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Entry mode decision for Swedish business-to-business firms to India

A closer look at the internal & external factors influencing the entry mode decision.

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Master Thesis

Entry mode decision for Swedish business-to-business firms internationalizing to India

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Abstract

Title Entry mode decision for Swedish business-to-business firms internationalizing to India.

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Keywords Internationalization, Entry Mode, BRIC-markets, Internal & External Factors, Effectuation & Causation.

Question(s) *How do internal and external factors influence the entry mode decision for Swedish business-to-business firms internationalizing to India?*

How can the entry mode decision process be characterized for Swedish business-to-business firms when internationalizing to India?

How does the entry mode, used by Swedish business-to-business firms in India, follows the Transaction Cost Approach to entry modes and the Resource Based Approach to entry modes?

Purpose The purpose of this study is to get a deeper understanding of how internal and external factors influence the entry mode decision for Swedish business-to-business firms that internationalize to India. Furthermore, the study aims at bringing in a process-based view of the entry mode decision literature. The study also aims to investigate entry modes used in India to see how it follows the recommendations of the transaction cost and the Resource Based explanation to entry mode choice.

Method Qualitative multiple case study consisting of three cases. The data was collected through personal interviews. The cases have been analyzed using a within-case analysis and a cross-case analysis.

Conclusion The findings of our study show that firms evaluate just a few internal and external factors when internationalizing to India. As can be derived from our study, the product has an important influence on the entry mode decision for the investigated firms. The more standardized a product is, the easier it is to penetrate the Indian market using low-control entry modes. The higher the complexity of the product, the more knowledge is required from the firm and thus, the higher the likelihood for a firm to internationalize to the Indian market using high-control entry modes. It is also shown that firms tend to rely on earlier experiences when internationalizing to India, whereas this could limit the firms for choosing the right entry mode. Furthermore, the specific market barriers for the Indian market have an influence on the entry mode decision as well.
It is also found that firms that have a causational approach to foreign entry mode will not allow for a rapid switch in the level of foreign involvement before they have reliable information as a base for the decision. The firms with an effectual approach made their entry mode decision based on selecting an entry mode with low resource commitment, seeing their achieved turnovers in India as a bonus.

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We are delighted to finally have finished our master thesis. Conducting research in the area of internationalization has given us a great amount of interesting information regarding entry modes. Especially the interviews with Swedish firms were instructive and interesting. However, we are glad that this time of hard work has finally come to an end. There have been a lot of people involved in the creation of this thesis. Therefore we would like to thank the participating managers, Stefan Axelsson, Harald Castler and Urban Bülow, that we interviewed for this thesis. Our greatest appreciation goes to our supervisor Svante Andersson at the Halmstad University.

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Jesper Mårtensson Joep van den Brink

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1. Introduction

In this chapter an introduction is given to the subject of this thesis and the current research gap. Furthermore, the importance of further research in this particular subject is further explained. At first, internationalization of firms is explained in relation to their growth strategy. Secondly, it is explained why entry modes are an important part of the internationalization process of a firm. Later on, the discussion is narrowed down to BRIC-countries. At last, the problem discussion, and the arising research question are presented.

1.1 Background

As part of their growth strategy, many firms choose to expand their geographic scope from domestic to foreign markets (Lu & Beamish, 2002). The conception of internationalization as a type of company growth is linked with the strategies defined by Ansoff (1965). In his study, he stated that the alternative growth strategy of market development, the company actively seeks growth by entering new markets with its existing products. One of the main reasons for firms to internationalize is that starting with a global strategy can eventually help firm to achieve revenue growth by exploiting new profitable opportunities outside of its domestic market, but also strengthen the long-term competitiveness of a firm by the exchange of knowledge and the enhancement of capabilities (Wilson, 2007). International expansion is an especially important decision for small and medium-sized enterprises (SMEs) who traditionally have a small financial base, a domestic focus and a limited geographic scope (Barringer & Greening, 1998).

In their research, Kyläheiko, Jantunen, Puumalainen, Saarenketo and Tuppura (2008) state that internationalization brings significant opportunities for firms operating in small open economies with limited domestic market. In these settings innovative firms typically target narrowly defined niches that might be paralyzingly small domestically, but promising globally. Given the examples before, internationalization can be seen as a significant opportunity for growth and value creation.

In a competitive landscape characterized by increased globalization, the entry mode choice represents a key strategic decision (Mitra & Golder, 2002), since it determines the risks of investments, degrees of control, and the share of profits (Chang & Rosenzweig, 2001; Shrader, 2001). Furthermore, it also determines the degree of foreign involvement in host economies, the level of foreign control of local operations, and a firm's resource commitment (Baena, 2013).

So far, only little research has focused on entry mode decisions to emerging markets. Although there is not a standard definition of 'emerging markets', they can be broadly understood as "those countries which have started to grow, but have yet to reach a maturity stage of development and/or where there is significant potential for economic or political instability" (ICEF monitor, 2014). As a result of continuous participation in international business, emerging economies greatly improve their market environments, and political, social, and economic uncertainties are gradually diminishing (Luo and Tung 2007; Zhang, Zhang & Liu, 2007). Eighty percent of the world's population lives in emerging markets, and it is estimated that 75% of the expected growth in world trade in the next decade will come from emerging markets (Alon, 2006).

The acronym BRIC was coined in 2001 by Goldman Sachs (O'Neill, 2001). It stands for BRIC (Brazil, Russia, India & China). In 2010, the total BRIC population accounted for approximately 40 per cent of the world's population, but 'only' approximately 20 per cent of the world's GDP (Wilson, 2003). For most of the past 15 years, emerging markets, led by the BRIC-economies, drove global growth. Emerging markets accounted for more than half of global GDP growth over that period as the BRIC economies notched up economic growth rates in double digits. This year (2015), growth rates are expected to be little more than half of the pre-crisis pace. The BRIC countries did create an Association, and since 2009 their leaders meet regularly in formal summits. In 2010, South Africa joined the association (Finardi, 2014).

Indicators suggest that the BRICs are more relevant than ever. Further growth promises to lift hundreds of million people out of poverty (Hollensen, Boyd & Ulrich, 2014). This emerging middle class is likely to have an enormous influence on the rest of the world. Not only will their demand for consumer goods have an impact on export opportunities, but they will also weigh in more and more heavily on global decision-making. New players may arrive, but the original four BRICs remain the four to watch (Ibid). It can be stated that he countries have a common denominator: economic growth development in the BRICs has greatly exceeded growth in the world's leading industrialized nations. However, the countries are different from one another in their culture, background, language and structure of their economies (Biggemann & Fam, 2011). Since the BRIC-countries are very heterogeneous, this study will mainly focus on the Indian market. According to Dillow (2013), the potential lies with India. Its population is still young and growing and therefore millions of Indians are flooding into the workforce. Since two-third of the population still lives on less than two dollars per day, the country has major challenges as well. Therefore, we found India the most interesting country to further investigate.

1.2 Problem Discussion

In the internationalization process a firm must not only take into consideration what market to enter but also how to enter those (Lee & Lieberman, 2010). How to enter a new international market is one of the most important international marketing decisions for firms in their internationalization process (Doole & Lowe, 2012).

Lee and Lieberman (2010) state that different entry mode involves different levels of risk, control, ownership and cost that a firm must consider when making the entry mode decision. As mentioned before, the various entry modes require different levels of international involvement, going from lowest involvement in indirect exporting to the highest involvement in foreign direct investment (Doole & Lowe, 2012). Along with more involvement, the company gains more control over its international activities but the risk is also higher, due to higher investments (Kotler, Armstrong, Wong & Saunders, 2008).

What kind of entry modes firms decide to use has an impact on the international performance; the resources to commit, the risk level the degree of control, and the potential return of the international operations (Descotes & Walliser, 2010; Erramilli & Rao, 1993; Hill, Hwang & Kim, 1990). In addition, the decision also has an impact on certain aspects of marketing activities, such as after-sales services that can damage the reputation of the brand if carried out poorly by a distributor (Doole and Lowe, 2012). The different entry modes differ in their advantages and disadvantages, and the tradeoffs involved in the decision are difficult to evaluate (Andersson & Gatignon, 1986). However, the mode of entry is an important strategic decision for the firm that must choose the most suitable mode (Agarwal & Ramaswami, 1992).

The important choice of entry mode is a compromise between risk, control, resources, and returns and is influenced by different set of factors (Agarawal & Ramaswami, 1992; Nisar, Boateng, Wu & Leung, 2012). The factors influencing the choice can be both internal and external (Agarwal & Ramaswami, 1992: Hollensen, Boyd & Ulrich, 2011; Koch, 2001; Hollensen, Boyd & Ulrich, 2012). For example, external factors are market, production and environmental factors that cannot be affected by management decisions while the internal factors are related to the product characteristics and possession and commitment of resources (Root, 1994). As mentioned before, entry mode decision is an important strategic decision that has an impact on the control that the firm will have over its international operations as well as the resources and the risk that it must assume to expand internationally (Hollensen et al. 2012).

The increasing importance of presence in international markets has led to substantial research on the internationalization of firms. Compared with developed market economies, emerging economies have their own unique social, political, and economic contexts as well as firm characteristics, so an understanding of entry mode choices in emerging economy markets needs to be advanced (Zhang et. al., 2007). Furthermore, only a few studies have addressed the question of which market entry strategies are preferred by foreign firms in the BRIC countries and how these entry strategies are related to market success. Most studies investigated market entry into developed countries, such as the United States, Canada, Japan, and the United Kingdom, while research on entry modes in emerging economies such as the BRIC-countries is underrepresented (Canabal & White, 2008; Morschett, Schramm-Klein, & Swoboda, 2010).

In their research, Hollensen Boyd & Ulrich (2014) state the importance of further explorative case studies in order to enrich the explanatory factors, which determine the entry mode decisions. Increased knowledge in this area should also help practitioners who are considering entering the BRIC countries. Since the entry mode decision is such an important strategic decision, managers must evaluate the different internal and external factors and understand under what circumstances one entry mode might be better than another (Ibid). Furthermore, no study has investigated how Swedish firms internationalize into BRIC markets and how various internal and external factors influence their entry mode choice.

The Resource Based explanation to entry mode choice (Sharma & Erramilli, 2004) and the Transaction Cost Approach (Andersson & Gatignon, 1986; Williamson, 1985) are two theories that suggest how firms should select entry mode. Furthermore, deciding on the right entry mode is a process and a processed based view on the entry mode selection process adds to the International Business and International Entrepreneurship literature (Harms & Schiele, 2012). It is shown that decision-making processes matter in international business and that the effectuation/causation theory is a valuable addition to the internationalization theories and the entry mode decision (Ibid). In a recent study by Kalinic, Sarasvathi and Forza (2014), it is suggested that future research should look at how effectual logic can contribute to the understanding of different entry mode choices.

1.3 Research Question

How do internal and external factors influence the entry mode decision for Swedish business-to-business firms internationalizing to India?

How can the entry mode decision process be characterized for Swedish business-to-business firms when internationalizing to India?

How does the entry mode used by Swedish business-to-business firms in India follows the Transaction Cost Approach to entry modes and the Resource Based Approach to entry modes?

1.4 Purpose of Study

The purpose of this study is to get a deeper understanding of how internal and external factors influence the entry mode decision for Swedish business-to-business firms that internationalize to India. The study aims to provide knowledge and understanding of the entry mode decision in BRIC markets, which needs to be advanced. Furthermore the knowledge can be used for decision makers when selecting entry modes for the Indian market.

Furthermore, the study aims at bringing in a process-based view of the entry mode decision literature, with the purpose to get a deeper understanding of effectual and causational logic in the entry mode decision process.

We also aim to investigate entry modes used in India to see how it follows the recommendations of the Transaction Cost and the Resource Based explanation to entry mode choice. This to give understanding of how these theories can be applied to the context of Swedish business-to-business firms in India.

2. Theory

In this chapter we present the different existing theories we have used, in order to provide a solid basis for our further research. Furthermore, it also provides a literature review in the research area. At first, the various entry modes are presented. Secondly, the internal and external factors that influence the entry mode decision are further explained. Later on, the characteristics of the entry mode decision are examined preparatory to the different theories regarding entry mode decision. At last, BRIC markets are further explained, with an emphasis on the Indian market.

2.1 Entry Modes

In this chapter, a description of several entry modes is given. The different entry modes can be distinguished from each other by the level of risk, control and flexibility. Therefore, the latter will first be described before examples are given of the different entry modes.

2.1.1 Risk, Control & Flexibility

One of the most important characteristics of the different market entry methods is the level of involvement of the firm in international operations. This has significant implications in terms of levels of risk and control (Doole & Lowe, 2008). This is confirmed by Arnold (2004), who states that a distinction can be made between the alternative modes of market entry by involvement. This has mainly to do with the managerial trade-off between risk and control (Ibid). Low involvement entry modes minimize the risk, but this also minimizes the control (Ibid). In many cases, low-involvement modes of market participation cut off the international firm from accurate market information, such as customer behavior, market shares, price levels, etc., since third party distributors or agents jealously guard the identity and buying patterns of their customers for fear of disintermediation (Ibid). In general it can therefore be stated that control comes from involvement, and involvement only comes from investment (Ibid). More control can be obtained via higher-involvement modes of market participation.

According to Hollensen (2011), if the firm is very risk averse it would prefer low involvement entry modes such as exporting. Firms that want high control over its international operations should go for high involvement entry modes but obviously have to commit more resources (Ibid). Finally the level of flexibility that is desired by the firm will also influence the choice of entry mode (Hollensen, 2011). High involvement entry modes are least flexible and limit the firm if it wants to change or adapt its strategy if market conditions change fast.

2.1.2 Indirect Exporting

For firms that have little inclination or few resources for international marketing, the simplest and lowest cost method of market entry is for them to have their products sold overseas by others (Doole & Lowe, 2008). Indirect exporting has the advantage of the least cost and risk of any entry method and is therefore mainly used by firms that lack international experience. Furthermore, it may enable a firm to perform certain export functions better because intermediaries have the know-how required to enter foreign markets (Li, 2004). Moreover, this indirect export mode also allows firms to avoid the direct trade costs of entering international markets and export intermediaries often help their clients to save the costs associated with searching for new customers and monitoring the enforcements of contracts. However, as mentioned before, indirect exporting causes a firm to have less control over the way in which the product is marketed and serviced (Blomstermo, Sharma, & Sallis, 2006). Furthermore, using export intermediaries means incurring costs in terms of transaction costs and fees (Acs & Terjesen, 2006).

Used forms of Indirect Exporting are:
Domestic purchasing
Export Management Company (EMC) or Export House (EH)
Piggybacking
Trading Companies

2.1.3 Direct Exporting

When a firm wishes to secure a more permanent long-term place in international markets, it must become more proactive through becoming directly involved in the process of exporting (Doole & Lowe, 2008). In their study, Leonidou, Katsikas and Samiee (2002) state that exporting is the most popular approach for firms since it requires less resources, has little effect on existing operation and involves low investment and financial risks. Compared to indirect exporting, direct exporting has a more proactive approach and it therefore makes it easier to exert more influence over international activities, resulting in more control over the selected markets, greater control over the elements of the marketing mix, improved feedback about the performance of individual products, changing situations in individual markets and competitor activity and the opportunity to build up expertise in international marketing (Doole & Lowe, 2008).

Distributors

Together with agents, distributors are among the most popular direct exporting methods. Distributors buy products from manufacturers, organize selling and distribution and so take the market risk on unsold products as well as the profit. Distributors usually seek exclusive rights for a specific sales territory and generally represent the manufacturer in all aspects of sales and servicing in that area (Ibid).

Agents

Agents provide the most common form of low-cost direct involvement in foreign markets and are dependent on individuals or firms who are contracted to act on behalf of exporters to obtain orders on a commission basis. They typically represent a number of manufacturers and will handle non-competitive ranges. Agents do not take ownership of the goods, but work instead on commission, sometimes as low as 2-3 per cent on large volume orders (Ibid).

Other used forms of Direct Exporting are:
Direct Marketing
Franchising
Management Contracts

2.1.4 Cooperation Strategies

A cooperative strategy is the attempt by organizations to realize their growth objectives through cooperation with other organizations rather than in competition with them. It focuses on the benefits that can be gained through cooperation and how to manage the cooperation so as to realize them. This cooperative strategy can offer significant advantages for firms that are lacking in particular competencies or resources to secure these through links with others possessing complementary skills or assets (Child & Faulkner, 1998).

Joint Ventures

Joint ventures occur when a firm decides that shared ownership of a specially set up new firm for marketing and/or manufacturing is the most appropriate method of exploiting a business opportunity (Doole & Lowe, 2012). Joint ventures offer the participating firms the possibility to realize synergies. In case of a joint venture, partner firms 1 and 2 individually decide how much to invest, but each firm's investment also benefits the other firm; each firm continues to choose output independently (Raff, Ryan & Stähler, 2012. With joint ventures, two or more firms can contribute complementary expertise or resources to the joint firm, which will have a unique competitive advantage to exploit (Doole & Lowe, 2012).

Strategic Alliances
An alliance is an agreement between two or more firms. Partners can benefit from each other's strength and therefore gain competitive advantage. The focus lies in cooperation instead of competition among firms (IšoraItė, 2009). Therefore, it can be stated that partners of alliances are dependent on each other. The main objective for strategic alliances is to combine value chain activities for the purpose of competitive advantage (Doole & Lowe, 2012).

2.1.5 Direct Investment
When an internationalizing firm reaches the point when the pressure increases to make a much more substantial commitment to an individual market or region, direct investment will become an important strategic decision (Doole & Lowe, 2012). The main reasons for direct investment in local operations are: to gain new business, to defend existing business, to move with an established customer, to save costs, and to avoid government restrictions. Direct investment can be considered as a high risk and high commitment. For any firm, the most expensive method of market entry is likely to be the development of its own foreign subsidiary, as this requires the greatest commitment in terms of management time and resources (Ibid).

Wholly-owned Subsidiary
This market entry method indicates that the firm is taking a long-term view, especially if full manufacturing facilities are developed rather than simply setting up an assembly plant (Doole & Lowe, 2012). A wholly owned subsidiary is a completely separate entity from the main business. Although this business is technically separate from the larger business, the owners of the larger business still retain full control over this smaller business, giving them the ability to guide the subsidiary's actions. Because the subsidiary is a separate business, workers are technically employed by the subsidiary, not by the larger controlling business (Schreiner, 2013). Empirical evidence has found that multinational enterprises are more likely to enter the host country through a joint venture than through a wholly owned subsidiary when the cultural distance between home and host countries is large (Agarwal 1994, Kogut, 1988).

Acquisition and Greenfield Investment
An acquisition is a transaction in which a firm gains control of another firm by purchasing its stock, exchanging the stock for its own, or, in the case of a private firm, paying the owners a purchase price. In our increasingly flat world, cross-border acquisitions have risen dramatically. In recent years, cross-border acquisitions have made up over 60 percent of all acquisitions completed worldwide. Acquisitions are appealing because they give the firm quick, established access to a new market (Carpenter & Dunung, 2011). Acquisitions are of advantage for firms with limited international management expertise or little familiarity with the local market (Hollensen, 2001).

Greenfield investments are when firms establish operations from scratch because it can be that no suitable acquisition targets are available or too costly (Hollensen, 2001). It can also be that the firm wants to avoid problems such as coordination and different management styles between the buyer and the local firm (Ibid). The key motivation to Greenfield investments is when production logistics is a key industry success factor or when the firm wants to have the ability to integrate its operation across countries and determine the future of the international expansion (Ibid).

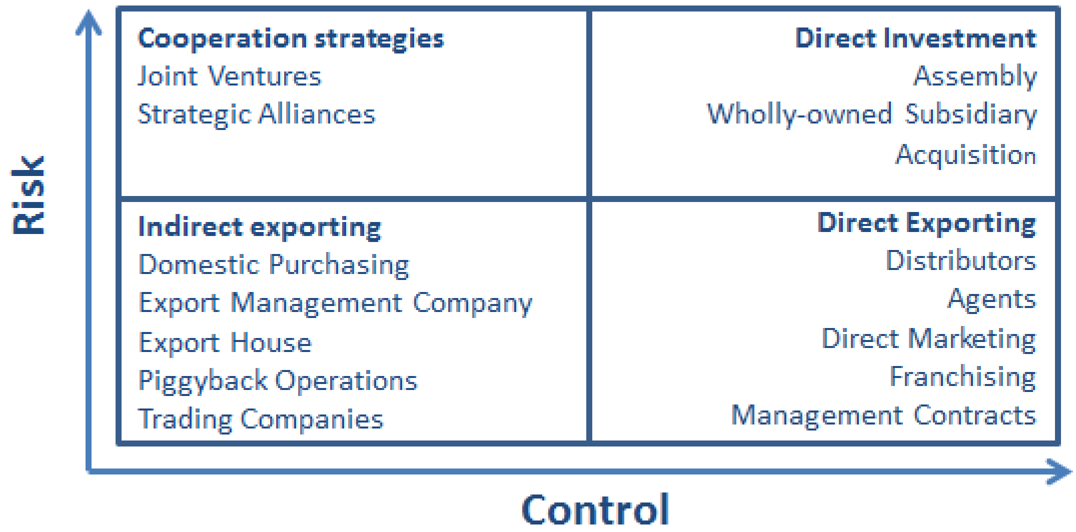


Figure 1.1. Entry Modes & Level of Risk and Control (Edited by Jesper Mårtensson & Joep van den Brink)

2.2 Factors Influencing the Entry Mode Decision

In this chapter, both internal factors and external factors are described that can influence the entry mode decision, according to the theory.

2.2.1 Internal Factors

Firm Size/ Resources

According to Koch (2001) smaller firms often have insufficient resources, making some of the entry modes inappropriate. Resource demanding entry modes e.g. setting up a wholly owned subsidiary includes large investments that smaller firms might not cope with (Ibid). Hollensen (2001) explains that smaller firms are more likely to enter foreign markets through some kind of export mode because they do not have the resources needed to achieve a higher degree of control.

Similar reasoning can be seen from Root (1994) who states that size of the firm matters since smaller firms with limited resources e.g. management, capital, technology, production and marketing skills limits its market entry options. The willingness from managers to commit resources to foreign investments is also of importance since it affects the available entry modes (Ibid). Larger firms with high turnover favor entry modes where the level of control is higher i.e. investment modes such as wholly owned subsidiaries (Hollensen et al. 2011; Hollensen et al. 2012). Larger firms will therefore have a better guarantee to have the resources needed for investment entry modes (Hollensen et al. 2011).

Product

According to Root (1994), firms with differentiated products and significant advantages over its competitors can price the products higher. The higher price can absorb transportation cost and import duties and still be competitive in a foreign market. On the other hand, products that only compete on price cannot absorb these costs; therefore some form of local production is the best solution. Root (1994) states that export entry modes are suitable for highly differentiated products while low differentiation calls for some kind of local production. A similar reasoning comes from Hollensen (2001) who explains that products with high value (highly differentiated products) often use direct exporting as an entry mode while it e.g. in the soft drink industry it commonly occurs with some form of licensing agreement or for the firm to invest in local bottling or production facilities. This is mainly because the shipment cost to distant market will annihilate the profit (Ibid). Hollensen (2011) states that the nature of the product affects channel selection because products vary widely in their characteristics. Firms with products of high technical for instance, could require different kind of services that export intermediaries might not be able to handle, should go for entry modes with higher involvement (Ibid).

International Experience/Experience in Using Market Entry Modes

The experience that the firm and its managers have of involvement in international operations has an impact on the entry mode decision (Hollensen, 2011). According to the author, the international experience bring down the cost and uncertainty of entering a foreign market, therefore are these firms more likely to commit resources to the foreign market. This is in line with the classic internationalization theory of Johansson and Vahlne (1977) who states that the experience that a firm gains in international markets increases the chance that the commit more resources to the foreign market.

Market commitment consists of two factors, the amount of resources committed and the degree of commitment (Johansson & Wiederheim-Paul, 1975; Johansson & Vahlne, 1977). The amount of resources refers to the size of the investment into the market (personnel, machines etc.) while the degree of commitment refers to the difficulty to find other use for the resources and transfer them to that use (Ibid). In the Uppsala model knowledge can be divided into general knowledge and market-specific knowledge where the market-specific knowledge is gained through experience in the market (Ibid). General knowledge is knowledge of operations that can be transferred from one market to another (Ibid). The Uppsala model suggests that the better the knowledge are about a market, the more valuable are the resources and the stronger the commitment in that market (Ibid). The main consequence of the Uppsala model is that firms tend to intensify their commitment towards foreign markets as their experience grows.

In addition, the experience that a firm has of any particular entry mode will influence the entry mode choices and the decision process (Koch, 2001). How many times a certain entry mode has been used, under similar circumstances, how successful it has been, all influence the decision (Ibid). Furthermore, managers with experience of certain entry modes are likely to be proponents of that entry mode in favor to untried modes (Ibid).

Management Risk Attitudes

Managements' perception of the risk that is associated with a certain entry mode will influence the firm's entry mode decision considerably according to Koch (2001). The level of risk is dependent on the firm's financial situation, the strategic options and the competitive environment (Ibid).

Market Share Targets

Koch (2011) states that firms that have sales or market share targets for their international activities will choose a entry mode that is likely to deliver that target within the planning period. E.g. if market share maximization is dependent on own distribution and after sales network, then a fully owned subsidiary is the preferred entry mode (Ibid).

Profit Targets
The different entry modes are likely to produce different levels of profit as well as being able to show profit soon after entry (Koch, 2001). Indirect exporting e.g. will show profit almost directly whereas foreign direct investments need several years before showing profit. What entry mode to choose depends on whether the firm has long or short term plans in the specific market (Ibid).

2.2.2 External Factors

Characteristics of the Overseas Country Business Environment
According to Koch (2001) business regulation/practices, business infrastructure, supporting industries, level of development and forms, scope and intensity of competition as well as customer protection legislation are important characteristics to consider.

Country Risk
Risk in the foreign market is something that firms must take into consideration when choosing the right entry mode (Hill et al. 1990; Kim & Hwang, 1992). The country risk described in Hill et al. (1992); Root (1994) are firstly general instability in the political system that could interrupt operations and lower the profitability of investment projects. The second risk is about the foreign governments actions towards limiting the ownership or control of the firm's subsidiary, including different kinds of expropriatory actions that can take the investor's property. Thirdly operation risk is when the host government has policies or sanction acts that limit the foreign firm's operations in several business functions e.g. production, marketing or finance. Transfer risk is acts by the foreign government that could make it difficult for the firm to transfer money or capital out of the host country. Another transfer risk could be depreciation of the host currency relative to the home currency.

If the country risk is high then firms should use entry modes where the resource commitment is low, this in order to exit the market quickly if necessary without huge loss (Hill et al. 1990). This is supported by Hollensen (2001) who suggests that, when the country risk is high, the firm should decrease the resource commitment in that country in order to limit the risk exposure, thus in such situation export entry modes are preferred.

Competition
The structure of the competition is important to consider, according to Root (1994). He explains that markets can range from atomistic (many non-dominant competitors) to oligopolistic (a few dominant competitors) or the market can be monopolistic (one dominant single competitor). In atomistic markets export entry modes are to prefer while it in oligopolistic and monopolistic markets are better to invest in own production in order to compete with the dominant firms (Ibid). Furthermore, in markets where competition is strong, both for export and investments modes, licensing or other contractual entry modes might be to prefer. Hollensen (2001) states that also the intensity of the competition is something that influences the entry mode decision, in foreign markets where the competition is intense, export entry modes with less invested resources is preferred. This because resource commitment limits the firm's ability to adapt to the changing environment and respond to the competitors moves (Kim & Hwang, 1992: Hill et al. 1990).

Geographical & Cultural Distance

Geographical and cultural distance is another important factor according to Root (1994). Large geographic distance can make the transportation costs too high for exporting firms, making overseas assembly a better alternative (Ibid). A large cultural distance between home market and foreign market could frighten managers from setting up own production in that country (Ibid). A large cultural distance means that business and industrial practices are very different as well as language, education levels and cultural characteristics (Hollensen, 2011). Kim and Hwang (1992) suggest that when the cultural distance is great, manager often shy away from direct investments in favor of licensing or joint ventures. When managers see the cultural distance between host country and home market as great firms will favor entry modes with lower resource commitment (Hollensen, 2001). This is because such entry modes are more flexible and makes a withdrawal from the host market easier, if the firm fails to acclimatize themselves to the culture (Ibid).

Market Barriers

A foreign market might have barriers that make it more difficult to enter that market. Koch (2001) lists the following as having a major impact: Tariff barriers, governmental regulations, distribution access, natural barriers (customer allegiances, market success) and exit barriers. Restrictive import policies e.g. high tariffs and tight quotas make export entry modes less attractive, and in a similar way, make restrictive foreign investment policies various investment modes less attractive (Root, 1994). High tariffs and quotas favor local production or assembly (Hollensen, 2001). In some markets there is a preference for local suppliers among customers, which lead firms to consider joint ventures or other contractual entry modes (Ibid). Product and trade regulations, as well as custom formalities, encourage modes involving local firms that can provide information and useful contacts to make the entrance easier. If product and trade regulations demand extensive adaption and modification of the product, then firms should establish local production or assembly facilities (Ibid).

Target Country Production Factors

According to Koch (2001), some entry modes such as fully owned subsidiaries and international joint ventures might be illegal in some countries because of protection of selected industries. Furthermore, there are other obstacles such as restrictive labor regulations and practices, cost of labor; insufficient skills may prevent firms from investing in an own subsidiary or a joint venture (Ibid). However, investing in a subsidiary might be favorable from a tax perspective and would avoid custom duties (Ibid).

Root (1994) states that the quality, quantity, costs of raw material, labor, energy, and other production factors have a great impact on the entry mode decision. Furthermore, the quality and cost of transportation and communication are important to consider. Thus, it is obvious that high production costs make local production an unattractive entry mode in favor of exporting (Ibid).

Market Size and Growth Rate

According to Hollensen (2001), the country size and market growth are key parameters when deciding on the mode of entry. A larger market or a market with high growth rate makes managers more willing to commit resources to that market and consider sales subsidiaries or other investment modes (Ibid). If a market is growing fast but the growth is estimated to not be sustainable, then firms should exploit this opportunity quickly by using indirect or direct exporting (Koch, 2001). On the other hand, if a large demand is predicted but first in several years, then own subsidiaries might be the best alternative (Ibid).

Furthermore, Root (1994) states that the present and projected size of the market influences the entry mode decision. In smaller markets, entry modes with low break-even sales volumes e.g. indirect/direct exporting and licensing as well as some contractual modes are to prefer. On the other hand, in markets with high sales potential an entry modes with higher break-even could be suitable e.g. a sales subsidiary or local production. If there is uncertainty of demand in a foreign market, firms should choose entry modes with low investments, since they need to be flexible to cope with changing conditions and be able to exit the market easily if possible (Hill et al. (1990).

Global Management Efficiency Requirements

Increased international involvement often leads to a re-definition of the global strategy in order to use the firm's resources as efficient as possible (Koch, 2001). For some firms, a standardized global approach is appropriate from an efficiency point of view while a diversified multinational mode of operation is better for others (Ibid). Kim and Hwang (1992) suggest that in the environment of global competition firms might have global strategic motivations that go beyond choosing the most efficient entry mode. The global motivations often go against economic efficiency maximization and could be to attack potential global competitors or developing a global sourcing site for example.

According to Kim and Hwang (1992), these motivations act to fulfill strategic aims set at corporate level with purpose of overall corporate efficiency maximization. In order to achieve these global motivations, tight cooperation between global business units is important in order to effectively implement the global strategies. In this case, entry modes where the firm has more control are preferred (Ibid). The firm's capabilities and core competences must be examined to find the best structure and strategy. For example, lesser involvement from the headquarters in some entry modes could be something to consider (Koch, 2001).

Home Country Factors

The size of the domestic market plays a role in entry mode decision according to Root (1994). If the domestic market is large, a firm could reach a large size before going international and is therefore more likely to use different investment entry modes. Furthermore, the competitive situation in the domestic market also affects the entry mode. E.g. in an oligopolistic industry, rival firms tend to imitate each other meaning that if one firm invests in a foreign market the others will follow (Ibid). Moreover, there are two more home country factors that could influence the decision (Ibid). First, high production costs in the domestic market compared to the costs in the foreign target market, favor entry modes of local production. Secondly, the home government can favor exporting and licensing or other contractual entry modes when it offers tax and other incentives for exporting and at the same time act neutral or restrictive to foreign investment.

2.3 Characteristics of the Entry Mode Decision

This section aims to describe the different approaches that firms can have towards their entry mode decision. At first, Root's theory (1994) explains whether firms have a naive, pragmatic or strategic approach when internationalizing. Secondly, the theory about causation and effectuation further describe how firms decide to enter foreign markets.

2.3.1 Naive, Pragmatic or Strategic

As we have seen, there are a number of entry modes available for firms that wish to take advantage of opportunities in foreign markets. The question is what kind of strategy should be used for the entry mode decision and how the different entry modes and influencing factors are treated by the firms. Root (1994) defines three different approaches, which are further described below.

The Naive Rule

The first defined rule considers only one way to enter foreign markets. The naive rule ignores the heterogeneity of country markets and entry conditions. According to Root (1994), managers making entry mode decision will sooner or later make mistakes of two kinds: either they will give up a promising foreign market that cannot be penetrated with their only entry mode, or they will enter a market with an inappropriate mode.

The Pragmatic Rule

According to Root (1994), the pragmatic rule is about finding an entry mode that is workable in the foreign market. Firms ordinarily start their international business with some kind of low-risk entry mode which is almost some kind of export (Ibid). Therefore, international managers begin their search for an entry mode by looking at the export possibilities in the target country, only if export is not possible or not profitable they look for other entry modes (Ibid). This rule holds certain advantages for a firm and its managers. The risk of entering a target market with the wrong mode is minimized, because managers reject any mode that is not workable (Ibid). Furthermore, the usage of this rule saves on the cost of gathering information on alternative entry modes and the management time to assess them. The weakness of the pragmatic rule is that it fails to guide managers towards an entry mode that will be the best match between the firm’s capabilities and the opportunities in the foreign market (Ibid).

The Strategy Rule

The application of this rule demands systematic comparisons of alternative modes and therefore guides managers to better entry decisions (Root, 1994). The managers should compare the different entry modes to assess the advantages and disadvantages with each mode in relation to the firm’s objectives in the target country (Ibid). The entry mode comparison needs to be made between projected benefits and costs over a period of time (Ibid). The criteria to evaluate for each entry mode are investments needed, sales, costs, profit contribution, market share, reversibility, control and risk (Ibid). Those entry modes that the firm has resources to invest in, should be systematically compared after the criteria mentioned above (Ibid).

However, this rule is also the most complicated one to apply according to Root (1994). The various differences between entry modes and also combinations of entry modes is complicated, and not all managers are aware of all entry modes that are available to them (Ibid). Furthermore, it could also be difficult for managers to identify the advantages and disadvantages of the different entry modes (Ibid). Managers may view the strategy decision as too arduous or time-consuming to apply in the real world (Ibid).

When looking at Root’s (1994) different approaches to the selection of entry modes, it is shown that the entry mode selection and the decision is something that is not always done following a systematic approach and comparison between different entry modes. To benefit our purpose, it is beneficial to look at the entry mode decision from an effectuation and causation perspective.

2.3.2 Effectuation and Causation

Several authors have long since identified planning for internationalization strategies in management teams as important to reduce risk (Crick & Crick, 2014). Despite this matter, there are firms with varying degrees of planned versus unplanned or serendipitous activities (Spence & Crick, 2006). The decision making process could therefore be looked upon from the theory of causation and effectuation (Sarasvathy, 2001).

Sarasvathy (2001) exemplifies the causation process as the one decision process that is made in many mainstream marketing textbooks. The process in these books is that a firm should do an analysis of the firm and its environment, and then make a plan that is followed and controlled. In Doole and Lowe (2012) for example, the process starts with the analysis of the firm and its international environment. After analyzing different markets, a market is selected and different entry modes are evaluated. Then a marketing plan for each market is developed and implemented. In a causation decision process, the effect or the goal that you want to achieve is given. If the decision maker has preselected a particular effect, a causational approach is used to select the best, the fastest, the most efficient or the most economical method to achieve the effect (Sarasvathy, 2001). The choice of means is guided by the effect, the decision maker's knowledge of the different means the selection among means will be determined by what means that will maximize return of the preselected effect (Ibid).

In an effectuation decision process on the other hand, the means or tools are given and the decision is about choosing between possible effects that can be created with the given means (Sarasvathy, 2001). To describe the model further, Sarasvathy (2008) states that effectuation starts with the decision maker who has three different kinds of means: identity (who I am), knowledge (what I know), and networks (whom I know). On a firm level, these are the physical, human, and organizational resources, according to the Resource Based view by Barney (1991).

The question in focus will be "what can I do?", rather than "what should I do?" By focusing on affordable loss rather than on prediction on possible gains, the need of planning and predicting the future is limited (Sarasvathy, 2008). Furthermore, the effectual approach drives partnerships as a method to expand resources. Rather than spending time on planning to identify specific stakeholders based on the preselected goal, the effectual approach calls for a rapidly engagement in conversations with people that the decision makers already knows (Ibid). When operating in conditions of uncertainty, the effectuation approach can better handle surprises as opportunities because it does not follow a goal oriented process where deviations from the plan are harder (Ibid).

Discussing causation and effectuation from a perspective of decision making in the internationalization process, Kalinic, et al. (2014) explain that despite a lack of information about host markets, limited international experience, and a lack of a business plan, firms still invest effectively in foreign countries. The high uncertainty in the host market makes it difficult to make decisions. Therefore a more effectual approach to decision-making could be an effective tool (Ibid). Effectuation tells how to act and base decisions on knowledge and capabilities at disposal in situations where it is not possible to acquire the resources needed or decrease the level of uncertainty (Ibid). Causational firms on the other hand, try to handle an unpredictable future by trying to plan ahead through business plans and competitive analysis (Harms & Schiele, 2012).

The behavior of decision-makers should not be seen irrational but it can follow an effectual logic that leads to effective decisions (Harms & Schiele, 2012). The base for the decision is affordable loss rather than maximization of return, the firms only need to know their current financial position and how much they can face to loose, which minimizes the reliance of predictable information (Sarasvathy, 2001). Furthermore, the goals are also general and not translated into sub-objectives/action plans (Ibid). As mentioned before, the causal logic on the other hand is more a resource dependent process, where goals are well defined; the means are then selected to achieve that goal (Ibid). Because the goals are not well defined the interaction with various stakeholders and network building brings visions, goals and means into the firm (Ibid).

In the study by Kalinic et al. (2014), the decision makers did neither have the knowledge needed to create an internationalization plan, nor the right people in the organization to assist. According to Kalinic et al. (2014), by adapting an effectual approach in the decision-making the firms could speed up their internationalization and it allowed an unplanned rapid switch in the level of foreign commitment. Within three years, the firms evolved from locally oriented firms with passive international activity to global firms with FDI on different continents (Ibid). Kalinic et al. (2014) further state that this is possible because it reduces the information needed before acting. The firms also created new networks along the road in their internationalization process; the goals were constantly redefined in accordance with the people the firms made contact with (Ibid). By re-definition of the goals, the firm moves in the direction where the network is being formed and the level of commitment in a foreign market can be increased (Ibid.) The authors conclude that all firms in their study entered markets with some kind of equity based entry mode e.g. establishment of production units abroad. As mentioned, these firms had an effectual approach in their internationalization. Furthermore, Kalinic et al. (2014) suggest that future research should explore how effectuation logic contributes to explaining other types of entry modes.

2.4 Entry Mode Theories

This chapter emphasizes on two theories with regard of entry modes. At first, the Transaction Cost Approach is further explained. Secondly, the entry mode decision is further described with the Resource Based Explanation.

2.4.1 Transaction Cost Theory for Entry Mode

This approach still dominates entry modes research. With this concept, the firm is seen as a set of transactions, such as the exchange of products or knowledge in the firm's environment, but also inside of the firm. The main idea behind the theory is that in the real world there is always some friction between the buyer and seller in connection with market transactions (Hollensen, 2011). These frictions are mainly caused by opportunistic behavior in the relation between a producer and an export intermediary. According to Hollensen (2001), human beings are prone to opportunistic behavior.

The theory is based on two basic assumptions that are made. Firstly, people act rationally, but they are constrained, as they do not have access to all the information that is available. Furthermore, people are bounded by the fact that they do not have the ability to logically analyze all the information (Shrader, 2001). The second assumption that is made is that people are opportunistic and they will therefore always be motivated by their own self-interest (Ibid). Williamson (1975) describes it as 'self-interest seeking with guile'. It includes not only the more obvious forms of cheating, but also clearly calculated methods of misleading, distortion, disguise, and confusion. To protect against the hazards of opportunism, the parties may employ a variety of safeguards or governance structures, which is often some kind of legal contracts (Ibid). These types of safeguards is what creates a transaction costs (Ibid). If transaction costs are too high firms should seek to internalize and use entry modes with higher control (Ibid).

Transaction costs mainly emphasize the benefit of low control until it is proven otherwise (Deng, 2003), since low control often has lower transaction costs involved. However, for markets large enough to break even on the fixed cost of a high-control mode, the entrant has a choice to make. According to Anderson and Gatignon (1986), in these circumstances, the efficiency of an entry mode depends on three constructs that determine the optimal degree of control: *Transaction-specific assets, uncertainty,* and *free-riding potential.*

Transaction-specific Assets
Transaction specific assets are investments both physical and human that are valuable only to a narrow range of transactions (Anderson & Gatignon, 1986). Partners that sign a contract that requires investments that is specific to the transaction enter a relationship of mutual dependency (Williamson, 1985). One of the partners might be locked in and therefore faces the risk of exploitation of the stronger partner, when the contract partner become irreplaceable the partner may extract new contracts become inflexible or in some other way try to break the contract agreement, which is opportunistic behavior and high transaction costs (Ibid). Thus when transaction specific assets are high the transaction costs are likely to be high (Ibid)

According to Mroczek (2014), the asset specificity is one of the most crucial dimensions of a transaction. It enables a firm to fully comprehend whether a contract requires individually tailored solutions or standardized investments (Williamson, 1985). It can be explained by the higher the degree of asset specific in an enterprise, the higher the propensity of a firm to have a high level of stake in the venture (Deng, 2003). A firm that possesses a unique technology and knowledge has to take extra precautions in order to protect its differentiated assets from falling into the hands of competitors (Klein, 1989). When transaction specific assets are likely to be high is suggested that firms should choose entry modes with high control (Anderson & Gatignon, 1986). Therefore, the Transaction Cost Theory states that when the asset specificity is low, firms will incur fewer costs in protecting their knowledge from competitors (Hennart, 1989). According to Anderson and Gatignon (1986), modes of entry offering greater control are more efficient for highly proprietary products or processes. Furthermore, modes with high degree of control are more efficient for customized products. Moreover, the more mature the product class, the less control firms should demand of a foreign business entity, since technology transfer costs decline sharply in mature product classes (Ibid). Hence, older technology is likely to be licensed or handled by a joint venture.

Uncertainty
Uncertainty leads to imperfect information and therefore firms may behave opportunistically. *External uncertainty* embraces the probability of encountering the unexpected changes in the legal and economic environment (Bremen, Oehmen, Alard & Sconsleben, 2010). The external uncertainty addresses the fluctuation and unpredictability of the firm’s environment (Ibid). While search costs to locate unfamiliar markets are high, negotiations to secure export contracts with end-buyers from these markets may also be very costly due to cultural and language barriers (Hollensen, 2001). As a result, manufacturers may be more likely to use export intermediaries to enter distant, unfamiliar markets in order to save on export-related search and negotiation costs (Ibid). Hence, in markets characterized by a high degree of external uncertainty, firms are expected to shift the risk to outsiders and therefore externalize which means using export intermediaries (Anderson & Gatignon, 1986).

If high transaction specific assets are in combination with high external uncertainty, firms lose their flexibility because they are locked in with the export intermediary (Anderson & Gatignon, 1986). This situation favor the intermediaries to behave opportunistically and therefore firms should internalize and use entry modes of more control since transaction specific assets are more important (Ibid).

Next to *external uncertainty*, a firm may encounter *internal uncertainty as well.* This exists when the firm cannot accurately assess its agents' performances by objective, readily available output measures (Anderson & Gatignon, 1986). Difficulties to monitor the contract partner increase the likelihood for opportunistic behavior (Ibid). Difficulties in evaluation of the contract partner can make it hard to write contracts that give them similar incentives (Ibid). If internal uncertainty is high the firm should internalize and use entry modes with higher level of control (Ibid).

With experience come enhanced comprehension, competence, and confidence, as well as more accurate perception of foreign risks and returns. Therefore, firms are more likely to enter more distant markets (Davidson, 1980) and are moving more towards direct investment rather than export (Bilkey, 1979) or licensing (Telesio, 1979). Sociocultural distance makes internal uncertainty high, since there is a lack of knowledge of foreign policies. As a result of this, when sociocultural distance is great, low-control entry modes are more efficient than intermediate levels, and high-control entry modes are more efficient than intermediate levels.

These types of uncertainty affect the entry mode choice. Furthermore, external uncertainties also determine the distribution of expected revenue. Because of uncertainties in exchanges, firms tend to establish formal contracts, which are costly. These uncertainties may be the reason that firms rely on exporting as a mode of entry (Brouthers & Nakos, 2004) since this avoids resource commitment and frees entrants to change partners or renegotiate contract terms and working arrangements relatively easy as circumstances develop and change (Anderson & Gatignon, 1986).

Free-riding Potential

A potential control problem emerges whenever one party can free-ride on the efforts of others receiving benefits without bearing costs. In their research, Anderson and Gatignon (1986) give an example with McDonald's. They charged its French franchisee with riding on the firm's international goodwill and recognition to attract customers without maintaining the cleanliness standards that supports the firm name. The Transaction Cost Theory suggests that where the potential for free-riding is high, entry modes offering high control are more efficient. The free-riding potential is more likely to occur when a firm has heavy advertised goods.

2.4.2 Resource Based Explanation to Entry Modes

The Resource Based Explanation mainly looks at the firm, its competition, and the achievement of its long-term objectives from the perspective of its resource endowments and deployment. According to the Resource Based Explanation, a firm is a mix of linked and idiosyncratic resources and resource conversion activities (Barney, 1991; Conner, 1991). Therefore, each firm is unique due to the resources it possesses.

Central to the Resource Based Explanation is that each firm has its unique firm-specific resources. Those resources, such as distinctive competencies, technology, corporate culture, brand name, customer loyalty, and intellectual assets are developed over the long-term and are not easily tradeable in strategic factor markets (Dierickx & Cool, 1989; Sharma & Erramilli, 2004). These resources can be both tangible and intangible and exist in any functional area of a firm. Furthermore, those resources can create potential value for a firm, since they are imperfectly imitable and imperfectly substitutable (Amit & Schoemaker, 1993). Each firm has these unique firm-specific resources according to Barney (1991). A resource can be considered valuable if the resource can enable a firm to implement a strategy that exploit opportunities or neutralize threats in the firms' environment (Ibid).

If many competitors own a firm's resources or group of resources, then the resources won't be a source of competitive advantage because the firms can then implement the same strategy (Barney, 1991). Firms' resources need to be rare and then they will have the potential to generate a sustainable competitive advantage (Ibid). Barney (1991) continues with saying that firms with valuable and rare resources can describe first-mover advantage. However, these resources can only be a source of sustainable competitive advantage if they are imperfectly imitable. A resource is imperfectly because the resource might have been acquired through a firm's unique historical path, the link between resource and the sustainable competitive advantage is not fully understood or it is a resource that is socially complex such as the firm's culture (Ibid). Barney (1991) states that the last attribute for the resources is that there are no equivalent resources that make it possible for other firms to implement the same strategy.

When a firm internationalizes, it usually relies on its existing resources to be competitive in a new market, since it is often more effective and efficient than developing new resources from scratch (Hu, 1995; Madhok, 1997). As mentioned before, entry modes vary significantly in terms of both costs and benefits for a firm. In the Resource Based Explanation, benefits are sought in the effective and efficient transfer of resources to the host market, with minimal erosion in their value (Sharma & Erramilli, 2004). The value of a resource can be defined in terms of its contribution to the firm's competitive advantage (Madhok, 1997). Therefore, the Resource Based View approach looks at the following aspects in both production and marketing operations in order to effectively and efficiently transfer resources to the host market: a firm's likelihood of establishing a competitive advantage in the host country, and a firm's ability to transfer advantage-generating resources to the host country (Sharma & Erramilli, 2004).

According to Sharma & Erramilli (2004), there are two factors that may hinder a firm's ability to establish a competitive advantage in a foreign market. Firstly, some key resources may not be transferred to the host country since they are bound to the home country location, such as skilled labor and key managerial staff. Secondly, sometimes resources may not be compatible with other host country factors in generating a competitive advantage. Therefore, if a there is a low likelihood for a firm to achieve a competitive advantage in the host country, a firm would be more likely to use low risk entry modes, such as direct exporting (Ibid).

If the entrant firm realizes that the probability of establishing a competitive advantage in both production and marketing operations is low, it is unlikely to establish the necessary infrastructural investments, and therefore a firm would be more likely to use low risk entry modes. If the firm believes it can establish competitive advantage in marketing-related activities only and not in production-related activities, the firm may locate all its production activities in the home market, and employ some form of export mode to serve the host market. In his research, Hu (1995) confirms this by stating that if the key advantages are easily transferable, the firm is able to choose the foreign production mode; if essential advantages are difficult or costly to transfer, the firm will be confined to the exporting mode.

In general, it can be stated that the higher the likelihood of a firm to establish a competitive advantage in both marketing & production operations in a host country, and the higher the ability to transfer those advantage generating resources to local partners, the higher is its likelihood of choosing a contractual mode. When the ability to transfer those advantage generating resources to local partners is lower, the more likely a firm chooses a wholly owned subsidiary.

2.5 BRIC Markets and Entry Modes

This chapter further explains BRIC markets and commonly used entry modes in these markets. Later, further specific information is given about the Indian market.

In a study by Hollensen et al. (2014) the authors investigate the relevance of different entry modes for Danish exporting firms entering the BRIC markets. Their findings suggest that these firms mainly prefer low commitment modes when entering the BRIC market. The use of distributors and agents are the most popular mode of entry in Brazil and Russia whereas an own subsidiary is a more used entry mode in China compared to other countries (Hollensen et. al, 2014). Holtbrügge and Baron (2013) investigated market entry strategies for firms in America, Europe, Africa and Asia entering the BRIC markets. The findings of their study show that half of the firms entered the BRIC markets through export and the other half through establishment of production facilities.

Furthermore, firms prefer local production in Brazil and China while firms that enter Russia and India favor exporting (Holtbrügge & Baron, 2013). The authors suggest that one explanation why firms prefer export modes in Russia is because of high investment risks and numerous governmental interventions. India that is a member of WTO offers a liberal foreign-trade policy that favors export for firms with low sales volumes (Ibid). Looking closer at local production as an entry mode, joint ventures are preferred in Russia, India and Brazil while wholly owned subsidiaries are preferred in China (Ibid). Zhang et al. (2007) conclude that firms investing in China adopt joint ventures in earlier entries and then change to more committed investment modes later. This means that firms follow a sequential internationalization process described by Johansson and Vahlne (1977). Knowledge about the market will therefore have an important effect on the entry mode decision (Zhang et al. 2007).

When it comes to factors that influence the entry mode choice in BRIC markets the study by Ulrich et al. (2014) shows that personnel and financial resources were the most important internal factors. The personnel resources consist of managers and employees accumulated knowledge, which is a valuable resource when internationalizing (Koch, 2001; Lin, 2012).
Financial resources and financial instability makes firms more willing to limit the risk in favor of low commitment entry modes (Agarawal & Ramaswami, 1992). According to Ulrich et al. (2014) the reason could be that personal relationships with local intermediaries are needed to a higher degree in the large BRIC markets. Furthermore, the size of the market requires large financial resources and control over the activities in order to create long-term distribution networks in these markets (Ibid). For external factors Hollensen et al. (2014) found that cultural distance did not have an important influence on the entry mode decision. According to the authors, market potential was found to be the most important external factor together with the use of business networks. The lack of financial resources favor the use of business networks and the importance of investing in personnel resources, therefore personal

relationship competences will be an important factor in the relationship-oriented BRIC countries (Ibid).

2.5.1 India

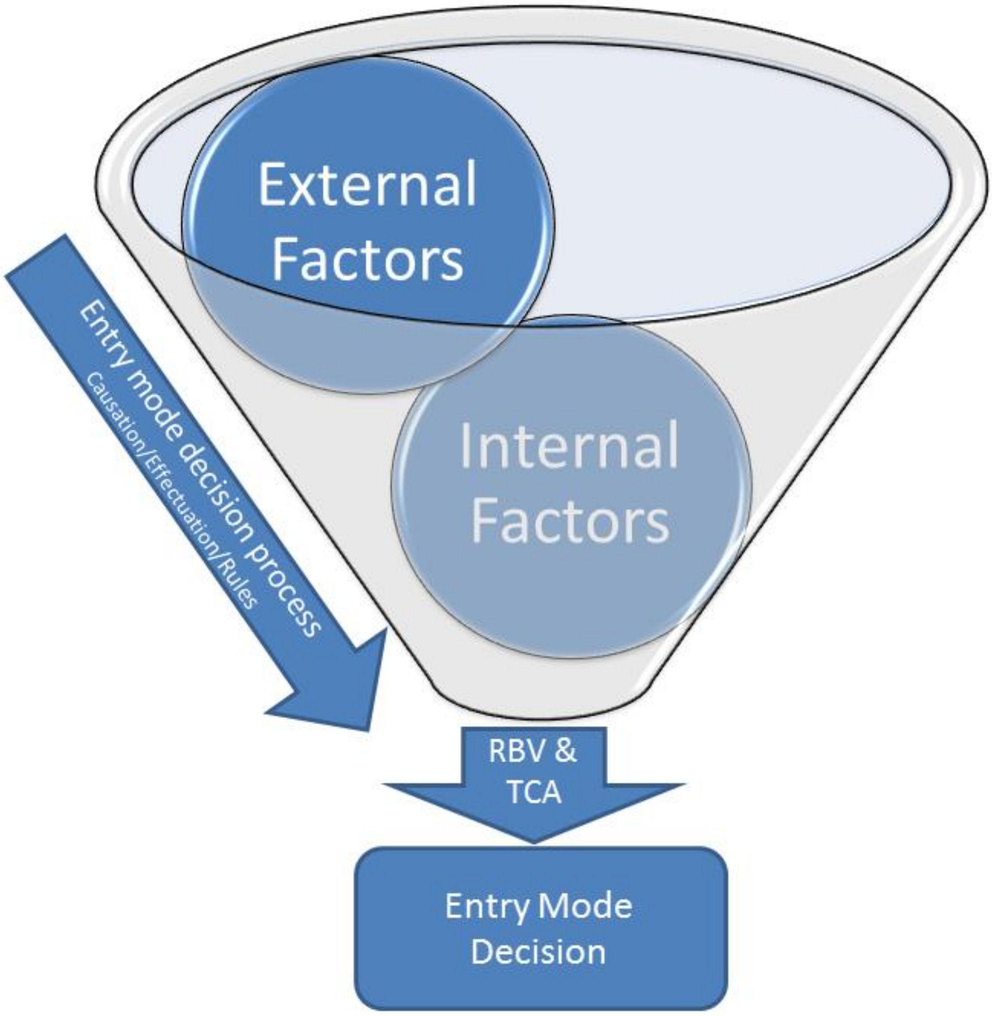
The Indian market has been growing substantially in the last decade, since the adoption of the economic liberalization policy in 1991 (Netherlands embassy India, 2013). The second most populous country in the world (1.27 billion people in 2015) is undergoing a transition, both in terms of investor perceptions of its market potential, and in reality. The economy is registering around six per cent growth amid uncertain global economic conditions. Furthermore, the number of people in the middle class is set to treble over the next fifteen years. Therefore, domestic demand is expected to grow at a compound rate of 9.2 per cent per year between now (2015) and 2030, creating opportunities for many industries. Furthermore, the country has a large pool of technical manpower which presents opportunities for industries looking to deploy technical talent on a large scale. With the latter in mind, India has the potential to become the economic engine of the world in the future by contributing the largest work force to the global economy (Ibid).

However, next to the opportunities the Indian market offers, firms still face a lot of challenges when internationalizing to India. India is a complex market due to regional diversity, large rural-urban divide, dominant unorganized markets, Corruption, and multiple legal and administrative systems. Furthermore, the complex bureaucracy and lack of efficient infrastructure facilities magnify these challenges (Ibid). The biggest challenge that most international firms face is the Indian governance framework, which is intertwined between central and state structures, creating several complex bureaucratic procedures. Furthermore, duties and levies undergo frequent revisions (Ibid).

The aforementioned issues have an impact on entry modes. For example, the minimum capitalization required, when the investment is routed through a wholly-owned subsidiary of a foreign firm, is U.S. $10 million, and U.S. $5 million, when the investment is routed through a joint venture establishment with an Indian joint venture partner (Rye, 2009). Furthermore, India still lags behind many developed nations in its implementation and enforcement of intellectual property laws and therefore, foreign investors must take considerate measures to protect their intellectual property rights from infringement (Ibid). Nowadays, foreign investors can invest directly in most sector sectors in India without obtaining the prior approval of the Indian government. However, this does not count for all sectors (Ibid).

2.6 Conceptual Model

In this model, an overview is given from the presented theories. The effectuation and causation theory, as well as the presented rules, describe the entry mode decision process. Internal and external factors further influence the process, and eventually based on the different theories and internal and external factors, a firm makes its entry mode decision. In our research, we will further investigate the influence internal and external factors have on the entry mode decision in order to further outline the entry mode decision process.



The figure above presents the outline of this study. The internal and external factors are funneled together with the outcomes of the Transaction Cost Approach and the Resource Based Explanation. Eventually we will investigate how the entry mode decision process is characterized for three Swedish business-to-business firms.

3. Methodology

In this chapter we will explain how our study is outlined, and how we conducted our research. Furthermore, a description of the data collection is given, together with our methods of analysis.

3.1 Research Question and Purpose of the Study

In order to determine the overall research design and method of collecting empirical data, the research question must undergo a thorough analysis (Jacobsen, 2002). According to Jacobsen (2002), a research question could be either clear or unclear. In unclear research questions there is often a need for exploratory research in order to get a deeper understanding of what a certain phenomenon consist of (Ibid). The researchers want to understand the phenomenon better and reveal new knowledge (Ibid). Furthermore, the purpose of exploratory research is more to develop new or existing theories (Ibid). We believe our research question to be quite unclear. We wanted to understand the decision process and the evaluation of external and internal factors better in order to reveal new knowledge. We are aware that the research question is not totally unclear, but believe it to have more of exploratory characteristics.

To describe or to explain a phenomenon is according to Jacobsen (2002) the most common intentions with a research. A describing research question describes how the conditions look like to describe similarities and differences, whereas an explaining research question aim to explain why the conditions are like the way they are (Ibid). An explaining research question also aims at finding relation between variables (Ibid). Looking closer at our research question, we considered it to be describing, since we wanted to describe the conditions. Furthermore, the purpose of the study was to find out how the firms evaluate the internal and external factors as well as describing the characteristics of the entry mode decision process.

Kvale and Brinkmann (2009) explain that the results from a research must be so reliable that they can be transferred to other situations in order to be generalized, which calls for a large research population. The purpose of our study is not to generalize the conclusions, but to get a deeper understanding of the area. We also realized that we will not be able generalize the findings, since only a limited number of firms were studied.

3.2 Overall Research Approach

According to Olsson and Sörensen (2007), there are two main approaches to follow when conducting research: inductive and deductive theory. A deductive approach means that the researcher based the research on existing theory from where he creates hypotheses that are empirically tested (Bryman and Bell, 2011). Patel and Davidsson (1994) explain in the same way that a deductive approach allows the researcher to derive hypotheses from existing theory and then empirically test them. An inductive approach means that the researcher collects empirical data without any assumptions from previous research in order to create new theories (Jacobsen, 2002). According to Bryman and Bell (2011), in inductive research, the theory is the outcome of the study and is often associated with qualitative research. However, theory in qualitative study is often used as a background to qualitative studies (Ibid).

Bryman and Bell (2011) suggest that inductive and deductive approaches should be thought of as tendencies rather than hard distinctions. Olsson and Sörensen (2007) explain that in an abductive approach, both inductive and deductive approaches are used. With and inductive approach the researcher describe the situation as it is given by the informants and through a deductive approach the knowledge and understanding is increased based on previous theories (Ibid). Olsson and Sörensen (2007) say that abduction has its base in the dialogue between the theoretical perspective and the result of the information that is gathered through the informants.

Our research did not have the aim to test hypothesis that was derived from the theory. We had a more open approach, which is towards the abductive path because we aimed to be open to new information from our empirical data. We also used previous theories and compared with the empirical data that we gathered from our informants. We believe that this is similar to what Sörensen and Olsson (2007) describes as the dialogue between theory and empirical data. According to Jacobsen (2002) there is no researcher that is totally open, but since Bryman and Bell (2011) suggest to look at these approaches as tendencies, we would consider our approach to be abductive.

3.3 Research Design

As mentioned the research question determines the research design (Patel & Davidsson, 1994). We discussed our research question in connection with different possible designs in order to choose a design best suitable for our research question.

According to Jacobsen (2002), the first consideration is if the research should be intensive or extensive. In an intensive research design few units are studied but these are studied in depth where the purpose is to get a good picture of the phenomenon studied (Ibid). Extensive research includes a large amount of units to study where the purpose is to find out what is generalizable to a larger population. Furthermore, extensive studies also aim at describing a phenomenon across different contexts (Ibid). By applying these considerations to our research question and purpose we decided that an intensive design would be most suitable. We wanted to go more in depth in order to get a good picture of how firms decide on the right entry mode and how the factors are evaluated. Moreover, the purpose was to get a deeper understanding where we believed that a description and a comprehensive picture should be desirable.

The strength with intensive approach is the possibility to collect relevant data with high intern validity (Jacobsen, 2002). According to Bryman and Bell (2011), validity refers to whether or not you are observing what you say you are. Internal validity in qualitative research means that the phenomenon is described in a credible way (Bryman and Bell, 2011). The main disadvantage of the intensive approach is the extern validity where it is difficult to generalize the results to a larger population (Ibid). We were aware of the low external validity but we believed that relevant data was more important in our study in order to answer the research question and fulfill the purpose of the study.

According to Jacobsen (2002), when having an intensive research design case studies are suitable. According to Bryman and Bell (2011), a case study brings a detailed and intensive analysis of a single case, which could be a workplace or an organization. Furthermore, the case study focuses on the nature and the complexity of each case (Ibid). It is also possible to use multiple cases to study. According to Bryman and Bell (2011), multiple cases allow the researcher to compare and contrast the findings from each case. The researcher can consider what is unique and what is common across the cases and conduct theoretical reflections on the findings and has better position to improve theory building (Bryman and Bell, 2011; Repstad (2007). Furthermore, comparable methods provide the possibility to do a better analysis because the researchers' ability to interpret and observe strengthens when similarities and differences must be identified (Repstad, 2007).

Jacobsen (2002) suggests that multiple cases provide a broader perspective of the phenomenon of interest and is suitable if the researcher want a rich and detailed description. Our thesis is a multiple case study. The main argument behind this is that we aimed to provide a description where we could find similarities and differences from the cases. According to our research question we were not interested in only one unique case and a multiple case study are therefore more appropriate.

We aimed to collect data from one occasion, but the phenomenon that we wanted information about might have happened in the past. According to Bryman and Bell (2011), there is the possibility to have a retro perspective design. The retro perspective design means that we ask individuals about what has happened (Jacobsen, 2002). The main disadvantage with this is of course that we must rely on the fact that the people we ask remember it correctly (Ibid).

In summary, we had an intensive research design with the aim to go deeper with fewer units to get a description of the phenomenon. The study is therefore a multiple case study for us to identify similarities and differences between the cases. The information is gathered in one occasion but with a retro perspective approach where the people we ask might have to explain what has happened in the past. Bryman and Bell (2011) explains external validity is something that is often discussed in case studies. The possibility to generalize the findings will not be possible with case studies. However, there is the possibility to theoretical generalization meaning that it could be possible to generate findings that could be tested in other cases or in other situations (Bryman & Bell, 2011; Kvale, 1997).

3.4 Data Collection

According to Jacobsen (2002), qualitative and quantitative method refers to what kind of data that is collected. These two methods also refer to how the collected data is analyzed (Patel and Davidsson, 1994).

A qualitative method is more open which means that the researcher is more open for new information that is collected (Jacobsen, 2002). The qualitative method does not limit the collected information to the same extent as a quantitative approach, it is the interviewee who decides the content (Ibid). A qualitative approach provides the researcher with descriptive data from where the researcher wants to find categories, descriptions or models that best describe a phenomenon (Bryman & Bell, 2011; Sörensson & Olsson, 2008). Bryman and Bell (2011) state that a qualitative approach is more flexible, and that it will be possible to go back and forth in the process and adjust if necessary.

The critique given to the qualitative research is that the findings often depend on the researchers opinion on what is significant and important (Bryman & Bell, 2011). Furthermore, in qualitative research the researcher himself is the instrument for collecting data, which means that what he decides to focus upon, is based on his feelings and preferences (Ibid). And of course the possibility to generalize is also limited, as discussed before (Ibid). A qualitative study could also be hard to replicate since there is almost now standard procedures to be followed (Ibid).

In order to answer our research question and fulfill the purpose of the study we concluded that a qualitative approach would be the obvious path for our study. The main reason is that we wanted to collect descriptive data that is relatively open to new information and nuances. Moreover, we also found it important to be flexible with our purpose, if we would come across new interesting information that we did not think of. We are aware that we will not be able to generalize the findings to a larger population. According to Jacobsen (2002) qualitative studies are often related to an intensive research design. We know that this approach will generate large amount of data to analyze and that more than three interviews would most likely not be feasible with our resources and limited amount of time.

3.4.1 Collection of Qualitative Primary Data

To collect qualitative data means that words and text is what you collect (Sörensson & Olsson, 2008). The text is the central part and the base of what you as a researcher analyze later on (Repstad, 2007). Qualitative interviews are according to Bryman and Bell (2011) the most common way to collect qualitative primary data. The interviewer and the interviewee converse in a dialogue where the data consists of what the interviewee says (Jacobsen, 2002). In qualitative interviews the researcher wants to collect rich and detailed answers. Furthermore, the qualitative interview provides flexibility, the interviewer can during the interview adjust emphasize if something interesting emerges during the interview (Bryman & Bell, 2011). There are two types of qualitative interviews, unstructured and semi-structured interviews.

In semi structured interviews the researcher has a list of questions on topics that the interview should cover (Bryman & Bell, 2011). There is a great deal of flexibility in the interview and the researcher can ask other question is something interesting comes up (Ibid). Bryman and Bell (2011) explains that if the study is a multiple case study, structure of the interview is important in order to do a cross-case comparability.

Our study is based on semi-structured qualitative interviews. We strived for descriptive answers that could reveal new interesting information. We also realized the need of conducting semi-structured interviews in order to ensure the possibility to later on compare the cases in a cross case analysis. We also wanted to make sure that each interview covered the areas of our interest. The disadvantage of semi-structured interview can be that the interview is too structured and that the room for new information is limited. However, since there is room for flexibility and for us to ask the interviewee to emphasize on certain things, we can overcome this problem.

3.4.2 Selection of Interviewees

Jacobsen (2002) says that what kind of information the researcher wants is what determines the selection of interviewees. One criterion is that the researcher selects interviewees based on who he or she thinks can provide the best information. This could be people with knowledge of the area and are willing to provide the information. Bryman and Bell (2011) explain that purposive sampling is when the interviewees are selected based on their likely ability to contribute to understanding of the subject. Repstad (2007) says that the selection of interviewees should be based on those people who have the attitudes, opinions, knowledge or experience that can best help you to answer the research question.

The number of interviews should be enough so that no new information will come up if another interview is conducted (Kvale, 1997). However, the researcher must be aware of how much time you have at disposal which is a determining factor of how many interviews that can be carried out (Ibid). Repstad (2007) says that it is better to thoroughly analyze few interviews than shallow analyzes of many interviews.

Based on our research question, our main selection criteria for the cases where that they were Swedish business-to-business firms with operations in the Indian market. For our purpose it was also important that the firms had knowledge and experience in international business operations. Therefore we wanted firms with operation in several international markets. In this step we had great help from our supervisor who could provide us with contacts to three firms that met these criteria and also who to interview within the company. Because of the limited time, and based on discussion with our supervisor, we concluded that three interviews would be suitable for our study.

We contacted two of the firms provided by our supervisor. Based on our own investigations and discussion with our supervisor we concluded that these firms had the knowledge and expertise needed for our interviews. The third company was selected based on our own investigations. After initial contacts we were guided to a person with the right knowledge in the area and could after discussions with him conclude that they could provide us with the information we needed.

In summary, our selection on cases and interviewees were firstly guided by our research question and purpose. We also selected cases based on where we could get the best information and knowledge of our topic.

These are the following interviewees for our study:

Urban Bülow, Director Business Developmen, Bufab Holding AB.
Interview was conducted in Jönköping, Sweden on 2015-03-31.

Stefan Axelsson, Marketing/CRM Manager, Axelent AB.
Interview was conducted in Hillerstorp, Sweden on 2015-04-09

Harald Castler, Vice President, Getinge AB.
Interview was conducted in Halmstad, Sweden on 2015-04-13

3.4.3 Execution of Interviews

Before the interviews we had developed an interview guide. The interview guide was divided into categories that we wanted to discuss with the interviewee. Patel and Davidsson (1994) suggest that it is beneficial to divide the questions like this to make sure that the problem area is covered. Kvale (1997) explains that the interview questions should relate to those theoretical notions that create the base for the study. A more structured interview will make it easier in the analysis compared to very open questions (Ibid).

We consider our interview guide to be quite open with the possibility for the interviewee to speak freely and express his or her view or opinion on the subject. We had introducing questions that, according to Kvale (1997), are more open and aim at giving spontaneous and rich descriptions. We also had more direct questions that were focused on our different areas of interest. Our aim was to have both open and structured questions with the aim for the whole interview to be open. When developing our questions, we used the theoretical framework as a base but we did not want it to guide us too much.

All our interviews were conducted through a personal meeting with the interviewee. According to Jacobsen (2002), personal meetings have some advantages compared to telephone interviews. First, the conversation is more open and it is easier for the interviewer to feel how far he can go if something interesting needs to be developed (Ibid).

The Interview with Stefan Axelsson was conducted at Axelents office in Hillerstorp. The Interview with Harald Castler was carried out in a conference room at Halmstad University and the Interview with Urban Bülow was conducted in a coffee shop in Jönköping. Jacobsen (2002) says that where the interviews takes place can have effect on it, the so-called context effect. Familiar surroundings for the interviewee tend to provide better answers but the disadvantages being in the work place could be that the telephone rings or someone knocks on the door and disturb the interview (Ibid).

Every interview was recorded. By recording the interview the interviewer can focus on making the interview progress and can therefore focus on the interviewee (Jacobsen, 2002). In personal interviewing the interviewer effect could occur (Patel & Davidsson, 1994). It means that the presence of the interviewer could affect the interviewee to answer in a certain way. We are aware of this and tried to be as natural as possible during the interviews. After the interviews were recorded we transcribed them to prepare for our analysis.

3.5 Method of Analysis

Our analysis has its base in grounded theory. In grounded theory the researcher try to do a theoretical interpretation of the data that has been collected (Kvale, 1997). When doing our analysis we tried to have a narrative structure, where a connective story is made out of the different sections of the collected data (Ibid). We tried to summarize larger sections and answers from the interview into shorter formulations, which Kvale (1997) mentions as concentration of sentences. These sections were then gathered under categories based on the theoretical framework.

This work was done for each case in a within-case analysis and then compared with the theoretical framework, where we could identify similarities and differences with the theory. As a last section of the analysis we did a cross-case analysis to find similarities and differences between the cases.

3.6 Validity and Reliability

Patel and Davidsson (1994) says that problems can occur when the researcher himself creates the tools for gathering data. It might be that the researcher does not get the intended information or he does not know how reliable the collected data are. Validity refers to whether the researcher actually measures what was intended and reliability refers to how reliable the collected data are (Ibid). In order to increase the validity and reliability of our study, we first tried to interview persons that had knowledge of the area and that could provide us with the information we needed, by doing this we hoped that the validity could be strengthened. The interview guide is another factor that influences the validity. We tried to create questions that could provide us with the information needed in order to fulfill the purpose of the study. We discussed the interview guide together with our supervisor in order to improve validity.

According to Jacobsen (2002), the interviewer effect and context effect is something that can influence the reliability of the interviews. We planned to conduct the interviews in calm surrounding for the interviewee and in a conference room where we were not disturbed. However, we had to conduct one interview, in a coffee shop due to changes in the interviewees’ schedule. To decrease the interviewer effect, one person led the interview while the other listened and made notes. By recording the interviews we also increased the reliability and make sure that nothing was missed out from the interviews.

3.7 Critique of our Methodological Choices

The choices that we have made have consequences for the study. We believe our decision to have relatively open interviews with an interview that was not thoroughly based on the theoretical framework, has affected the study. As mentioned before, we used it as a base to find themes in our interview guide but we did not want it to steer the interviews too much.

As mentioned, Kvale (1997) explains that the interview questions should relate to those theoretical notions that create the base for the study. A more structured interview will make it easier in the analysis compared to very open questions (Ibid). This created some difficulties for us when analyzing the data and when comparing our empirical data with previous theory. This is something that we believe decreases the validity of the report. We were also aware from the beginning that our findings will not be able to generalize to a larger population, which was not our intent either.

3.8 Critique on Sources of Data

We believe that the sources of primary data we used for this study were relevant, where the interviewees had a lot of experience and knowledge of the area. However, it is likely to believe that due to the retro-perspective approach some answers might not be remembered correctly. The reliability of the data could therefore also be decreased.

The literature for the theoretical framework consists of scientific articles and relevant marketing literature. The articles have been found through Halmstad University's search engine Summon where articles from eminent scientific papers can be reached. We have searched for articles in the area using key words such as entry modes, BRIC markets, Emerging markets, entry mode decision which have guided us to several useful sources. The books used have been borrowed from Halmstad University's library. We are aware that some sources used in the theoretical framework are aged, but they are still relevant in our area of research and therefore relevant for the study.

4. Empirical Data

In this chapter, the empirical data, derived from the interviews is presented. At first, some brief information about the firms is presented and their entry mode decision process to India. Later on, specific internal and external factors that have influenced the entry mode decision are further explained.

4.1 Bufab AB

Bufab Holding AB is a trading firm founded in 1977 that supplies various components and services to the manufacturing industry in Sweden and internationally. An entrepreneur that wanted to import C-parts (fasteners) from China founded Bufab. After business was expanding, the firm expanded its scope to several other countries. The firm provides design and technology productivity services, and manufactures parts of various steel materials, such as aluminum, magnesium, brass, carbon steel, stainless steel, etc. Bufab serves aerospace, agricultural, automotive, industrial construction, engineering, offshore, railway, shipyard, and telecom industries. Bufab takes an end-to-end responsibility for the management of C-parts allowing their customers to focus on their core business. One of the services is the control of stocks, so customers do not have to worry about running out of C-parts on the work floor. Bufab is headquartered in Värnamo, Sweden. In 2014, the firm went to the stock exchange. Bufab has its own subsidiary in India.

Bufab internationalized to India several years ago. Most of Bufab's large European customers had production plants in India. These European customers value the service Bufab provides. According to Bülow, director business development, this was their main motivation to enter the Indian market.

"It was more efficient to have our own presence in India to be close to our customers".

(Personal communication, U, Bülow, 9 April, 2015)

The firm does not focus on local Indian firms primarily, since the setup of Bufab is more about services, whereas the local Indian firms are mainly focused on pricing. One of Bufab's services is to fully control a firm's stock, and complement them if necessary. This demands a close relationship with their customers. However, the decision to internationalize to India was still mainly planned because the firm tries to push the large customers into prospective markets.

In India, Bufab has its main network with the European firms, since those are among the biggest customers. Furthermore, these European customers already had their production plants in India and thus had more knowledge about the market. These firms helped Bufab establishing a network in. The firm experienced that this is the way to build up a network locally; building up a network via current customers. This eventually resulted in the establishment of a subsidiary in India. Furthermore, the network in India also helps Bufab to make estimations about the market potential, since they find out information through their customers. In the Western market, market information is easier available.

"Internationalizing to India without having a good business network is suicide." It is therefore a good starting point to have a customer somewhere in the world that has its own

production plant. If we see that we have a potential sales volume in a specific country, we start something up".

(Personal communication, U, Bülow, 9 April, 2015)

Since Bufab has its own subsidiary, more resources were required from the firm. In order to successfully be up and running, the firm needed specific knowledge and competences for the market. Especially the latter is important for Bufab in the Indian market. Bufab experienced a lot of uncertainties, such as a lack of information, and therefore used the Swedish trade council in order to get the relevant information and to get in touch with useful contacts. Bufab specifically did not buy information since it is often not specific enough. Knowledge about the market is crucial, and gathering this information was time consuming, since it is mainly retrieved from their business network.

Due to a lack of information, the firm was a little bit cautious in the beginning; since they only entered the market when they had a guarantee their European customers would continue demanding services from Bufab. Therefore, Bufab tried to make decisions based on the information they gathered. According to Bulow, because of the entrepreneurial spirit of the firm, Bufab was still very action oriented and thus very fast in their internationalization to India. Furthermore, it was crucial for the firm to favor control before risk, since this is the way of doing business in India.

Since Bufab has large sales volumes worldwide, it was easier to establish its own subsidiary. Due to the large sales volumes, the firm had the financial capability to make this happen. Especially since their main European customers already had their plants in India, and so there was a market already for Bufab.

"When the company is small, you cannot directly be present in India, since you have a lot of factors to have in mind, such as salaries, etc. It costs a minimum of a couple of million SEK per year to be successful on this market, and therefore the initial investment could be too high for small companies to successfully penetrate the Indian market."

(Personal communication, U, Bülow, 9 April, 2015)

Next to this, the European customers appreciate the services Bufab provides. Since the firm takes an end-to-end responsibility for the management of the needed C-parts, and therefore also controls their customers' stocks, Bufab's customers can focus on their core business. Due to the complexity of the product, Bulow explains that the only option is to sell Bufab's products with their own subsidiary.

"Bufab has a line of business that is called Bumax. This line mainly sells screws and bolts to manufacturers worldwide. Since the product does not demand a high level of service, a distributor can be used for generating sales. However, since Bufab products demand a high level of service it is important for the company to have local presence."

(Personal communication, U, Bülow, 31 March, 2015)

The firm earlier internationalized to China, and this earlier experience also influenced the internationalization process to India. When Bufab internationalized to China, the main motivation was also to follow the big customers, and this was therefore a main reason to choose an own subsidiary in China. The firm therefore used the expertise of the regional manager for Asia in order to make an entry mode decision for India. This experience was valuable for the firm, since according to Bülow India is not for beginners. The internationalization to China is an example for Bufab India. In China, the organization has 50 employees and a solid organization, and by pushing up the sales, Bufab tries to establish the same as in China.

India's market potential is very huge for Bufab. More and more firms, especially high-tech firms, have their production plants in India. Next to this, the firm already had major customers active on the Indian market. Therefore, the decision for a specific entry mode was either Greenfield investment or acquisition, since according to Bülow, these are simply the cheapest options in the long run. As mentioned before, Bufab's products demand a lot of service and therefore it was a need to have local presence. Bufab is currently working on a solid base in India by pushing up the volumes in order to improve sales.

Furthermore, the firm faced some difficulties with the Indian customs, especially with the more expensive products. However, when the firm was up and running in India, the Indian customs are not being that difficult anymore. Due to the trade barriers, the firm needed local sourcing and this limited the business to some extent, since this was a time consuming process.

"It is common that you have to bribe government officials in order to get what you want. If you refuse to pay, the Indian customs make the establishment on the Indian market hard for the company. Having your own subsidiary is therefore much easier when it comes to these issues. Having local people is crucial to overcome the trade barriers, since they have a better knowhow."

(Personal communication, U, Bülow, 31 March, 2015)

There are a number of other challenges in the Indian business environment for Bufab. One of the challenges is that India was very spread out, and lacks a good infrastructure. Therefore coping with short distances would take for ages for Bufab. The firm therefore appointed a manager that specifically takes care of shipments. Due to the issues with infrastructure, the firm saw the need of having physical presence in different areas.

Another challenge in the business environment is the local competition, which is very tough for Bufab. Local manufacturers are mainly focused on item pricing. This is problematic for Bufab, since the firm is mainly focused on saving time for customers.

"This is what the Indian companies do not really value. Multinational companies see this differently, but the culture is a huge issue. People are extremely oriented on details and lack a greater vision. This also affects pricing and therefore the competition is very tough".

(Personal communication, U, Bülow, 9 April, 2015)

Another example of the difficulty of cultural differences is the fact that the firm had to talk to a lot of people in order to get the right information, and this was a time-consuming process.

"In Western countries it is more, what you see is what you get, whereas in India you really have to read between the lines".

(Personal communication, U, Bülow, 9 April, 2015)

4.2 Axelent AB

Axelent is a business-to-business firm that develops, manufactures and sells machine guarding, warehouse partitioning, anti-collapse and property protection. Axelent's headquarter is located in Hillerstorp in Småland, and was founded 1990. Axelent AB is a part of Axelent Group together with Axelent Wire Tray AB, Axelent Engineering AB and S.Works AB. Axelent AB is present in 55 countries with their own subsidiaries in Australia, Belgium, England, France, Germany, Italy, Netherlands, Spain and USA. In India Axelent is present through distributors.

Axelent's products are developed to comply with the demands that are set to a functioning machine guarding system. Axelent's machine guarding systems also provide smart solutions that facilitate the workflow around the machines. The products are standardized when it comes to sections, posts, accessories and colors which makes it easy for the customer to supplement their existing installations. Axelent's total product offer also includes a large selection of doors, locks and other accessories that together build a complete machine guarding system for different industries. The products are easy to handle and install which keep the costs to a minimum. Axelent also offers quick deliveries and have all standard components in stock, to be able to ship them the same day they receive an order.

"In eight out of ten cases we follow our large customers into foreign markets, which was also the case in India."

(Personal communication, S. Axelsson, 9 April, 2015)

The decision for Axelent to enter the Indian market was not really planned in the first place. The firm had a German customer who had a project in India for a large train producer. The customer made a request if Axelent could buy products from Sweden and have them delivered directly to India. Out of this project more projects in India derived and Axelent started to look for more opportunities on the Indian market.

"The market is huge, and so far we have only scratched the surface of it"

(Personal communication, S. Axelsson, 9 April, 2015)

Generally when Axelent makes decisions regarding their internationalization, they start by searching for sources of information in their existing business network. In the case of India, Axelsson explains that they had great help from other firms in the area of Småland in Sweden. These firms could provided Axelent with important knowledge about the Indian market.
Axelent made some minor enquires and came up with a list of possible distributors with help from the Swedish business council. A distributor in India also approached Axelent and wanted to sell their products. Axelent gave them a price with a good margin for the firm that the distributor accepted. Later on, the distributor followed up with a report including feedback on the products as well as pictures that indicated serious interest from the distributor. Axelent met with them and later on signed a contract with them.

Axelsson explains that it would have been different if it had been another market. In a more mature market Axelent would not just have given a random distributor a chance, in India however, Axelent felt that they could take a chance because the market was very young.

"With India we had the feeling that it was very early on the market and we thought that if someone want to market us very early; fine we will support that".

(Personal communication, S. Axelsson, 9 April, 2015)

Nowadays the Indian distributor works according to a business plan that is developed together with Axelent. The plan consists the necessary steps for the distributor to take in order to meet the targets. If the distributor do not follow the agreements, Axelent terminates the contract immediately. It is the same thing if a contact at Axelent's distributor does not reply in time or is hard to communicate with, and then the decision to look for new contacts is made very quickly. There have been situations in other countries where Axelent found distributors that had two suppliers at the same time. In this case, the agreement was terminated immediately.

For Axelent it is important with full transparency with the Indian distributor. If the distributors ask Axelent to lower their margin, they expect the distributor to do the same. With the Indian distributor, Axelent sits down with open books and go through the situation and margins.

"I hate to sit here and people squeeze us for 5 % and we have a 10 % margin now, and then on the other end they sit with a 40 % margin".

(Personal communication, S. Axelsson, 9 April, 2015)

Axelsson explains that to use distributor as an entry mode in India suited Axelent because it is a small company that can't afford heavy resource commitment in a market that was unfamiliar to them.

"it is a high investment for Axelent to start a firm in a country where you know nothing about the market. Now, the only thing you have to invest is time, brochures, and a good price for them plus different payment terms".

(Personal communication, S. Axelsson, 9 April, 2015)

The product that Axelent offers the Indian market is something that their distributors can handle and install themselves. The product does not demand a lot of service and Axelent provides the distributors with proper training. Axelent's products are standardized and no customization needed to be done for the Indian market.

Axelsson explains that even though there are opportunities in India he has the feeling that India is not completely ready for Axelent's type of products. One example is from a trade fair in Hannover that Axelent attended. They met firms from India that were surprised that Axelent's products were meant for protection at the production floor in factories, which was something they had never heard of. Moreover, Axelsson states that although India has more than 1 billion they do not see Axelent's products as standard yet.

"We therefore thought it would be difficult to sell in India, because the market was not ready for it yet".

(Personal communication, S. Axelsson, 9 April, 2015)

Axelent divides the world market into three categories depending on how culturally different the countries are to Sweden. India is a market that Axelent perceives as very culturally different compared to the home market and therefore the easiest and cheapest way was to use distributors, according to Axelsson. Furthermore, As mentionen, Axelsson states that the firm was quite unfamiliar with the business culture in India, but that it could not limit them from entering the market. For example, Axelsson explains that due to cultural differences the Indian distributor had a very different way of negotiating with customers compared to what Axelent was used to. It was therefore necessary to teach the distributor how Axelent want them to negotiate with customers.

Axelent experiences that the Indian market is much disseminated when it comes to the location of factories. Axelsson states that all the steel plants are located in one area of the country, and in another are all the chemical production plants. Furthermore, in these different areas Axelent has to follow different rules, which makes it complicated to do business and therefore it is easier to have a distributor with this knowledge.

The Indian customs is something that causes some trouble for Axelent. Axelent declares their products as steel and in customs they weigh the products before they are sent to the distributors. The customs then have their own perception of what that weight of steel should cost and tell the distributors that Axelent's shipment is too expensive. Axelsson explains that the customs do not consider the fact that Axelent sell complete systems not raw steel. Furthermore, Axelsson explains that dealing with customs is something that is not easy because of the different political views and therefore a distributor very useful with their knowledge.

Axelsson explains that with distributors there is less risk involved compared to having your own subsidiary. If Axelent started its own subsidiary there must have been enough turnover already, and the future potential must be promising.

In the future, Axelent hopes to have its own subsidiary in India as well. Axelsson's opinion is that because the European Union is more similar to Axelent's home market it is easier to have an own subsidiary there. The main reason behind this is that Axelent can control the market themselves to a larger extent. Furthermore, the firm can easily decide in what direction the firm should go. However, for Axelent it will be a large investment setting up an own subsidiary.

GETINGE
GETINGE GROUP

4.3 Getinge AB

Getinge AB is a global medical technology firm, founded in 1904. The firm provides equipment and systems within healthcare and life sciences. The organization is divided into three business areas: infection control, extended care, and medical systems. After inception, the firm quickly began to sell beyond Sweden. In the 1960s, Electrolux acquired Getinge; as the world's second largest household appliance maker, Electrolux was able to help Getinge expand globally by leveraging its vast international network. In 1989, the firm became independent again, and a new era of expansion and development began. In the following decades, Getinge acquired more than 15 firms across Europe in order to strengthen its position. In 1993, the firm listed its shares on the Stockholm stock exchange. Nowadays, the organization has nearly 16,000 employees worldwide. Nowadays, Getinge has its own subsidiary as well as distributors for the Indian market.

Getinge ranked the BRIC countries by priority to enter. China had the highest priority, due to the huge market potential and the growing demand for renowned Western sterilizing products. Brazil was ranked second and India third. The main motivation to internationalize to India was the huge market potential. Due to the growing amount of private hospitals, the top segment, the firm believed they needed a strong position in India. Nowadays, Getinge still has 30-40 distributors in India.

When entering India, Getinge worked with the resources they had available. Later on, when Getinge had more of their own people in the subsidiary, the firm started to think about investments. Castler explains that it is important to internationalize in the right order. To start with your own subsidiary without any experience of the market is very risky. Getinge constantly reviews their entry modes and when they are ready they start to invest.

"To start investing in an early stage would be very risky when you do not know the market. In later stages, when the company makes an acquisition, it makes more sense to invest resources".

(Personal communication, H. Castler, 13 April, 2015)

When first entering the Indian market, the firm was not familiar with the market. However, due to earlier experience, the firm knew how to internationalize to a new market. For Getinge it was crucial to understand the market and how the products fit in the market. Since Getinge's products are undermined to a broad number of specific regulations, the firm was in need to comprehend the regulatory environment, since this is different for each country. The firm made a number of visits to India with the help of the Swedish business council and the Swedish embassy.

"*A lot of companies are using a trade house, since they are skilled in building up relationships with foreign companies. These trading houses would then have a next layer of specialist companies, who are distributing products, and in the bottom you have local distributors who are experts in one or two hospitals and these specialist companies will then sell through them."*

(Personal communication, H. Castler, 13 April, 2015)

Therefore, the market has many layers before the product eventually hits the customer, and this is why Getinge chose to skip the trading houses, and move directly to the specialist distributors.

After having selected, and worked with the distributors for some years, the firm monitors their results. Getinge mainly evaluates its distributors by net sales. Also the difference of ambition is a critical factor for evaluation. Some distributors are more successful than others, but they also started to compete internally, which the firm considered a problem. The main advantage for having their own subsidiary in India is that the firm can better serve the customer both before and after the purchase compared to the distributor model. For Getinge, acquisitions are always a part of the game, but this only happens after three years, when the firm has a proof that the products fit the market, and when the firm has the knowledge of how to sell the products.

"*If you work with a distributor, you gain information over time, but if you put your own people there, the knowledge you gain is much higher. With this knowledge it is easier to make decisions, because you understand your customers better".*

(Personal communication, H. Castler, 13 April, 2015)

The firm segmented the market in different divisions. In this way it was easier for Getinge to monitor the market, and to decide if it was necessary to put up a subsidiary. The next step for the firm was to further segment the market based on locations.

"For example, we make a decision that in Delhi and Mumbai we were in no need for distributors, since we already have our own establishments there. This is the way of getting closer to the market, and finally getting direct sales. First you need to build critical mass (turnover) before deciding to penetrate the market with your own subsidiary".

(Personal communication, H. Castler, 13 April, 2015)

The firm is in need of a strategic approach to the markets, due to the large number of complex issues on the market. According to Castler, Getinge has a very strategic, but also purely economic approach to the Indian market. The firm simply needs to be able to afford the internationalization to India, so in order to do that, the firm needs to build up critical mass first.

The size of the firm was critical to their entry mode choices. Getinge is ranked on place 24 when it comes to medical devices worldwide. The size of the firm gave Getinge the financial strength to enter the Indian market more easily.

Getinge's products were of importance for their entry mode. The products demand a close relationship with the customer in order to provide them with tailor made solutions. Especially in the top segment in India, the private hospitals, a strong relationship is necessary, since the products they purchase are often highly sophisticated. Therefore, the products demand a lot of after sales service. Getinge also provides products to the lower segment in India. This segment is mainly represented by smaller clinics. These clinics often do not demand highly sophisticated products, and therefore distributors are often used in serving them.

"To build up an after sales structure is probably the most strategic thing you can do because it is very difficult to delegate this to third parties. No customer would buy sophisticated products from companies that do not have local service presence. Therefore you need to build that network, and to build that network you need a structured base. If you do not have an installed base, you simply cannot build a service network".

(Personal communication, H. Castler, 13 April, 2015)

According to Castler, this was the most challenging part of entering the Indian market. Getinge needed to have a large web of customers, and they needed to find a way to finance this by using other firms as sub suppliers. The firm managed to find a distributor that had a wide range of products that had enough critical mass to afford working with their products. However, these companies were never completely focused on Getinge's products due to their broad product portfolio. This is what eventually drove the firm to developing their own subsidiary.

The firm's earlier experience to China and Japan influenced the entry mode decision to India. The Chinese market was approached in a similar way. At first distributors were used to approach the market and to build up critical mass. However, due to the complexness of the product, and the demand for a close relationship with the customer, Getinge eventually entered the market via their own subsidiary. Also the complexness for foreign firms to obtain the right certifications and registrations for medical products was a reason for Getinge to start their own subsidiary.

Internationalizing to India has been a challenge for Getinge, due to the bureaucratic landscape. The firm experienced that India was very spread out and therefore the country had to be treated as 30 different countries. In every state, the firm experienced different laws, different languages, different culture, etc. The firm even experienced different custom fees between the states. It has therefore been difficult to govern the country from one place. In order to serve the customers better, the firm was in need of more distributors in the country to have local presence.

Next to the aforementioned issues with the business environment, Getinge faces difficulties with the regulatory affairs. These barriers consist of registrations for medical products. In China, for example, the market has barriers for class 1 products (products that are placed within the human body), since they need to be reregistered every four years. This registration takes two years in China. If the firm would not have local presence in China, this registration took up to more than four years. In India, these barriers are currently still quite low, but they are expanding fast. Therefore, the company needs to have local presence, since it often takes longer for foreign companies to register their products. Furthermore, it is a huge risk to delegate this registration process to distributors.

Next to this, Getinge faces complex custom fees when internationalizing to India. Nowadays the custom fees are around 15% of the total value of the products. These custom fees cause Getinge's products to become more expensive compared to local producers. Therefore, the firm needs to have their own production in India. Getinge is currently seeking for possibilities to open their own production facility in India, but according to Castler this is a very time-consuming process.

As mentioned before, Getinge divides the market into three different segments. The top segment is characterized by sophisticated hospitals, such as University hospitals and flag store hospitals. The mid segment consists of sophisticated health care providers that have less capital than the top segment hospitals. The bottom segment is covered with health care clinics that have very basic needs. The current competition in the top segment in India is mainly from other multinationals. However, in the last years, there has been a shift in local competition. Earlier this group of competitors was mainly active in the low- and mid-segment. However, due to their extended local presence, these competitors are trying to set foot in the top segment as well. Since Getinge is currently trying to push up the volumes by penetrating the mid segment, the competition with local Indian firms is getting heavier.

"We want to fight up the competition and make money. In many markets we would maybe have 30-40% market share in the top segment. When we want to expand the business we are looking at opportunities. These opportunities are currently in the mid segment. In order to

stay competitive with both local companies and multinationals, we need to look at our offer. We therefore need to find a new distribution network to find customers in the mid segment".

(Personal communication, H. Castler, 13 April, 2015)

The mid segment is in India the segment with the highest market potential for Getinge. This is tough because Getinge offers premium products and have a tough situation to compete with local suppliers who can produce locally to a much lower price. For customers that do not demand premium products Getinge uses two other brands called Trans and Castle, which is fighting brands.

One great advantage the local firms have in their competitiveness is the local presence, which is much stronger. Furthermore, in the mid segment hey have much more customer relationship. Moreover, they have a much better distribution channel. In order to strengthen their position on the market, Getinge needs to expand their relationships further in this segment.

5. Analysis

In this chapter, the entry mode decisions of the three firms are analyzed and compared with the theories. At first the entry mode decision process is analyzed. Later on, the internal and external factors influencing the entry mode decision are compared with the theory. Later on, the Resource Based Theory and the Transaction Cost Approach are applied to the empirical data. At last, the different cases are analyzed by means of a cross-case analysis. The cross-case analysis functions as a measure to identify patterns between the cases.

5.1 Within-case Analysis

5.1.1 Bufab AB

Characteristics of the Entry Mode Decision Process

The choice of internationalizing to India was mainly planned for Bufab as they followed their main European customers into the market. To serve them it was better to have local presence. From the empirical findings it can be shown that the process of choosing the right entry mode was according the pragmatic rule described by Root (1994). According to Root (1994), the pragmatic rule is mostly used by firms that are starting to exploit international market opportunities. Ordinarily, firms start their international business with a low-risk entry mode. Only if the low-risk entry mode is not profitable, firms start looking for other modes of entry (Ibid). Bufab did not strategically analyse different types of entry modes, since for them it was only a choice between a Greenfield investment and an acquisition. The firm therefore had a pragmatic approach.

From the empirical data it is shown that Bufab knew from the beginning that the Indian market needed to be entered through its own subsidiary. Therefore, to establish themselves through an own subsidiary, can be considered to be a preselected goal for Bufab. In a causational process, the goal or the effect that wants to be achieved is preselected and the resources or means are then gathered in order to achieve that specific goal (Sarasvathy, 2001). Furthermore, according to Sarasvathy (2008), in an effectual decision process the question in focus is "What can I do" rather than "what should I do". For Bufab, the focus in this process was on what should be done, namely to establish an own subsidiary which supports the argument that the entry mode decision for Bufab followed a more causational approach.

Bufab knew that the European customer had production plants in India and that there were sales volumes large enough to motivate an establishment. With this knowledge, it can be considered that Bufab did not take a chance and made the decision based on maximization of returns rather than affordable loss. According to Harms and Schiele (2012), in a causational approach to decision making, maximization of returns rather than affordable loss is the base of the decision. In effectual decision making with focus on affordable loss firms only need to know their current financial position and how much they can face to loose, which minimizes the reliance of predictable information (Sarasvathy, 2001). For Bufab however, predictable information and knowledge about the sales volumes is important because they enter a market without that information. For Bufab it is therefore important to plan ahead to decrease uncertainty. Causational firms on the other hand, try to handle an unpredictable future by trying to plan ahead (Harms & Schiele, 2012).

Internal & External Factors
According to Koch (2001) smaller firms often have insufficient resources making some of the entry modes inappropriate. Bufab already had large sales volumes worldwide so this made it easier to establish its own subsidiary.

"When the company is small, you cannot directly be present in India. It costs a minimum of a couple of million SEK per year to be successful on this market".

(Personal communication, U, Bülow, 31 March, 2015)

This is in compliance with the outcomes of Hollensen (2001). He states that smaller firms are more likely to enter foreign markets through some kind of export mode because they do not have the resources needed to achieve a higher degree of control. Setting up a fully owned subsidiary includes large investments that smaller firms might not cope with (Ibid). If Bufab did not have the large sales volumes worldwide, the firm would simply not have the financial strength to set up an entry mode involving high risk and high control, such as a subsidiary. Therefore Bufab's resources was a factor that made it possible for them to establish an own subsidiary.

According to Hollensen (2011), firms with products of high complexity require different kinds of services that export intermediaries might not be able to handle, should go for entry modes with higher involvement. Bulow stated that the main reason for having their own subsidiary was that, due to the end-to-end responsibility for the management of C-parts, and the control of stock service, the product demands a lot of after sales service, and this causes the product offer to be more complex.

According to Root (1994), products that only compete on price cannot absorb transportation costs and import duties, and therefore some form of local production is the best solution. However, for the Bumax product line, which is a line of standardized products, a distributor is used to penetrate the Indian market. This is exactly the opposite of what Root (1994) claims. Bulow states that the need for after sales service demands Bufab to have local presence in order to serve customers better. For Bufab it was essential to have high control in India.

The experience that the company and its managers have of involvement in international operations has an impact on the entry mode decision (Hollensen, 2001). Bufab earlier internationalized to China, and this experience also influenced the internationalization process to India. Bufab had a similar motivation to penetrate the Chinese market as the Indian market, since they had to follow their large European customers. With the internationalization to India, the company therefore used the expertise of the regional manager for Asia in order to make an entry mode decision for India. According to Hollensen (2001), international experience brings down the costs and uncertainty of entering a foreign market. The latter was exactly the case for Bufab, where the international experience of the regional manager brought some certainty. Furthermore, since the entry mode in China was successful, it became a leading example of how business should be done in emerging markets. This is in line with the outcome of Koch's study (2001). He stated that how many times a certain entry mode has been used, under similar circumstances, how successful it has been, all influence the entry mode decision. Since it normally takes a few years to establish a wholly owned subsidiary, Bufab chose between an acquisition and a Greenfield investment. Bufab's earlier experience from other international markets therefore made the firm more willing and comfortable to commit resources in India.

According to Hill et. Al (1990), if the country risk is high then firms should use entry modes where the resource commitment is low in order to exit the market quickly if necessary without huge loss. However, Bufab internationalized via a subsidiary from the beginning. One argument for this was the trade barriers the company faced in India. Therefore, the company needed local representatives, since the local people had better know-how of how to overcome these barriers. Furthermore, the company faced some difficulties with the Indian customs, especially with the more expensive products. According to Hollensen (2001), trade regulations as well as custom formalities encourage involving local firms that can provide information and useful contacts to make the entrance easier. If product and trade regulations demand extensive adaption and modification of the product, then firms should establish local production or assembly facilities (Ibid). This approach was the same for Bufab. When the firm was fully up and running, the Indian customs did not cause that many problems anymore. Therefore, for Bufab it was best to have its own subsidiary to decrease the level of risk caused by trade barriers.

Because the country is so spread out, and due to a lack of a good infrastructure, Bufab faced some difficulties in India. Coping with short distances took for ages and therefore local presence was necessary for Bufab. This complies with Root (1994), where he states that geographic distance causes high transportation cost, making overseas assembly a better alternative. This is an example of the characteristics of the business environment that influenced the entry mode decision. The theory states that the geographic distance between home country and foreign country favors local assembly. In Bufab's case the large geographic distance even within the county was something that the firm felt they could overcome with local presence through their own subsidiary.

Furthermore, according to Hollensen (2001), a larger market or a market with high growth rate makes managers more willing to commit resources to that market. This was also the case for Bufab, where the huge market potential, combined with the customers they already had on the Indian market, resulted in the establishment of a wholly owned subsidiary. This is also confirmed by Root (1994), who states that in markets with high sales potential, an entry mode with higher break-even, such as a subsidiary, could be suitable. The high sales potential in this large market was therefore a factor that made Bufab more willing to commit resources into India.

Transaction Cost Approach to Entry Mode Decision

Transaction specific assets are investments both physical and human that are valuable only to a narrow range of transactions (Andersson & Gatignon, 1986). Bufab's product offer demand a close relationship with customers, and it would be too costly and time consuming to train their distributors in selling their products. Furthermore Bufab would have been very dependent on the distributors they invested in. According to Williamson, (1975), Partners that sign a contract that requires investments that is specific to the transaction enter a relationship of mutual dependency. One of the partners might be locked in and therefore subject to exploitation of the stronger partner, when the contract partner become irreplaceable the partner may extract new contracts become inflexible or in some other way try to violate the contract agreement, which is opportunistic behavior and high transaction costs (Ibid).

According to Hollensen (2001), in markets characterized with high degree of external uncertainty, firms are expected to shift the burden of risk to outsiders. However, in cases where asset specificity is involved, flexibility is lost and the unpredictability of the environment increases intermediaries' opportunities to behave opportunistically. In that case the propensity to internalize increases. This is also the case for Bufab, where the transaction specific assets are high.

According to Deng (2003), low control often has lower transaction costs involved. However, for markets large enough to break even on the fixed costs of a high-control mode, the entrant has a choice to make. This was exactly the case for Bufab, where the market potential was enormous and showed potential of breaking even very fast, due to the presence of large customers on the Indian market. For the other product line Bumax, the company chooses distributors above a wholly owned subsidiary, since the products are low in costs and it is therefore hard to break even on the fixed costs.

The transaction costs for Bufab are considered to be high mainly due to the transaction specific assets. According to the Transaction Cost Approach, in situations where the transaction costs are high firms should internalize and use entry modes with higher control (Williamson, 1985). Thus Bufab's entry mode used for the Indian market are therefore considered to follow the suggestion of the Transaction Cost Approach of selecting the right entry modes.

Resource Based Explanation Approach to Entry Mode Decision

According to Sharma & Erramilli (2004), there are two factors that may hinder a company's ability to establish a competitive advantage in a foreign market. Firstly, some key resources may not be transferred to the host country since they are bound to the home country location, such as skilled labor and key managerial staff. Secondly, sometimes resources may not be compatible with other host country factors in generating a competitive advantage. Therefore, if a there is a low likelihood for a company to achieve a competitive advantage in the host country, a company would be more likely to use low risk entry modes, such as direct exporting. Bufab's main motivation to enter the Indian market was to follow their large European customers. Therefore, the company had a high likelihood to generate a competitive advantage if they had local presence. Since the product demands a lot service, due to the end-to-end responsibility, it was best for the company to have skilled staff present in India.

The after sales service is the unique aspect about the products Bufab sells. According to Amit and Shoemaker (1993) these resources can create potential value for the company since they are imperfectly imitable and imperfectly substitutable. In the Resource Based Explanation, benefits are sought in the effective and efficient transfer of resources to the host market, with minimal erosion in their value (Sharma & Erramilli, 2004). Therefore the theory looks at the possibility of effectively and efficiently transfer resources in the host market, a company's likelihood of establishing a competitive advantage in the host country, and a company's ability to transfer advantage-generating resources to the host country (Ibid).

Since the product demands a lot of service, and this is the main unique aspect about it, and thus difficult to imitate and substituted, the firm is more likely to have its own subsidiary in India. This is confirmed by Sharma and Erramilli (2004) who state that when the ability to transfer advantage generating resources to local partners is low, the more likely a firm chooses a wholly owned subsidiary.

5.1.2 Axelent AB

Characteristics of the Entry Mode Decision Process

To enter the Indian market was not a planned decision for Axelent. At first they simply followed one of their existing customers into India. They saw potential in the market and started to look for distributors almost immediately. From the empirical findings it can be shown that the process of choosing entry mode was not according to the strategic rule, defined by Root (1994), where a systematic comparison between different entry modes is made. It is shown that Axelent ruled out entry modes with high investments, but no further comparison was made between different entry modes that needed lower investments.

The way Axelent made their decision could be considered to be more of the pragmatic rule described by Root (1994). Firms that have characteristics of the pragmatic rule when deciding entry mode, ordinarily start their international business with some kind of low risk entry mode which is almost some kind of exporting (Root, 1994). Only if exporting is not possible or profitable they look for other entry modes (Ibid). This is what Axelent did. The firm started to investigate the possibility of exporting their products to India through distributors. In this process the evaluation of other entry modes was not performed. And as Axelsson explains was Axelent happy that someone wanted to sell the products in India.

From an effectuation/causation perspective, Axelent's decision process for selecting the entry mode for the Indian market did not follow the typical causational textbook way of making international marketing decisions (Sarasvathy, 2001). Axelent did not make a thorough analysis of different entry modes and selected the one that would maximize the profit and then implemented a marketing plan for India.

From the beginning, Axelent was aware that they did not have financial resources to make large investments in India. Furthermore, Axelent knew that the market was very different and that they needed some kind of local knowledge and representation. Later, when Axelent was approached by the Indian distributor, the firm decided to give it a chance. The market was young but had potential and Axelent wanted to exploit the opportunities they saw.

"With India we had the feeling that it was very early on in the market and we thought that if someone wants to market us very early, fine we will support that"

(Personal communication, S. Axelsson, 9 April, 2015).

This approach to making decisions is in line with what Sarasvathy (2001) describes as effectuation and an effectual decision process. The question in an effectual approach is to see what can be done with what we have instead of what should be done (Sarasvathy, 2008). It is likely that Axelent made their entry mode decision based on affordable loss rather than maximization of profits, which is a characteristic of effectuation according to Sarasvathy (2001). The main argument behind this is that Axelent simply took a chance and went for the distributor without focusing so much on the return, they were as mentioned surprised that someone wanted to sell their products in India. Nowadays however, Axelent focuses more on profit and return from the distributor and work together from a business plan, but not at the time for the decision. Axelent saw that they could enter the Indian market through distributors with the resources they had at disposal, an effectual way of acting according to Saravathy (2008).

According to Kalinic et al. (2014), high uncertainty in the host market makes it difficult for firms to make decisions, but by using a more effectual approach, decisions could be made on knowledge and capabilities at disposal in situations where it is not possible to acquire the resources needed or decrease the level of uncertainty. Again, in Axelent's case they knew what they could afford and made the decision on the capabilities and knowledge they had at disposal. Causational firms on the other hand try to handle the unpredictable future by trying to plan ahead through business plans and competitive analysis (Harms & Schiele, 2012).

Internal and External Factors

Axelent AB is currently using distributors as entry mode in the Indian Market. Axelsson mention that the reason behind choosing this entry mode for Axelent was because of the low investments needed. The size of the company and resources are internal factors that have an impact on the entry mode decision (Hollensen, et al. 2011; Koch, 2001; Root, 1994; Ulrich, 2012). Resource demanding entry modes e.g setting up a wholly owned subsidiary includes large investments that smaller firms might not cope with (Koch, 2001). Smaller firms on the other hand are according to Hollensen (2001) more likely to enter foreign markets through some kind of export mode. Thus, Axelent saw their size and resources as factor that influenced them towards export modes that demands less resource commitment.

"it is a high investment for Axelent to start a firm in a country where you know nothing about the market. Now, the only thing you have to invest is time, brochures, and a good price for them plus different payment terms".

(Personal communication, S. Axelsson, 9 April, 2015)

Axelent's product offer is standardized and Axelsson explains that the product does not require a lot of service before or after the purchase. According to Hollensen (2011) could products require different kind of services that export intermediaries might not handle and should in those cases use an entry mode with higher involvement, such as wholly own subsidiary. However, in Axelent's case the distributor can handle the service that the product requires, which supports the choice of entry mode. Furthermore, Axelent's product could be considered to be of higher value and differentiated in the Indian market and it is shown that the distributor accepted a higher price with good margin for Axelent. According to Root (1994) higher differentiated products have a higher price that can absorb transportation costs and make export modes modes profitable. Axelent's product has the characteristics that makes it suitable to use distributors as an entry mode.

Furthermore, Axelsson states that Axelent perceived the Indian market as very culturally different from the home market and that they were unfamiliar with the cultural differences. Because of this, distributors were considered the easiest and cheapest way to enter India

according to Axelsson. According to Root (1994), cultural distance is an external factor that influences the entry mode decision. When the cultural distance is great, managers often shy away from direct investments in favor of entry modes with less commitment (Kim & Hwang, 1992). This because such entry modes are more flexible and makes withdrawal from the market easier if the company fails to acclimatize themselves to the culture (Hollensen, 2001).
Axelent was aware of the cultural distance between India and Sweden and it seems like this created cautions and a will to stay flexible, also since the Indian market was still immature for Axelent's products. Large cultural distance is therefore a factor that supported Axelent's choice for distributor as a suitable entry mode.

Market size and growth rate is another factor that influences the entry mode decision (Hollensen, 2001). A large market with high growth rate makes managers more willing to commit resources and consider sales subsidiaries or other investment modes (Ibid). Axelsson explains that Axelent sees opportunities in the market and believes that the market has potential and, but not completely ready for Axelent's products yet. In Axelent's case it is clear that Axelent saw opportunities but the growth rate and the size of the Indian market was not yet large enough for Axelent to consider any investment modes. This situation could be compared to what Hill et al. (1990) says about uncertain demand: if there is uncertainty of demand in a foreign market, firms should choose entry modes with low investments, they need to be flexible to cope with changing conditions and be able to exit the market easily if possible. For Axelent the uncertainty of the demand could be considered a factor that made them flexible in the Indian market and therefore distributors is a suitable entry mode.

A foreign market might have barriers that make it difficult to enter a foreign market (Koch, 2001). In Axelent's case, Axelsson explains that getting the products through customs is something that causes trouble for Axelent. It takes time, since the products are declared as raw steel. Furthermore, Axelsson explains that dealing with the customs is not easy because of different political views; therefore the local presence and the knowledge of the market from the distributors are useful when dealing with the Indian customs. Hollensen (2001) explains that involving local firms can provide information and useful contacts when handling custom formalities that can make the entrance easier.

Transaction Cost Approach to Entry Mode Decision
According to Axelsson, Axelent's products does not demand a lot of service and the distributor can handle the products themselves with training from Axelent. From a technical point of view the products are standardized and do not have a unique technology that would create a high level of stake in the venture (Deng, 2003). Axelent did not have to make special investments in order to sell their products on the Indian market, which is shown by how they could give the distributor a chance in India. Moreover, Axelent did not make any larger investments that were specific to the transaction between the firm and the distributor (Andersson & Gatignon, 1986). The contract partner would not be irreplaceable for Axelent which decreases the likelihood for opportunistic behavior from the distributor according to Williamson (1975). The authors state that opportunistic behavior is more likely to occur from a partner that becomes irreplaceable. Axelsson explains that if a distributor does not follow the agreement, Axelent terminates the contract and looks for other contacts. It can be stated that the transaction specific assets in the relationship between Axelent and the distributor is low and therefore the likelihood of opportunistic behavior is also less. According to Andersson and Gatignon (1986), in this situation there is no need for modes of higher control since the transaction costs are low.

For India, Axelent experienced a great cultural distance compared to the home market. Also the demand Axelent's products were uncertain. This situation explains external uncertainty (Bremen et al. 2010). According to Andersson and Gatignon (1986), in markets characterized by high external uncertainty, firms should shift the risk to outsiders and use export intermediaries, something that Axelent also did. In situations where high transaction specific assets are involved, firms lose their flexibility because they are locked in with the export intermediary (Andersson & Gatignon, 1986). In these situations firms should Internalize and use entry modes with higher control. This was not the situation for Axelent because of the low level of transaction specific assets.

In India they strive to have open books and complete transparency between the firm and the distributor. Axelent uses business plans with the distributor and carefully monitors the performance. Difficulties in monitoring and evaluating could increase the likelihood for opportunistic behavior, according to Andersson and Gatignon (1986), and therefore entry modes with higher control are to prefer. With the Indian distributor there are no evidence of internal uncertainty since Axelent have no problems to monitor and measure the performance of the distributor.

From the analysis above it is argued that the relationship between Axelent and the distributor can be considered to have low transaction costs which according to the Transaction Cost Approach favors externalization and export entry modes. Axelent use of distributors could therefore be considered to be the correct choice according to the Transaction Cost Approach.

Resource Based Explanation Approach to Entry Mode Decision

When a firm internationalizes to a foreign market it often relies on its existing resources to be competitive in a foreign market (Hu, 1995; Madhok, 1997). This is similar to what Axelent did when went into the Indian market. They had their standardized products and did not acquire any new resources to be able to enter the Indian market.

In the Resource Based View, a firm is considered to have their firm specific resources that they try to create a competitive advantage with (Dierickx & Cool, 1989; Barney, 1991). A resource can be considered valuable if the firm can exploit opportunities or neutralize treats in the firms environment (Barney, 1991). In Axelent's case, they strive to exploit the opportunities in India by transferring their products and brand to the market, the product is the valuable resource that they try to transfer to India in order to achieve a competitive advantage. Madhok (1997) states that the value of a resource can be defined in terms of the contribution to the firms competitive advantage.

According to Sharma and Erramili (2004), there are two factors that might hinder a firm's ability to establish a competitive advantage in the host market. The first thing is that some key resources might not be able to transfer to the foreign market because they are bound to the home country, this could be skilled labour or key managerial staff (Ibid). The second thing is that sometimes resources are not compatible with the host country factors in generating a competitive advantage (Ibid). In Axelent's case, the firm believed that the market was not ready for the products yet, since machine guarding is not seen as standard yet. This could be compared with the second reason mentioned above, saying that resources might not be compatible with some foreign country factors to gain a competitive advantage. Since the market does not see machine guarding as standard, the resources will not have the same value as in Sweden, for example, since the demand is not there yet.

According to Sharma and Erramilli (2004), if there is a low likelihood for the firm to achieve a competitive advantage in the foreign market, it is more likely that they use low risk entry modes such as exporting. Furthermore, if the firm realizes that the probability of establishing a competitive advantage in both marketing and production operations is low, then it is unlikely that the will make infrastructural investments and use low risk entry modes (Ibid).

From the argumentation above, we use Axelent's total product offer as the competitive advantage. By applying the Resource Based Explanation in entry mode decision to the case of Axelent, it is shown that they use a low risk entry mode and therefore follow the suggestion of Sharma and Eramilli (2004).

5.1.3 Getinge AB

Characteristics of the Entry Mode Decision Process

When first entering the Indian market, Getinge was focused on finding distributors that could sell their products. Getinge always gradually increases their involvement in foreign markets. The fact that Getinge believes in a gradual process in line with the Uppsala Model by Johansson and Vahlne (1977), shows that the entry mode decision follows the pragmatic rule according to Root (1994). This is mainly because when first entering a market Getinge does not evaluate other entry modes according to the strategic rule described by Root (1994). Even though Getinge has a lot of experience in internationalizing, they start their operations with looking for the possibilities to export. This is something that Root (1994) states characterizes the pragmatic rule, that firms ordinarily start with investigating the possibilities for exporting and only if it is not profitable or possible, other entry modes are investigated.

However, it is evident that Getinge evaluated some export modes and decided not to use trading houses, but to go for distributors instead. This comparison between entry modes could be seen as having more the characteristics of the strategic rule according to Root (1994), but the overall approach is seen to follow the pragmatic rule.

Later on when Getinge built up their turnover and had more knowledge and experience of the Indian market, the firm decided to have their own subsidiary. In this stage, there is automatically a comparison between entry modes, either staying with the distributor or have their own subsidiary. Getinge saw that they had enough turnover and knowledge about the Indian market to establish their own subsidiary but they still had several distributors due to the fact that the different states in India are so different. This way of approaching the entry mode decision could also be considered to follow the pragmatic approach according to Root (1994) since Getinge choose an entry mode that is workable without considering other available methods of increasing their commitment.

It is shown that Getinge had a plan for how to enter the Indian market, based on earlier experience, and as Castler explains it is important for Getinge to gradually increase resources in a foreign market. As mentioned, Getinge's strategy is to first enter a foreign market through distributors and later on establish an own subsidiary. Getinge therefore had a preselected goal and then tried to gather the resources needed to achieve that goal. In a causational process the effect or the goal is given, choice of means is then guided by the effect or goal (Sarasvathy, 2001). Castler explains that for Getinge it is important to build up critical mass or turnover with distributors before establishing an own subsidiary, which is a way to try to gather the resources needed to establish the subsidiary. This can be compared with a focus on maximization of returns rather than affordable loss. According to Harms & Schiele (2012), in a causational approach the base for decision is maximization of returns instead of affordable loss.

Furthermore, Castler explains that knowledge is important when making decisions and that it is crucial for Getinge to understand the market and how the products fit the market. According to Kalinic et al. (2014), effectual decision making base decision on knowledge and capabilities at disposal in situations where it is not possible to acquire the resources needed or decrease the level of uncertainty. Getinge obviously wanted to get more knowledge about the market in order to decrease uncertainty about the products fit to the Indian market, which is a causational approach to decision making. Harms and Schiele (2012), state that causational firms try to handle an unpredictable future by trying to plan ahead through business plans.

Internal and External Factors
The firm’s size made it easier to internationalize to India, since the firm had an offer that qualifies for a certain business, and the firm had the financial strength to enter the market more easily. According to Hollensen et al. (2001), larger firms with high turnover favor entry modes where the level of control is higher, such as fully owned subsidiaries, since they have a better guarantee to have the resources needed for investment entry modes. This was partly the case for Getinge, where the firm had the financial resources to penetrate the market via its own subsidiary, but first choose a gradual approach to the market in order to build up critical mass and first to put their feet in the water.

Hollensen (2011) further states that the nature of the product affects channel selection because products vary widely in their characteristics. Firms with products that for instance require different kind of services that export intermediaries might not be able to handle, should go for entry modes with higher involvement. This is also the case for Getinge, where they see distributors as an ideal option to create critical mass, and to gain information over time. Furthermore, it is difficult for Getinge to finding service providers in new foreign markets. However, when the company put their own people in the distributors, the knowledge the firm gained was much higher.

Getinge AB currently has a combination of distributors and its own subsidiary for the Indian market. The firm sells a wide range of products to Indian hospitals and clinics, and divides the market into three segments. In the top segment, the firm sells technically sophisticated products that demand a close relationship with the customer in order to provide them with tailor made solutions. Therefore, local presence is a must for Getinge. However, in the lower segments in India, the clinics do not demand highly sophisticated products and therefore distributors are often used to serve those customers. Hollensen (2001) states that products with high value often use direct exporting as an entry mode. This is how Getinge approaches new markets as well. According to Castler, it is important first to put your feet in the water by using a distributor. When the critical mass is built, the firm enters markets with their own subsidiary. Furthermore, Root (1994) states that export entry modes are suitable for highly differentiated products while low differentiation calls for some kind of local production. However, Getinge does not have this exact same approach for the Indian market. Even the products with low differentiation are not produced in India to ensure quality. The firm, however, is now seeking for production facilities in India.

According to Castler, to build up an after sales service is the most strategic thing the firm could do because it was difficult to delegate this to third parties. No customer in India would buy sophisticated products from firms that do not have local service presence. Therefore, in the beginning Getinge had to find a distributor that had enough critical mass to afford working with their products. These firms needed to have expertise in medical equipment as well. Furthermore, the distributors were also selected by their product portfolio. Distributors with double commitments were seen as problematic, because those distributors not only focus on Getinge's products, but also on competitor's products.

The experience that the company and its managers have of involvement in international operations has an impact on the entry mode decision (Hollensen, 2001). For Getinge this was also the case when internationalizing, since they always have the same approach for new foreign markets due to earlier experiences. Especially the internationalization to China was a leading example for Getinge of how to approach the market, although the market has different characteristics.

In the Uppsala model by Johansson and Vahlne (1977), knowledge can be divided into general knowledge and market-specific knowledge where the market-specific knowledge is gained through experience in the market. Getinge approaches new markets mainly by distributors to generate market-specific knowledge. When the firm feels it has enough specific knowledge, it decides to penetrate the market with their own subsidiary. The Uppsala model further suggests that the better the knowledge are about a market, the more valuable are the resources and the stronger the commitment in that market. The main consequence of the Uppsala model is that firms tend to intensify their commitment towards foreign markets as their experience grows. Getinge's approach to foreign markets is therefore in compliance with the gradual process of internationalization defined by Johansson and Vahlne (1977). The experience that the company and its managers have of involvement in international operations has an impact on the entry mode decision (Hollensen, 2001). The firm was fairly cautious when first entering the Indian market. Since earlier experiences were leading in the internationalization approach to India, the firm tried to avoid risks by entering the market in the exact same way as the Chinese market for example. When the firm had finally built up enough critical mass, it could take the risk to penetrate the market via their own subsidiary.

The market potential for India was really high for Getinge, due to the growing demand for Western sterilizing products. The Indian market is characterized by a growing number of private hospitals, the top segment. Therefore, Getinge believed it needed a strong position in India. This is confirmed by Hollensen (2001) who states that the country size and market growth are key parameters when deciding on the mode of entry. A larger market or a market with high growth rate makes managers more willing to commit resources to that market and consider sales subsidiaries or other investment modes (Ibid). However, as mentioned before, the firm always chooses a gradual internationalization process in order to build up critical mass before establishing itself with their own subsidiaries.

According to Castler it is very risky to start an own subsidiary in India from the start. For Getinge it was important to internationalize in the right order. According to Hill et al. (1990) if the country risk is high then firms should use entry modes where the resource commitment is low, this in order to exit the market quickly if necessary without huge loss. This was also the case for Getinge, where the company favored a low risk entry mode in order to generate critical mass first. However, due to political instability, the growing complex custom fees, and the large number of bureaucratic registrations for medical products, it was necessary for Getinge to have its own subsidiary, since it reduces those barriers. This only happens after a minimum of three years. In those years, the firm has a proof that the products fit in the market, and the company has the knowledge of how to sell the products. This is confirmed by

Hollensen (2011) who states that product and trade regulations as well as custom formalities encourage modes involving local firms that can provide information and useful contacts to make the entrance easier. If product and trade regulations demand extensive adaption and modification of the product, then firms should establish local production or assembly facilities.

Furthermore, due to the bureaucratic landscape and the fact that the country is so spread out, the firm needs to treat the states in India as different countries. Every state has different laws, different languages, different cultures, etc. Moreover, custom fees vary between the states as well. It is therefore difficult to govern the country from one place and the firm needed to expand the number of distributors. This is confirmed by Root (1994), who states that geographical and cultural distance are other important factors. Large geographic distance can make the transportation costs too high for exporting firms, making overseas assembly a better alternative. Kim and Hwang (1992) suggest that when the cultural distance is great, manager often shy away from direct investments in favor of licensing or joint ventures. These factors also influenced the entry mode decision for Getinge in a sense that the market first needed to show enough potential to build further. When enough information was gathered, and enough critical mass was built, the firm decided to increase their commitment to the market by setting up a subsidiary.

The upcoming competition from local Indian firms is a challenge for Getinge. The current competition in the top segment is mainly with multinationals. The bottom and mid segment in the Indian market, however, is mainly with local Indian firms. Due to both their extended local presence and a better distribution channel, they have some advantages compared with Getinge. This was also a reason for the firm to have local presence soon after its establishment on the Indian market. In order to fight up the competition and be more present in the mid segment, it is necessary for the firm to have extended local presence as well. Hollensen (2001) states that the intensity of the competition is something that influences the entry mode decision, in foreign markets where the competition is intense, export entry modes with less invested resources is preferred. According to Hollensen (2001), the intensity of the competition is something that influences the entry mode decision. In foreign markets where the competition is intense, export entry modes with less invested resources is preferred. This was partly the case for Getinge, where the firm first internationalized through direct exporting, but soon realized that, in order to fight up the competition, local presence was necessary.

Transaction Cost Approach to Entry Mode Decision
Since the product demands a lot of specific knowledge and a strong relationship with the customer, the transaction specific assets are high for Getinge. Therefore, according to Williamson (1985), in order to minimize contracting hazards due to opportunistic exploitation, safeguards have to be employed. According to Hollensen (2001), it is more likely to have an own subsidiary if the chances of opportunistic behavior are high. However, as mentioned before, the firm prefers to have a gradual approach to the market in order to build critical mass first before entering the market with their own subsidiary. Therefore the firm decided to enter the market first with a distributor specialized in medical equipment. The search for a specialized distributor was very tough for Getinge, and this caused transaction costs as well. If high transaction specific assets are in combination with high external uncertainty, firms lose their flexibility because they are locked in with the export intermediary (Andersson & Gatignon, 1986). This situation favors the intermediaries to behave opportunistically and it is therefore more likely for firms to internalize and use entry modes of

more control (Ibid). However, due to the aforementioned issues, this was not the case for Getinge.

According to Hollensen (2001), in markets characterized with high degree of external uncertainty, firms are expected to shift the burden of risk to outsiders. However, in cases where asset specificity is involved, flexibility is lost and the unpredictability of the environment increases intermediaries’ opportunities to behave opportunistically. In that case the propensity to internalize increases. This is also the case for Getinge, where the transaction specific assets are high, due to the complexity of the product. Hollensen (2001) further states that while search costs to locate unfamiliar markets are high, negotiations to secure export contracts with end-buyers from these markets may also be very costly due to cultural and language barriers. The high external uncertainty in the Indian market eventually led Getinge to first approach the market with distributors.

Because of uncertainties in exchanges, firms tend to establish formal contracts, which are costly. These uncertainties may be the reason that firms rely on exporting as a mode of entry (Brouthers & Nakos, 2004). This was also the case for Getinge, where the firm often encounters complex regulations for medical equipment in foreign markets. After the market has proven to be profitable, the firm often decides to further approach the market by using high control modes. Furthermore, the firm encounters internal uncertainty as well. Since Getinge has a number of distributors in India, the firm cannot accurately assess its agents’ by performances by objective. According to Anderson and Gatignon (1986), difficulties to monitor the contract partner increase the likelihood for opportunistic behavior, and therefore it can be assumed that the best long-term option for Getinge is to have their own subsidiaries.

Since the product demands a lot of specific knowledge and a strong relationship with the customer, the transaction specific assets are high for Getinge. The high external uncertainty in the Indian market eventually led Getinge to first approach the market with distributors. However, due to the fact that the asset specificity was high for Getinge’s products, flexibility was lost and the unpredictability of the environment could have increased intermediaries’ to behave opportunistically. Due to the fact that it was difficult to assess its distributors by performance by objective, Getinge faced difficulties to monitor the contract partners and this increased the likelihood of opportunistic behavior from the distributors. Therefore, it is assumed that the best option for Getinge was to have its own subsidiary in India for the long-term.

Resource Based Explanation Approach to Entry Mode Decision

According to Sharma and Erramilli (2004), if there is a low likelihood for a firm to establish a competitive advantage in the foreign market, a firm would be more likely to use low risk entry modes. One factor is that some key resources might not be transferable to the host country since they are bound to the home country location (Ibid). In Getinge’s case Castler explains that Getinge’s products demand a lot of after sales service and that it is difficult to delegate this to third parties. Furthermore, Castler states that no customer would buy sophisticated products without being offered local service. In order to build up a service network, Castler explains that Getinge needed to have an installed base of customers first. It is likely to believe that the service network was something that Getinge could not easily transfer to India. It was also a valuable resource for Getinge, since a service network is important for the end customer and could therefore be seen as a valuable resource and a competitive advantage since it enables Getinge to exploit opportunities in the Indian market (Barney, 1991).

Thus, for Getinge the service network was not easily transferable to India and that could be one reason for Getinge to use distributors in the beginning of internationalization to India.

When a firm can transfer valuable resources to a foreign country, they are on the other hand more likely to use a wholly owned subsidiary (Sharma & Erramilli, 2004). Once Getinge had the installed base of customer and had been able to build up their turnover through distributors they established their own subsidiary.

Getinge's highly sophisticated products had problems in India and did not really give the firm a competitive advantage in the mid-segment of customers. Castler explains that local suppliers have a strong position in this segment and can compete better on price. This can be compared with what Sharma and Erramalli (2004) state that sometimes resources might not be compatible with host country factors in generating a competitive advantage and therefore low risk entry modes are more likely to be used. Getinge's technically advanced products generate a valuable competitive advantage but they are not transferable to the mid segment in India. Getinge therefore has established a subsidiary in India to serve the top segment, but uses distributors to serve the lower segment of customers.

From the argumentation above it is shown that Getinge's choice of entry modes for the Indian market follows the suggestions of the Resource Based Explanation of selecting entry modes according to Sharma and Erramalli (2004).

5.2 Cross-case Analysis

5.2.1 Characteristics of the Entry Mode Decision

From the within-case analysis it can be derived that all three firms rather have a pragmatic approach to their entry mode decision. Axelent started to look at exporting, but when they were approached by the Indian distributor they went for this solution without any further investigations of other entry modes. Getinge and Bufab had a clear route from the beginning of how they wanted to enter the Indian market. Getinge through distributors first and then when sufficient turnover and market knowledge were reached, establish an own subsidiary. Bufab on the other hand, was convinced that an own subsidiary at once was the only way to enter India with their product offer. The three firms are aware of the influencing factors and do not ignore them, but our interpretation is that they are pragmatic in their approach because of the lack of a comparison between available entry modes and go for entry modes that they know are workable.

From the within-case analysis it be shown that none of the firms conducted a thoroughly systematic comparison between the different entry modes available to them. None of the firms thoroughly evaluated the advantages and weaknesses of various entry modes in order to select one that best meet the objectives the firm have on the Indian market. Based on this it can be stated that none of the firms show characteristics of following the strategic rule in their decision process. It can also be shown that none of the firms completely ignore the heterogeneity of different markets and entry mode conditions, thus can therefore not be considered to follow a completely naive approach

Getinge and Bufab can be considered to be more causational in their entry mode decision process. The main reason behind this is that both firms from the beginning had a plan for how to enter the Indian market. For Getinge first through distributors then a subsidiary, and Bufab immediately through their own subsidiary. Both both firms had a preselected goal from the beginning that guided what resources and means the firm needed in order to reach their goal. Getinge gathered resources and knowledge through the use of distributors before establishing their subsidiary. By doing this, we argue that Getinge focused on maximization on returns instead of affordable loss, which is also strengthened by the fact that the firm planned for their expansion in India. It would make no sense for Getinge to enter India with affordable loss in mind since they followed a plan for the expansion. Bufab also based their entry mode decision on maximization of returns instead of affordable loss. They did not take a chance in the Indian market, they knew that the sales volumes were large enough to support the establishment of an own subsidiary.

In the case of Axelent we consider the firm to show a more effectual approach towards their entry mode decision. The main argument behind this is that Axelent did not really have a plan for how to expand in India. Furthermore, Axelent decided to give the distributor a chance in India to see what could happen. It could be stated that Axelent made this decision based on affordable loss rather than maximization of returns and can therefore be considered to be effectual in their decision-making.

By adapting an effectual approach in the decision-making the firms in the study by Kalinic et al. (2014) could speed up their internationalization and it allowed an unplanned rapid switch in the level of foreign commitment. This because the low level information needed before acting. Our study can partly support this because the causational firms were very strict in following their plan and would never consider to rapidly switch the level of foreign commitment without having reliable information such as effectual firms.

	Bufab	Axelent	Getinge
Product	X	X	X
Company Size	X	X	
Earlier Experience	X	X	X
Risk Attitudes			X

5.2.2 Internal Factors
In the table below, a summary is given about to what extent the internal factors are of influence for the entry mode decision. A further analysis is given below the table.

Product
For all firms, the product was a significant factor for the choice of entry mode. For Bufab, the product demanded a lot of after sales service, and therefore, in order to serve their customers better, local presence was important. For their other product line Bumax, there was not an importance of local presence, since the products were not as sophisticated as the Bufab line, and therefore these products did not demand a lot of after sales service. For the Bumax line, the firm therefore chose penetrating the Indian market with distributors.

The latter was also the case for Axelent, the products are not custom made, and therefore the products are more standardized. This resulted in the penetration of the Indian market by distributors. Also, the product was not ready for the Indian market yet, and therefore it would take longer to break even on the fixed costs.

For Getinge, it was more complicated. Since the products demand a close relationship with their customers, a distributor would not be a good option in the long run. However, for the short term it is important for Getinge to build critical mass in foreign markets, before setting up a subsidiary. Therefore, the firm has a combined entry mode strategy, where the focus is first on building critical mass. Normally after three years, the firm chooses to bring in their own people and resources, in order to penetrate the market further with their own subsidiary.

It is our interpretation that the more service a product demands, the higher the likelihood for a firm to enter the market via its own subsidiary. Also, when the product demands a close relationship with the end-customer, it is more likely that a firm approaches new markets via subsidiaries, rather than via distributors. The more standardized a product is, the less service it demands, and therefore a firm selling standardized products is more likely to enter a market via direct or indirect exporting.

Company Size

Company size is of some importance for the investigated firms when making the entry mode decision. A larger company has the financial capability to commit themselves more into markets. However, this highly depends on the approach a firm has to internationalization.

For Bufab, the company size was a critical factor for choosing its own subsidiary in India. Since the firm already had high sales volumes worldwide, and therefore it was easier for the firm to establish its own subsidiary. For Axelent, the company size was important as well for choosing the entry mode. Since the firm did not have the financial capabilities to set up its own subsidiary, the only option was simply to choose low risk entry modes. At Getinge, the company size was not the most relevant factor when deciding the right entry mode. As mentioned before, the firm prefers a gradual approach when entering foreign markets, and therefore the firm builds up critical mass before committing themselves more to a market. After three years, the firm makes a decision whether the market should be approached with their own subsidiaries. This was also the case for India.

Earlier Experience

The amount of experience a firm gained through earlier market entries was of importance in the approach to new markets for the investigated firms. With experience comes comprehension of the market, and this was the case for all three firms. At Bufab, the firm used the experience from its Asia manager when making the entry mode decision. At Axelent, the firm was approached by distributors. Since the market was new for the firm, Axelent often enters the markets through distributors. Getinge is really structured in their approach, and they have the same approach regarding entry modes in all countries. The earlier experience gained is therefore of significance.

Risk Attitudes

All firms stated they were really cautious in the beginning when entering a new foreign market. However, this did not influence the entry mode decision very often. For example, at Bufab, the firm states they are risk aversive, but they chose an entry mode that is defined in the theory as a high risk entry mode. For Axelent, it is evident that a high control mode would be suicide for the Indian market, since the market is not ready for their products yet. However, for Getinge it does influence the entry mode decision. The firm enters new markets gradually in order to avoid risky circumstances. Therefore, the firm always chooses distributors when entering new markets, whereas the firm has the financial capability to enter the market with their own subsidiary.

5.2.3 External Factors

In the table below, a summary is given about to what extent the external factors are of influence for the entry mode decision. A further analysis is given below the table.

	Bufab	Axelent	Getinge
Geographic Distances	X		X
Competition		X	X
Cultural Differences		X	
Market Barriers	X		X
Market Potential	X		X

Geographic Distances

Due to the huge geographic distances in the country, combined with the lack of a good infrastructure it can sometimes be better for firms to have local presence. This really was the case for Bufab and Getinge. At Bufab, their main European customers already had their production plants in India, and due to the demand for an end-to-end responsibility of their customers' stock, the firm needed local presence. For Getinge, the product demands a tight relationship with their customers, and due to the geographic distances, local presence was necessary. However, due to the fact the firm always chooses a gradual approach, Getinge first selected specialized distributors that could help them building critical mass.

For Axelent, the geographic distances were of no importance. The firm produces and delivers pretty much standardized products that do not demand after sales service. When their products are fully up and running, Axelent's service stops. Therefore, a distributor is much more efficient. If the market grows, the firm will reconsider its options.

Competition

Bufab did not encounter a lot of competition for its European customers. The local competition is mainly price-focused, whereas the European customers value the amount of service more than the prices. The competition therefore did not influence the entry mode decision for Bufab.

For Axelent and Getinge however, the competition or the lack thereof influenced the entry mode decision. Since Getinge offers highly sophisticated products to several segments in the Indian market, the firm needed local presence. Local institutes will not buy products from firms without local presence. Since the market is characterized by more Indian entrants that have a better distribution channel and more local presence, Getinge needs to have local presence as well. When entering the market, Getinge profited from its renowned reputation as being a Western firm specialized in sterilizing products. For Axelent it was the other way round. Due to a lack of competitors, the market was entered via distributors. The lack of competition is caused by the fact that the product is not seen as compulsory on the Indian work floors.

Cultural Differences
The firms all encountered cultural differences, and they all agreed that it is a significant factor to keep in mind when internationalizing. However, it did not influence the entry mode decision for Getinge and Bufab. Nevertheless, for Axelent, the cultural differences were an important factor for the entry mode decision. The firm saw it as a risk to enter the market with their own subsidiary, especially when the firm did not have much experience with the Indian market and its culture.

Market Barriers
For the firms with the most sophisticated products, Getinge and Bufab, the market barriers were a reason to establish their own subsidiaries in India. Due to the complexity of regulations for medical equipment, Getinge was in need of a subsidiary. Also for Bufab this influenced the entry mode decision, since the firm faced some difficulties with the Indian customs.

For Axelent, the different regulations at the Indian customs also impeded the proceedings in India. However, it did not influence the firm's entry mode decision, since their distributors had better knowledge of how to overcome the main issues. It would therefore have been too costly and time consuming to enter the market with their own people.

Market Potential
The market potential was for all the firms a significant reason to enter the Indian market. However, only for Bufab it directly influenced the entry mode decision. For Axelent, for example, the market potential is huge, but the market is not completely ready for its products. The firm therefore chose a distributor just to set foot on the Indian soil. For Getinge, the market potential was significant, due to the growing number of private hospitals, combined with the growing demand for Western sterilizing products. However, the firm always chooses a gradual approach no matter what the market potential is.

For Bufab, the market potential was a direct reason for the firm to enter the market via a wholly owned subsidiary. Furthermore, the firm already had their main customers in India, so it had a good starting point.

5.2.4 Transaction Cost Approach to the Entry Mode Decision.
From the within-case analysis it is stated that Getinge and Bufab are considered to have a higher stake in the relationship and therefore have higher transaction specific assets. The main reason behind this is because of their complex product offer that demands a closer relationship and more effort from the distributor. Getinge and Bufab are more likely to face opportunistic behavior and higher transaction costs in a relationship with a distributor.

In the case of Axelent the transaction specific assets are considered to be lower. It is analyzed from the fact that the product offer is highly standardized and something that the distributor relatively easy can handle themselves without investments from the firm. The likelihood for opportunistic behavior is lower and therefore also the transaction costs.

In all cases the external uncertainty is considered to be high, which favors externalization and the use of export intermediaries. However, according to Andersson and Gatignon (1986), when high transaction specific assets are involved, firms loose the flexibility that's desired in an uncertain environment, which increases the transaction costs. Therefore, in situations of high transaction specific assets in combination with external uncertainty firms should consider the transaction specific assets and choose entry modes with higher involvement and control (Ibid). Getinge and Bufab find themselves in a combination of high external uncertainty and with high transaction specific assets which according to the Transaction Cost Approach favors Internalization and entry modes with higher control and commitment. Axelent does only face high external uncertainty and should therefore externalize and use export entry modes.

In the case of Axelent it is shown that the internal uncertainty is low as well as the likelihood of opportunistic behavior from the distributor, therefore also the transaction costs. In the case of Getinge the analysis suggests that the internal uncertainty is higher as well as opportunistic behavior and transaction costs.

From the within-case analysis it is shown that the likelihood of opportunistic behavior is greater for Bufab and Getinge in a relationship with a distributor. The transaction costs are therefore considered to be higher. In situations with high transaction cost the Transaction Cost Approach to entry mode decision by suggests that firms should internalize and use entry modes with higher control such as an own subsidiary. Both firms have their own subsidiary and therefore follow the suggestion of the Transaction Cost Approach to the entry mode decision. However Getinge still have to cope with transaction costs because they of their combination of distributors and an own subsidiary.

The likelihood for opportunistic behavior is less for Axelent in the producer/distributor relationship and transaction costs are therefore lower. In situations with low transaction costs firms should externalize and use some kind of export intermediary, Therefore Axelent's use of distributors can be considered to follow the suggestions of the Transaction Cost Approach to entry mode decision.

5.2.5 Resource Based Explanation Approach to Entry Mode Decision

According to Sharma & Erramilli (2004), if there is a low likelihood for a firm to achieve a competitive advantage in the host country, a company would be more likely to use low risk entry modes, such as direct exporting. This was also applicable to the three investigated firms. For Axelent, there was a low likelihood to achieve a competitive advantage in the short run, since the market was simply not ready for their products. However, for Bufab and Getinge, there was a high likelihood to generate a competitive advantage if they had local presence. For Getinge it was even necessary to have local presence, due to the growing competition.

According to Shoemaker (1993), all firms have unique product aspects. For Getinge, the products were highly sophisticated and demanded a tight relationship with their customers. For Bufab, the provided service was a unique aspect that was valued by their Western customers that had their production plants in India. The products of both firms could effectively be transferred to the Indian market, and therefore it was more logical to establish a subsidiary on the market. However, the service aspect was difficult to transfer to the market, especially for Getinge. Axelent's products were also unique for the Indian market. However, due to the fact that the market was not familiar with their products, and thus not ready for it, it was better to penetrate the market via distributors. When the ability to transfer advantage generating resources to local partners is low, the more likely a firm chooses a wholly owned subsidiary (Sharma & Eramilli, 2004).

Next to Getinge's preference of entering a market gradually, it is also difficult for the firm to transfer its specific resources. Especially since the products demand a tight relationship with hospitals, skilled labour is necessary. Since this is difficult to transfer to the host market, the firm always chooses a gradual approach, where they enter foreign markets with distributors. After three years, when enough critical mass is built, the firm moves their own staff in the market.

6. Conclusions

Research Question 1: How do internal and external factors influence the entry mode decision for Swedish business-to-business firms internationalizing to India?

As can be derived from our study, the product has an important influence on the entry mode decision for the investigated firms. The more standardized a product is, the easier it is to penetrate the Indian market by direct or indirect exporting, since it is less difficult to delegate tasks to the distributor, due to the standardized procedures. The higher the complexity of a product, the more difficult it is to enter the markets with distributors, since the more knowledge is required from the firm. Furthermore, the more service the product demands, the higher the likelihood for a firm to successfully enter the Indian market via its own subsidiary.

The company size also has an influence for the investigated firms on their entry mode decision. Larger firms have the financial resources to commit themselves more into markets. However, this highly depends on the approach a firm has for entering foreign markets. Some firms prefer to rely more on their earlier experiences with entering foreign markets. A large firm that has the financial resources to establish its own subsidiary could have had better experiences with entering foreign markets gradually, and could therefore have a preference for entering markets based on their experiences rather than on its company size.

It is shown that the investigated firms often rely on previous experiences, and therefore see this as leading in their entry mode decision for India, because with experience comes comprehension of the market. When the choice for internationalization to India is based on serendipitous events, however, it is shown from our study that firms would often prefer direct exporting as an entry mode choice because in case of serendipity, firms are more likely to see new markets as a bonus, rather than a primary goal.

Based on the internal factors investigated in our research, it can be stated the more internal factors are applicable to a firm, the higher the likelihood for the firm is to enter the Indian market with a higher commitment and thus favor high control entry modes above direct or indirect exporting.

From our study it can be concluded that market barriers has an influence on the firm's entry mode decision. Due to the complexity of regulations, and the difficulties firms often face with the Indian customs, two of the investigated firms chose to enter the Indian market with their own subsidiary in order to decrease the level of risk caused by trade barriers. However, it can also be motivated that firms that enter via indirect exporting, use distributors with better knowledge of how to overcome trade barriers. A firm therefore has a choice to make when entering the Indian market. Does it want to have control in order to decrease the level of risk or does it want to use the distributor's expertise in order to overcome barriers. From our study, it can be stated that market potential has an influence on this choice. Firms face high sales potential for their products are more likely to enter the Indian market with subsidiaries in order to decrease the level of risk caused by trade barriers. Firms with lower sales volumes cannot fully commit themselves to the Indian market and therefore use the expertise of distributors to overcome barriers. So therefore market barriers especially in combination with market potential influence a firm's entry mode decision.

Furthermore, the geographic distances had an influence on the entry mode decision as well. Especially the complexness of the product in combination with the geographic distances within India was of importance when internationalizing to India. A product that demands a close relationship with its customer or a product that demands a lot of after sales service, often requires local presence. Especially in a country such as India, where the lack of a good infrastructure in combination with the large geographical distances causes transportation costs to be high and delivery times to be long. A firm that sells more standardized products without requirements for after sales services, is more likely to use direct or indirect exporting as entry mode for India.

Research Question 2: How can the entry mode decision process be characterized for Swedish business-to-business firms when internationalizing to India?

The first finding in our study is that none of the firms followed the strategic rule in their entry mode decision process. The firms show no evidence of a thoroughly evaluation of different entry modes where relevant advantages and disadvantages are compared to see which entry mode that will best match the firms objectives in India.

We argue that all firms in the study show characteristics of a more pragmatic approach to their entry mode decision. Axelent because they used the distributor that approached them, without any further evaluation of other entry modes. Getinge and Bufab knew from the beginning how they wanted to enter India and just as Axelent they choose an entry mode that was workable without looking for other options. This approach of course limits the time and money that the management team and decision makers have to spend on gathering information and evaluating alternatives, but the risk is that firms miss out on finding an entry mode that is the optimal match between the firm’s capabilities and the opportunities.

With these findings we suggest that firms could benefit from being aware of different entry modes available and the advantages and disadvantages of them. With an increased awareness of more entry modes the firms has a larger likelihood of finding the optimal entry mode to fully exploit the opportunities in a foreign market. From our study it is shown that an own subsidiary and distributor are the two entry modes that is discussed by the firms.

From our analysis Bufab and Getinge are considered to have an entry mode decision process with causational characteristics. Both companies had a preselected plan for how to enter the Indian market planned ahead in order to decrease uncertainty. Furthermore, both firms made their decision on maximization of returns rather than affordable loss.

Axelent on the other was found to exhibit characteristics of effectuation in their entry mode decision process. First of all Axelent didn’t have a plan for how to enter India and made their decision on affordable loss to see what could happen in the Indian market. Axelent also saw that the distributor was a good alternative because the limited investments and resources needed. The mindset for Axelent was to try and to see what could be done with what the company had at disposal, which also gives their decision process effectual characteristics.

Our findings show that the two firms that exhibited a causational entry mode decision process made their entry mode decision based on what they perceived could maximize their profit in the long run and are from the beginning determined to commit more resources in India. The firm showing effectual characteristics made their entry mode decision based on selecting an entry mode with low resource commitment, whatever turnover they could get in India was considered a bonus.

It’s also found that causational firms will not allow for a rapid switch in the level of foreign involvement before they have reliable information as a base for the decision.

Research Question 3: How does the entry mode used by Swedish business-to-business firms in India follows the Transaction Cost Approach to entry modes and the Resource Based Approach to entry modes?

From our study it can be concluded that if there is a low likelihood for a firm to achieve a competitive advantage in the India, a firm would be more likely to use low risk entry modes, such as direct or indirect exporting. In our study it is shown that the firms Bufab and Getinge were in need of local presence in order to generate a competitive advantage.

It is also shown in our study that firms that possess unique product aspects that are difficult to transfer to the host country, such as services or customer relationships, are more likely to enter markets through their own subsidiary. From our findings it can therefore be derived that when the ability to transfer advantage generating resources to local partners is low, the more likely a firm chooses a wholly owned subsidiary. All firms therefore followed the Resource Based Explanation approach to entry modes, defined by Sharma and Eramilli (2004).

From our study it can be stated that the higher the transaction specific assets, the more likely a firm faces opportunistic behavior from its intermediary. Therefore, when transaction specific assets are high for a firm, the more likely a firm chooses a wholly owned subsidiary.

In the case of more standardized products (Axelent), transaction specific assets are lower, and therefore the likelihood for opportunistic behavior is lower and thus the transaction costs will be lower. In this case, a firm is more likely to choose export intermediaries when internationalizing to India.

When the external uncertainty is high, firms are more likely to choose export intermediaries when internationalizing to India. However, when there is transaction specific assets involved, firms should favor the latter before external uncertainty, and should therefore opt for penetrating the Indian market with its own subsidiary.

From the analysis it is shown that the likelihood of opportunistic behavior is greater for Bufab and Getinge in a relationship with a distributor, due to the high internal uncertainties and the transaction specific assets. The transaction costs are therefore considered to be higher. In situations with high transaction costs, the Transaction Cost Approach to entry mode decision, suggests that firms should internalize and use entry modes with higher control such as an own subsidiary. Both firms have their own subsidiary and therefore follow the suggestion of the Transaction Cost Approach to the entry mode decision. Axelent only experienced high external uncertainty and thus chose a distributor as entry mode. Therefore, this firm also followed the suggestion of the Transaction Cost Approach to entry mode decision.

6.1 Practical Implications

According to the theoretical framework, firms with a pragmatic approach to their entry mode decision could select an entry mode that is not optimal for exploiting the opportunities in the foreign market. In our study, all three firms had a pragmatic approach. One practical implication could therefore be for managers to be aware of more available entry modes, their advantages and disadvantages in order to make entry mode decision that could better match the firm's capabilities with foreign opportunities.

Furthermore, we would see earlier experience as something that could actually limit firms in their entry mode decision process. Earlier experience acted as a guiding example and it is likely that this limited the evaluation of other available entry modes. Therefore, managers should try to broaden their scope when making the entry mode decision, and open up evaluation of other possible entry modes, instead of using earlier experience as a guiding example.

Our study shows that the product attributes, the services requirements, and the need of a close relationship with the customer are important factors for managers to keep in mind when making the entry mode decision to India because all of the entry modes have their limitations. Our suggestion for firms is therefore to critically evaluate the three aforementioned issues in order to select an entry mode to successfully enter the Indian market.

6.2 Theoretical Implications

So far, only a few studies have addressed the question of which market entry strategies are preferred by foreign firms in the BRIC countries. This study has addressed this question to one of the BRIC countries, namely India. With the findings derived from this study, we have provided increased knowledge in this area.

Furthermore, Hollensen et al. (2014) stated the importance of further explorative case studies in BRIC countries, in order to enrich the explanatory factors, which determine the entry mode decisions. The study has provided a deeper understanding of what internal and external factors Swedish business-to-business firms consider when selecting entry mode for the Indian market. The study also provides a deeper understanding of how these factors influence the entry mode decision.

Previous literature suggested that a processed based view on the entry mode selection process adds to the International Business and International Entrepreneurship literature. The study has made an attempt to provide a better understanding of the entry mode decision by looking at the characteristics of the decision process for Swedish business-to-business firms that internationalize to India.

6.3 Limitations and Further Research

One of the limitations of this study is reflected by the fact that this research is based on only three cases and three interviews. Furthermore, the study is limited to Swedish business-to-business firms. This is a notable limitation, and therefore we cannot generalize our findings to a larger population. However, this was not the intention of the study either.

Since the firms have established themselves on the Indian market in the past, the findings from the interview might be biased with managers' perceptions. Furthermore, situations might be differently described of how it occurred in real life, since the memories of the managers might be faded.

Moreover, this study has only focused on business-to-business firms. We argue that the outcomes of this study would be completely different when the research was focused on business-to-consumer firms. This could be an interesting topic for further research.

Directions for further research on the topic can be conducted for firms operating in other BRIC countries. This study has focused on India, but the BRIC countries are very heterogeneous. Furthermore, it might be interesting to have further explorative research in the entry mode decision process, following the effectuation and causation perspective, in order to reveal different behavior regarding the entry mode decision.

Moreover, in our study the firms entered the Indian market using either subsidiaries or distributors. We therefore suggest further explorative research should be conducted with firms using entry modes that are in between the two investigated modes, such as joint ventures or other entry modes.

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Appendix A: Interview Guide

Introduction
Can you give us a short introduction about yourself, the firm that you represent, and the function you personally have at the firm?

Questions
1. Why did the firm choose to enter the Indian market?

Checklist:
Business environment
Market potential
Company's goals
Planned or unplanned
What does the firm wants to achieve in India?

2. Can you describe how the process of internationalization to India looked like?
   2.1 Can you further describe the process of selecting the right entry mode?

3. Why did you choose this specific entry mode?

Checklist:
Internal Factors:
Size of the company
Resources
Overall strategy
Product
Goals
Earlier Experience

External Factors:
Business environment
Target country production factors
Current competition on market
Home country factors
Trade barriers
Market size & growth
Corruption

Desired Mode Characteristics
Risk
Control
Flexibility

4. What were the main challenges into entering the Indian market?
   4.1 How did this influence the entry mode decision?
   4.2 How did the firm overcome the challenges?

Student from Laholm, Sweden

Student from Utrecht, The Netherlands.

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