected in the attempt of creating product awareness in order for the customer to get to know the product and convince them of its quality and good price. Furthermore, Axelent realized that investing in security is not a common action in companies in Brazil, having the law as a best ally when selling its product.

As stated by Ravasi, Rondova and Dalpiaz (2012), having the cultural knowledge of the foreign country is important in order to integrate the local needs to the company's operations. In the same way, Axelent also noticed that the Brazilian market showed a need for services together with the product, which implied in the company offer the installation of the mesh walls inside the customer's facilities. Even though it is an easy product to manage, the local customer showed this need for a service where someone could come to their company and install it. Furthermore,

according to Sainio et. al (2001) having a local partner at the host country is of great importance to have the market knowledge, as well to help when adding value to the services. At this point, SRP, the automation company, played an important role for Axelent when entering in the Brazilian market. Besides, helping Axelent with local market knowledge also fulfills the gap in the market regarding offering a complete service, which they had the capability to offer with the partnership with the automation company. According to Baack, Harris and Baack (2013) in order to fulfill the local needs within different cultures, is expected that companies may adapt their product and/or services.

When looking through standardization strategies that Axelent choose to implement, it is possible to select technological and political/legal aspects. Axelent believes that they have an advanced technology, which relies on standardizing the product through all the markets, with the perception that will be accepted through all the markets. As stated by Cavusgil and Zou (1994) and Samiee and Roth (1992), industries with a high level of technology tend to standardize their products. Having the same product worldwide, also brings reliability over Axelent's products. This is in accordance with Levitt (1983) that relates the standardization of products to reliability. Furthermore, the company is specialized in their own products, as well in its development over time for all the markets. Axelent explained that they do not operate in the scope of adapting the product to fulfill the local needs, once the product is standardized, but they are forced to adapt the services added to the product. As brought by Doole and Lowe (2008), when going international it is important for a company to decide whether to make a standard product/service or adapt it according to the market needs. In the case of Axelent, they chose to standardize the product through all the markets, in order to maintain consistency and fulfill the customers' expectations.

As stated by Axelent, Brazil is still composed of an industry based on a massive labor force. Information that has been confirmed in Chapter 4, when showing Brazil's numbers, as being the sixth country in the world, in 2013, with the biggest amount of labor force (CIA, 2014). Therefore, Axelent believes they have a superior quality and technology in comparison with Brazilian guarding machinery industry. As exposed by Doole and Lowe (2008) the advanced technology offers a new level of products for the company. Axelent also believe that through their advanced technology, they are able to bring something new to the Brazilian market, reflecting also as a differentiation that the company has with regard to local competitors. According to Hitt, Ireland and Hoskisson (2013) the country's technological level relates to capacity to adapt to new technologies, reflecting in the chance of having a higher share of the market. Offering a high technology product in a market that is developing its technological level, such as Brazil, represents to Axelent the opportunity to explore the market.

Furthermore, with regard to the political and legal aspects, it has been perceived that not all legal characteristics of the Brazilian market lead the company to adapt. As stated by Czinkota and Ronkainen (1995) some laws and regulations may also offer opportunities to a company in the host country. When looking to the new version of the legislation NR12 shown on chapter 4, which has been upgraded to the European standard, it is possible to see that the product that Axelent already have is the same needed by the Brazilian industry. Therefore, fulfilling the new version of the law, led to the standardization of the product. It was also seen by Axelent that this aspect created a higher demand for the product in Brazil and Axelent also believes that

international companies look at having the same standard worldwide. Besides being shown by some authors (Johnson & Arunthanes, 1995; Czinkota & Ronkainen, 1995) that adaptation is the most used process when facing different legal and political characteristics in the new foreign market, the evidence also shows that it may lead to standardization. In this case, it also leads to opportunities to make use of the new regulation and increase sales.

On the other hand, Axelent also made some adaptations in order to fulfill the local requirements in the Brazilian market. Also in the political and legal aspects Axelent had to adapt the marking of its products when sending them to Brazil, by adding the origin of the product, in order to fulfill the local legislation that require this adjustment. As pointed out by Doole and Lowe (2008) and Czinkota and Ronkainen (1995), governmental and regulatory influences, are some of the factors that lead the company to adapt its products and/or services. In this case, as seen in Brazil's specific information about product labeling in chapter 4, which require the company to mark the origin of the product as being from Sweden, Axelent avoids problems when the goods arrive in Brazil. Attending to the local regulation makes the product arrive in the expected time in the country and enables the company to deliver without delay. Furthermore, fast delivery is one of the most important values that Axelent stands for.

Still related to legal aspects, it is also possible to perceive that Axelent, due to the high taxes they have to pay in Brazil, is in the process of opening their own subsidiary in the country. This subsidiary has the role of being Axelent's importer in Brazil, in order to avoid the high import taxations. As shown on the Simulator of Receita Federal it is possible to verify the high import taxations that are charged when importing Axelent's product to Brazil (see Chapter 4). By opening their own subsidiary in Brazil, the company shows an attempt to adapt to local aspects in order to have more effective processes. The great differences of taxations suffered by Axelent when entering in the Brazilian market, is also possible to be seen in Brazil's 159^o position in ascending order of less taxations paid, showing to be one of the countries with the biggest number of taxations (Doing Business, 2014). As pointed out by Czinkota and Ronkainen (1995) and Ferrel and Hartline (2002), legal aspects may affect the role of the product or service when offered by the company in a foreign country. Opening a subsidiary is also related to the intention of Axelent to increase the presence on the market, once it is possible to offer competitive price and increase the profits.

At last, considering the economic factors faced by Axelent in Brazil, there is no evidence that leads to a company to make a standardization or adaptation process. However, it was related to the company's choice to invest in Brazil.

6.3 INDUSTRY SPECIFIC

Regarding the industry specific factors, it is argued that it might influence the adaptation or standardization strategies in order to create customer value (Cavusgil, Zou & Naidu, 1993; Cavusgil & Zou, 1994; Jain, 1989; Theodosiou & Leonidou, 2003; Yakhlef, 2010). In the case of Axelent, not all the factors studied reflected in the decision of whether to standardize or to adapt to local needs. For instance, as shown in the table 5, market size was notably important in the decision to enter the market, but it did not show any influence in the standardization or adaptation strategies. For Axelent, the market size did not reflect in the adaptation of the product

since the product is completely standardized. In this case, the market size represented one driving force in the choice of exploring the market.

Once in the Brazilian market, Axelent offers a standardized product, but had a different posture from other markets, since it has shown considerable differences when compared to Sweden (the home market). Not all the strategies were able to be standardized and adaptation of the benefits offered with the product were required. There was a relation with Dahringer and Muhbacher's (1991) studies, which argue that similar markets tend to present successfully standardized strategies. In this case, the only aspect that could remain standardized were the product, since other values were created to offer a complete service to the client.

When it comes to competition, a driving force that had great influence in the adaptation strategies, Axelent presented the need to have a different posture when offering their products in Brazil. When comparing Axelent to its main competitor it was highlighted that they have the same level of quality and price, remaining to the services added by the value created to the customer in the Brazilian market. A partial relationship with Cavusgil, Zou & Naidu (1993) was presented, once in this case, competition was a driven force for adaptation the promotion and not the product. Besides, in this case, standardization is not related to lowering cost of production as pointed out by Levitt (1983). Axelent has standardized products and maintained competitive prices, but still, they are not the cheapest, the customers that are willing to pay for Axelent's products want quality and all the services offered by the company.

When concerned with competition, it is necessary to think strategically and in which degree to adapt or not. The presence of competitors is a force that might drive the company to adapt to local needs (Prahalad & Doz, 1987). For Axelent, there was a need to change the posture, whereas services were added to seek competitive advantage at the same time that it fulfills local needs. This is in accordance to Prahalad and Doz (1987), which emphasizes competition as a factor to increase market responsiveness. This posture relies on combining a product with other services, such as automation and installation by the partner in Brazil. It also relates to aspects of the industry structure that Axelent is in, since in this case differential is also seen as important to gain competitive advantage.

Even though adaptations were required in the Brazilian market, the company maintains the standardized products, they have the same product, the same quality in all the markets that they are acting, bringing reliability to the product. The result of the adaptation by industry forces was mainly to fulfill the local needs and gain competitive advantage. Relying on the same standard of product and quality customer satisfaction, is an attempt to create customer value.

Axelent is focused on technology and it is dependent on the automation industry. In Brazil, Axelent works in partnership with a company in the business of automation industry, which is their exclusive retailer and they considered the automation industry as a market that is growing.

Considering an industry where product is the same in terms of price and quality in a particular market, the differentials are the benefits offered by the product. Combined with the product, a set of services can be added as an attempt to differ from competitors. Differentiation is a strategy of competitive advantage (Porter, 1985). Having the same quality and price level as its competitors,

forced Axelent to choose a different strategy in Brazil, whilst the competitors offer the same product in Brazil in the same way it is offered in Sweden.

In order to compete in the Brazilian market, Axelent had to offer installation of the machinery guards in addition to its products. In Sweden the products are sold, just the parts that composed the mesh guards, the installation is an extra service that the company can provide. Moreover, in Brazil there is a need to offer the product and the service as a part of a package. They are sold together, due to the pressure of Brazilian customers. The adaptation in the way of offering the product in Brazil is also related to competitive advantage. Offering a package for the customer is a differential over the competitors. This additional service provided by the company reflects on the literature brought by Cavusgil, Zou and Naidu (1993) and Johnson and Arunthanes (1995), where product and promotion adaptation is significantly associated with competition intensity, creating specific requirements of foreign markets to get advantage over competitors.

7. CONCLUSION

The final chapter of this study provides the answer to the research question based on the main findings and conclusions. This section includes conclusions and the implications of the study, approached as: practical and theoretical implications, limitations and further research.

7.1 CONCLUSIONS

Entering into a new foreign market can be a complex process. Hence, the present study focused on answering the following question:

How do external factors influence SME's customer value creation in a new foreign market?

In order to answer this question, the study focused on both country and industry specific factors and its relationship with standardization and adaptation choices of strategy, as an attempt to create customer value in a new foreign market.

First of all, this study has shown that not all the factors presented in the theoretical framework are directly related to standardization and adaptation strategies, while other factors have an influence to different degrees. For instance, in the case of Axelent, it was shown that cultural aspects and competition represented the forces that most influence in adaptation in order to attend to local requirements and create competitive advantage, providing value to the customer.

Furthermore, country factors have shown a strong influence in both standardization and adaptation processes in order to create value to the customer. Dealing with a different culture has shown to be the biggest factor responsible for adaptations in the case of Axelent, in order to create value. The adaptations made were forced by cultural factors, which resulted in a better negotiation process and also enabled the company to offer a complete service. Some adaptations to increase product awareness were also due to cultural differences. Furthermore, adaptations were needed whereas it was desirable to maintain the company's value of fast delivery in the foreign market.

Regarding technological factors, it was shown in the case of Axelent a positive relationship with standardization strategy, resulting in product reliability. Standardization was also related to fulfilling the customers' expectations regarding the product.

Political and legal factors have shown an impact on the company's value creation, in both standardization and adaptation strategies. For instance, the company that was analyzed in this study had to adapt in order to fulfill some regulations required in the new foreign market. It was also related to the maintenance of the company's value of fast delivery, since the local government may request some adjustments before letting the goods enter into the host country. Adaptation to local needs had also been reflected in an attempt to have competitive prices, once in the case of Axelent it resulted in opening its own subsidiary in Brazil. Therefore, standardization due to political and legal factors also reflected in the customers' value creation in the level of offering competitive prices and increased the company's presence in the market.

Regarding industry factors affecting customer value creation in the case of Axelent, the force that most influenced adaptations was competition. It was shown that competition was influential in the company's decision to adapt in the level of adding benefits to the product, in order to gain competitive advantage. The benefits are related to the services added to the product. This is directly related to the structure characteristic of the industry. For instance, the company studied in this research is in a niche where differential is required to gain competitiveness. The differential aspects reflect in the services added to the product, which creates value to the customer.

In the case of the company studied, competitive pressures have also shown a positive relationship with adaptation in the way that the product is offered in the market to seek competitive advantage. It influences the company to make partnership in the foreign market to be able to offer the whole of services to the customer. When it comes to standardization, it was shown that the product remained the same, offering the same level of quality to the customer, which implies the customers' satisfaction.

Both economic factors and market size had no influence in any of standardization and adaptation strategies, but rather in the decision to enter into the country and to explore the market. It also might relate to value creation, once the company is growing and expanding to other markets, but it did not have any influence in these particular cases.

Another important fact is that the same values that the company studied stands for is not offered in the same way in all the markets. Some aspects can be brought to the new foreign market, but others need to adapt, at least in some degree.

7.2 PRACTICAL IMPLICATIONS

It was identified in the given study that there are some practical implications, which can be beneficial for those companies with the same issues presented by this research. For instance, when entering into a new foreign market, a number of factors must be considered, in order to have a successful performance in the market (Cavusgil, Zou & Naidu, 1993; Cavusgil & Zou, 1994; Jain, 1989; Theodosiou & Leonidou, 2003; Yakhlef, 2010). It is important for a company to be aware of the external factors presented in the foreign market. Especially when it comes to Brazil, one of the most important factors that forces companies to adapt to the market is culture. The cultural differences arise in many aspects, such as through the negotiation process, especially when considering language issues, or in the way of offering the product to the market (Doole and Lowe, 2008; Czinkota & Ronkainen, 1995). These cultural differences have shown a need for an adaptation of strategies in order to attend to local specifications.

Other aspects related to the environment of the host country that can also influence on the company's actions is legislation. As brought by Johnson and Arunthanes (1995) legal aspects might force the company to adapt the product in some degree. Knowing the environment of the industry is an important move if the company wants to succeed in the host market. As presented in this paper, legal aspect did not just represent a driven force for adaptation, but it also represented an opportunity regarding the recent Brazilian safety regulations.

The posture of a company regarding standardization and adaptation strategies might also be

related to the kind of industry that the company is in (Theodosiou & Leonidou, 2003). Knowing the industry environment of the host market is also important, once it relates to the level of rivalry within a particular market. For instance, in this study competition was a driving force of adaptation in order to differentiate from the competitor and seek competitive advantage.

Finally, it is considered relevant to raise certain questions when the companies decide to explore a new foreign market, being aware that some of the values perceived in the home market might not be perfectly offered in the host market. It might have to adapt some of the strategies and by that create new values. As in the case studied in this research, there was a need to adapt by creating a stock of products in Brazil to fulfill the fast delivery value.

7.3 THEORETICAL IMPLICATIONS

The present study was built on the purpose of the research question, based on previous studies. The influence of standardization and adaptation strategies in creating customers' value in a new foreign market was discussed, as well the factors that act as driving forces for these strategies.

A variety of studies raise political and legal aspects, leading the company to adaptation strategies (Baack, Harris & Baack, 2013; Johnson & Arunthanes, 1995; Czinkota & Ronkainen, 1995; Ferrel & Hartline, 2002; Doole & Lowe, 2008; Baack, Harris & Baack, 2013). It is, however, noted from this study that in this case it may also lead the company to take leverage of the regulation and standardize its product, as stated by Czinkota and Ronkainen (1995). It leads to a strong relationship between political differences found in foreign markets and business opportunities.

Furthermore, many theories had shown that when facing competition in the market, companies usually opt for adapting their products (Phahalad & Doz, 1987; Cavusgil, Zou & Naidu, 1993; Johnson & Arunthanes, 1995). Yet, it is possible to perceive through this study that even though some adaptations were made, Axellent chose also to standardize their products to guarantee their customers' satisfaction. This pattern is consistent with what was presented by Levitt (1983) about product reliability regarding standardization.

This study has shown relevant information considering the lack of research in the area, relating to external factors influencing customers' value creation, based in standardization and adaptation strategies. Moreover, this study had focused in Brazil as a new foreign market and some factors have shown no evidence of influencing standardization or adaptation strategies. Some theories have shown that economic factors of a country may lead the company to adapt their products in some degree to fulfill customers' needs and expectations (Czinkota and Ronkainen, 1995; Johnson and Arunthanes, 1995). Furthermore, Theodosiou and Leonidou's (2003) framework suggests that the market size of a company may lead to adaptation, but contradicts that of Dahringer and Muhbacher (1991) that suggest that standardization is the best strategy. However, this case has shown that both economic factors and the market size do not necessarily influence the company's strategies of whether to adapt or standardize. However, it suggests that these aspects had a great impact on the company's choice to explore the market.

7.4 LIMITATIONS

One of the limitations of this paper is reflected by the fact that this research is based on a single case study, with a Swedish SME. Moreover it is a notable limitation, since it may limit the degree of generalization of the results. It also implies that the study is limited to just one type of industry, within a more technological environment.

Furthermore, the external factors that were investigated in this study rely on the Brazilian market as a new foreign country, since the company in study had entered this market. Another limitation also is the focus just on small and medium-size enterprises and the fact of being studied in a business-to-business context.

Another fact which can also be mentioned as a limitation of the study is that some external factors were selected to be presented, while some were left out of the research, which can limit the view of the country and industry.

7.5 FURTHER RESEARCH

During the development of this thesis, it was noted by the authors that some possible further researches might be done upon the factors influencing customer value creation, standardization and adaptation strategies. Thus, the suggestions for further research are presented below:

- Besides the external factors, consider also the internal factors, such as managerial (or entrepreneurial) influence of standardization and adaptation, in order to seek customer value creation.
- Bring the four elements of the marketing mix (product, price, promotion, distribution) as the dimension of standardization and adaptation strategies. It might bring a clear vision of the extent that each strategy can be used regarding the composition of the marketing mix.
- To perform the same study in a different industry context. Since this study focused on a technology industry, it might be interesting to see the results performed by another industry's perspective.
- To perform this study considering a different home and host country. The factors might show different results, mainly regarding to the environment of the host country.
- To perform the research with other companies, using the same framework.

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APPENDIX

APPENDIX A) INTERVIEW GUIDE TO AXELENT

General Question

1) We would like to know a little bit about the Axelent story if you can tell us.

Country Factors

2) What were the main issues founded by Axelent when entering in the Brazilian market regarding the customer buying behavior?

3) And how did Axelent react when facing these issues?

4) What were the legal or regulatory changes that prevented Axelent to act effectively in Brazil? And how did Axelent deal with them?

5) How did the changes in the law stimulate Axelent acting in Brazil?

6) How does Axelent perceive its technology as is offered in Brazil?

7) Why did Axelent decide to enter the Brazilian market? And which opportunities stimulated this decision?

Industry Factors

8) How is the behavior of this industry in Brazil? And how does it affect Axelent operations?

9) Did the market size of Brazil influence this decision? If yes, in which way?

10) How does Axelent deal with the competition in Brazil?

11) What are the benefits Axelent offers that makes the customer choose their product?

12) How does Axelent deal with the delivery service in Brazil?

APPENDIX B) INTERVIEW GUIDE TO SRP

General Question

1) How was the beginning of the works of SRP together with Axelent in Brazil?

Country Factors

2) What were the main issues, regarding the customer buying behavior, found by SRP in the Brazilian market, when they began to offer Axelent's product?

3) And how did SRP react when facing these issues?

4) What were the legal or regulatory changes that prevented Axelent to act effectively in Brazil? And how did Axelent deal with them?

5) How did the changes in the law stimulate Axelent acting in Brazil?

6) How does SRP perceive Axelent's technology, as it is offered in Brazil?

Industry Factors

7) How is the behavior of this industry in Brazil? And how does it affect Axelent operations?

8) How does SRP together with Axelent, deal with the competition in Brazil?

9) How does SRP perceive the benefits Axelent offers that makes the customer choose their product?

10) How does SRP deal with the delivery service in Brazil?

APPENDIX C) INTERVIEW GUIDE TO SRP IN PORTUGUESE

Questão Geral

1) Como foi o início dos trabalhos da SRP em conjunto com a Axelent no Brasil?

Fatores do País

2) Quais foram as principais questões, relacionadas ao comportamento do consumidor que a SRP encontrou no mercado brasileiro, quando ela começou a oferecer os produtos da Axelent?

3) E como a SRP reagiu quando enfrentou estas questões?

4) Quais foram as mudanças legais ou regulamentares que impediram a Axelent de atuar efetivamente no Brasil? E como a Axelent lidou com isso?

5) Como as mudanças na legislação estimularam a Axelent a atuar no Brasil?

6) Como a SRP percebe a tecnologia da Axelent oferecida no Brasil?

Fatores da Indústria

7) Como é o comportamento desta indústria no Brasil? E como isto afeta as operações da Axelent?

8) Como a SRP juntamente com a Axelent, lida com a concorrência no Brasil?

9) E como a SRP enxerga os benefícios oferecidos pela Axelent, que faz com que o consumidor opte pelo produto deles?

10) Como a SRP lida com o prazo de entrega no Brasil?

APPENDIX D) AXELENT'S LOGO

