With some power comes great responsibility

*Ethical dilemmas occurring during Swedish small and medium sized enterprises’ entry process in politically unstable markets*
List of abbreviations

- Small enterprise: Less than 50 employees, an annual turnover or annual balance sheet that does not exceed 10 million EUR.
- Medium-sized enterprise: Less than 250 employees, an annual turnover that does not exceed 50 million EUR or annual balance sheet that does not exceed 43 million EUR.
- Large scale enterprise: More than 250 employees, no limits regarding annual turnover or annual balance sheet.

Corruption: the abuse of entrusted power for private gain
Abstract

Due to an increase of internationalization Swedish SMEs are faced with more issues regarding ethical dilemmas when entering foreign markets than they have been in the past. The ethical dilemmas, such as bribery and corruption, affect companies’ entry strategies in regards of moral standards and becomes an issue for markets that are characterised as being unstable. A common denominator for unstable markets is political instability which usually leads to an increase of ethical dilemmas. This thesis provides a deeper understanding to how Swedish SMEs enter politically unstable markets and how CSR can be used as a tool to identify and avoid ethical dilemmas. To enable this study a qualitative research was conducted to analyse the process of already established Swedish SMEs in politically unstable markets. By doing so, practical and theoretical implications could be identified, subsequently contributing Swedish SMEs with valuable information on how to enter politically unstable markets.

The outcome of this study suggests ethical dilemmas affect Swedish SMEs’ entry to politically unstable markets. In a market where ethical dilemmas are prominent SMEs ought to do a thorough risk analysis before entering the market and also select the mode of entry. This study concludes a trade based entry mode is most suitable for Swedish SMEs when entering politically unstable markets since local contact is crucial since it reduces the risks of entering the market. Furthermore, during the course of the study it became evident that CSR can be used as a moral framework to identify and avoid ethical dilemmas in politically unstable markets. CSR strategies provide moral and ethical guidelines for Swedish SMEs and thereby affect the selection process of markets and business partners. The findings of this thesis suggest there is a linkage between business ethics, CSR and entry strategies. Therefore, the research is valuable for Swedish SMEs who seek to enter politically unstable markets.

Key words

International business; ethical dilemmas; entry strategies; CSR; SMEs; internationalization; business ethics
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Hilda Eriksson                                         Jennifer Königsson
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1 Introduction
1.1 Background
In recent years there has been a tendency for Swedish small and medium sized enterprises (SMEs) to internationalize, not only to politically stable markets but also to politically unstable markets. In a market with political instability ethical dilemmas, such as corruption and bribery, are likely to occur (Osuji, 2011). Sweden is considered to be a country with a low level of corruption with a ranking of 6 out of 180 on the corruption perceptions index, where 1 is the lowest level of corruption and 180 is the highest level (Transparency International, 2018). Swedish companies are however no strangers to the ethical dilemmas linked to corruption and bribery that might occur when conducting business in politically unstable markets.

Two well-known and influential Swedish companies that have been accused of bribery are Telia Sonera and Skanska. In 2014 it was discovered the Swedish telecom operator Telia Sonera paid 2.6 billion SEK to influential government officials in Uzbekistan in order to conduct business within the country in 2007 (Muntau, 2016). The settlement for the illegal affair was set in 2017 and reached 7.7 billion SEK (ibid). One year after the investigation began the former CEO of Telia, Lars Nyberg, stepped down from his post and at the same time the board was replaced. After the scandal an additional four senior executives were fired (Ohlin, 2017). Skanska was one of the engineering and construction companies that got penalized during the Petrobras corruption scandal in Brazil in 2014 (Boadle, 2016). The Petrobras scandal began when the chief of refining was arrested for money laundering. During the investigation it became clear that several construction companies diverted parts of their value into funds for different political parties (The Economist, 2014). Skanska decided to leave the Latin American market after the Petrobras scandal in combination with bribery allegations in both Argentina and Peru as well (Aronsson, 2016).

Both Telia Sonera and Skanska are examples of Swedish large-scale enterprises (LSEs), the majority of companies in Sweden are however SMEs (Tillväxterket, 2016). Approximately 25 % of all Swedish SMEs are internationalized and out of the companies that are involved with exports every fourth company export to markets that are outside of the EU (ibid). According to the European commission (2016) the number of internationalized SMEs in Sweden are above the EU average.

Since the number of Swedish SMEs that internationalize continuously increase the internationalization process is important to take into consideration in order to
understand the ethical dilemmas that might occur when companies operate abroad (Tillväxtverket, 2016). Johanson and Vahlne (1977) describes the internationalization process as an activity in which companies increase their international involvement. The process usually takes place gradually into nearby markets before the companies expand further into markets with a culture that differs from the domestic market (Ciszewska-Mlinarič & Trąpczyńska, 2016). Entering new markets also bring several opportunities for companies, such as economies of scale, an increase in sales and a larger network but also many challenges, such as ethical dilemmas, cultural differences and financial risk tasking (Hollensen, 2017).

There are several ways for companies to enter new markets, depending on the entry strategy companies acquire different levels of control and propensity to risk taking. The most common entry strategy for SMEs is indirect export via local and foreign intermediaries and export agents, this is due to the fact that most SMEs have limited resources (Hessels & Terjesen, 2010). According to Hollensen (2017) there are four factors influencing the entry mode decision and these are; internal factors, external factors, desired mode characteristics and transaction-specific behaviour. Entry strategies are also dependent on which market companies decide to enter and what the goal is for the entry. Some markets, such as politically unstable markets, are usually considered high-risk markets. However, due to the perceived low level of competition in these markets companies tend to see opportunities rather than challenges (Green, 2014). A common denominator for most unstable markets is political instability and in these markets ethical dilemmas, such as corruption and bribes, is usually considered a part of the business culture (Osuji, 2011; Cuervo-Cazurra, 2016).

According to Swedish law (SFS 2012:301) there is a distinction between proper and unfair benefits, which is the legal term of a bribe. For a benefit to be classified as unfair there does not need to be a clear acceptance of the benefit, merely an acceptance of the promise of a benefit. In other words, it is sufficient for the counterparty to not reject the offer for it to be classified as an unfair benefit. The offer must also be considered attractive enough that it influences the counterparty’s judgement and offered to create a feeling of gratitude and an obligation to return the favour (Knutsson, 2016). Unfair benefits can be both material and immaterial, even a highly paid board mission can be considered an unfair benefit. The circumstances in each individual case usually determines whether or not a benefit can be classified as unfair (ibid). The definition of a bribe will in this thesis be in accordance to Swedish law (SFS 2012:301) and its description since the research has a focus on Swedish companies.
Some use economic arguments to justify corruption, especially in politically unstable markets. Corruption can, for example, be a way to increase the quality of public servants by increasing their poor wages (Osuji, 2011). However, Lopatta, Jaeschke, Tchilov and Lodhia (2017, p. 48) argues that “corruption harms economic growth as it favours the state sector at the expense of the private sector”. Stapenhurst and Langseth (1997) agrees with this statement and state that corruption encourages competition in bribery rather than competition in quality.

Although some managers consider ethical dilemmas, such as corruption and bribery, as part of business activities in certain markets these dilemmas make it difficult to meet the set of moral duties companies have towards the society, such as economic, political, ethical and social reflections when engaging in illegal activities (Krishnamurti, Shams & Velayutham, 2018; Lopatta et al., 2017). The question is how struggles concerning ethical dilemmas can be managed.

According to Krishnamurti, Shams and Velayutham (2018) a well-defined corporate social responsibility (CSR) strategy decreases the risk of a company being involved in issues concerning ethical dilemmas. CSR is a broad and complex concept that can be defined as a company’s commitment to contribute to a sustainable economic development, work with employees, their families, the local community as well as society at large in order to improve a high quality of life (ibid). To have a well-defined CSR strategy is even more important when conducting business in politically unstable markets, where the extent of ethical dilemmas is usually greater, not only for the firm’s image towards society but also since ethical dilemmas usually have a negative effect on the company’s sales performance (Lopatta et al, 2017). Researchers usually focus on large corporations and their CSR efforts since SMEs might not have the same resources nor receive the same publicity as LSEs (Fassin, Rossem and Buelens, 2011; Spence, 2016). However, Lepoutre and Heene (2006) suggest that smaller firms are better equipped for social responsibility than larger firms are. According to Jenkins (2006) it is easier for SMEs to adapt and respond quickly to changing circumstances due to their size. Being prone to adaptations can lead to large opportunities by taking advantages in new niche markets that are focusing on products or services that incorporate social and environmental values.

To summarize, ethical dilemmas are a constant issue occurring all over the world by companies and executives from both politically stable and unstable markets. The issue is however more extensive within politically unstable markets where there usually is a high amount of poverty and uncertainty, therefore the population and the society at large are more affected than in politically stable and developed markets. The issue also
lies within SMEs and their lack of resources, which makes it difficult to compete on markets where the ethical dilemmas are a part of the business culture. This thesis will therefore examine how Swedish SMEs entry strategies are affected by ethical dilemmas in such markets and if a well-defined CSR strategy might be a tool to decrease the issues of ethical dilemmas, this will be further elaborated in the following section.

1.2 Problem discussion
There is a majority of SMEs in Sweden and they are internationalizing to a larger extent today than they have done in previous years (Tillväxtverket, 2016). When entering politically unstable markets SMEs can be highly affected by the ethical dilemmas that might occur. A lost business opportunity could be one of the impacts, which could lead to the liquidation of the company. Since the company might have already put in several resources, such as time and money beforehand, that usually are scarce in SMEs, the consequences could be too great for the company (Cuervo-Cazurra, 2016). LSEs on the other hand have more resources than SMEs do, both in terms of legal assistance and financial resources - resources that could be of use when expanding one’s business to foreign markets (European commission, 2017). A lost business opportunity will not necessarily have such a negative effect that the company must be liquidated, as it could be in the case of many SMEs.

Ethical dilemmas are more common in unstable markets where there is a lack of political order, governance and development (Osuji, 2011). Despite corruption being more common in unstable than in stable markets, it is not unusual that those offering the bribes are originating from countries with a low-level of corruption (ibid).

According to Cuervo-Cazurra (2016) managers can rationalize corruption as either a competitive advantage or a mechanism for reducing transaction costs on markets with high regulation costs. Although some might say there are positive aspects of corruption and bribery there are more disadvantages presented, both in regard of the country of operations as well as for the company itself (Lopatta et al., 2017). According to Healy and Serafeim (2016 p. 489) “more than 150 leading public officials and citizens from 60 developing nations cited corruption as the number one factor hampering their countries’ economic development and growth”. Lopatta et al. (2017), as well as Osuji (2011), argue that corruption harms economic growth since it favours the state sector rather than the private sector and thus increase poverty in developing markets. Regarding the companies themselves corruption is considered to have negative effects since it leads to increased costs, unfavourable publicity and ethical dilemmas. Furthermore, remaining in good contact with corrupt government officials is time
consuming for managers. Paying bribes also causes high uncertainty for the company’s operations within the country since it is impossible to know when the next payment will take place or if the payment will result in the promised benefits (Cuervo-Cazurra, 2016). If the stakeholders of the company find out the company is involved in corruption it can cause them to choose to invest in another company instead, hurting the company’s brand and reputation (Lopatta et al., 2016).

Previous research has emphasized the importance of understanding corruption on different markets and how it affects international business (Werlin, 2013; Lopatta et al., 2016; Osuji, 2011, Cuervo-Cazurra, 2016). However, the subject of how ethical dilemmas affect the entry strategies of individual companies has not been extensively researched. Even though ethical dilemmas are something that affects both companies and governments the issue has not been studied on a micro level. Previous studies suggest authoritarian regimes are likely to be far more corrupt, than democratic regimes (Werlin, 2013). However, there is little research concerning how companies can enter such markets in an ethical manner. Concerning corruption, the studies usually focus on macro level causes and consequences, rather than the effects it has on individual companies, especially SMEs (Healy & Serafeim, 2016). Previous research shows the most common way for SMEs to enter new markets is by indirect export (Cavusgil, Knight, Riesenberger, Rammal & Rose, 2013). A study made by Healy and Serafeim (2016) suggests companies are more likely to pay bribes when using a local partner in a high-risk country, raising the question whether indirect export is the most ethical way of entering a new market.

Regarding bribery a study by Kathryn and Maiko (2001) suggests companies ought to work internally, with its code of conduct in order to show its employees, customers and clients their view of corruption and bribery. Furthermore, the study concludes there are different managerial tools, including financial record keeping, statements by executive officers, internal monitoring and threats of disciplinary action to combat bribery in LSEs. These tools can be seen as a part of a company’s CSR strategy, a subject that has not been extensively studied in connection to SMEs (Fassin, Rossem & Buelens, 2011).

There is little to no research linking SMEs and ethical dilemmas in politically unstable markets. One reason as to why the subject has not been extensively studied could be that SMEs do not get the same attention as LSEs. Mostly because SMEs do not affect the entire society but rather the community where the company is located (Spence, 2016). Another reason could be that the definitions of the different aspects are quite diverse. Ethical dilemmas have a broad spectrum with several components, not
necessarily the financial and social components being studied in this research. The same goes for politically unstable markets as well.

A scientific research gap has thereby been identified concerning how ethical dilemmas affect SMEs. The different subjects have been researched on their own but there has not been a consideration made for SMEs, in particular, and the connection between the different subjects. By examining how ethical dilemmas affect SMEs entry strategy and by conceptualising this into a framework, the aspiration is to provide a theoretical contribution to the field of international business.

1.3 Problem definition
Swedish SMEs internationalize to a great extent (Tillväxtverket, 2016) and by doing so there is a risk they will encounter ethical dilemmas when entering new markets. The risk of encountering such dilemmas is greater on unstable markets that are characterised by being politically unstable and underdeveloped (Osuji, 2011). Even though there is a growing interest for Swedish SMEs to enter foreign markets, even unstable ones, the research is scarce in regards of how companies can work proactively to identify and avoid ethical dilemmas that might occur.

The research in this thesis is therefore aimed to investigate how Swedish SMEs enter politically unstable markets regarding the effects of ethical dilemmas and if CSR can be used as a framework to identify and thereby avoid ethical dilemmas. To enable this study two research questions have been conducted.

*How do ethical dilemmas affect Swedish SMEs’ entry strategies to politically unstable markets?*

*How can a CSR strategy affect Swedish SMEs’ ability to identify and avoid ethical dilemmas in politically unstable markets?*

1.4 Purpose
The purpose of this thesis is to acquire a deeper understanding of how Swedish SMEs enter politically unstable markets and whether CSR is a tool to identify and avoid ethical dilemmas. The research is conducted in an exploratory nature by investigating ethical dilemmas and their possible effects on companies’ entry strategies.
The results of this thesis are of practical interest for managements in Swedish SMEs and their entry strategies to politically unstable markets by providing inspiration concerning how other companies have entered politically unstable markets in the past.
This chapter will provide a background in regards to the studied subject. Furthermore there will be a problem discussion that is in line with the research questions and purpose of the thesis. The chapter will finish in an overall outline.

This chapter consists of the literature regarding the subject of the thesis. The subjects internationalization, entry strategies, business culture, business ethics and CSR is gone through in depth. The chapter ends with a conceptual model that shows how the different concepts are related.

In this chapter the methodological choices used in order to conduct the study is presented. There is also an argumentation done as to why the methodological choices were considered the most suitable for this thesis.

This chapter consists of the empirical findings in form of of information gathered through interviews. This will provide the reader with interesting and relevant information about the topic.

In this chapter the empirical findings will be analyzed and connected to the conceptual framework in the literature review chapter. The analysis is based on the authors’ thoughts and similarities and differences between the empirical findings and the theoretical framework will also be presented.

The final chapter of the thesis will present conclusions that are based on the empirical data and allows the authors to answer the research questions. Both practical and theoretical implications are presented, together with the limitations of the study. Finally, suggestions of future research related to the topic will be presented.
2 Literature review

2.1 Contribution of the theories
To answer the research questions in this study different concepts will be presented in the literature review chapter. The internationalization chapter is the root for this study, since without internationalization there would be no entering of foreign markets, thus no need for researching entry strategies in politically unstable markets. Furthermore, entry strategies will give the reader an insight as to how companies enter new markets and how the decisions affect companies’ business ethics. In order to understand how foreign markets differ from the Swedish market a consideration concerning psychic distance can provide a clear view concerning perceived differences. When there are significant differences in culture companies can benefit from understanding the foreign market’s business culture and take business ethics into consideration since that can reduce the risks of misinterpretation. CSR will provide the reader with a deeper understanding of how companies can work with ethical dilemmas and whether it can be used as a tool to decrease such dilemmas.

2.2 Internationalization
According to Deo Sharma (2003 p. 657) “internationalization is a matter of learning about foreign markets, cultures and institutions, as well as internal resources and capabilities of the firm.” In order to understand the differences between markets there are several models and theories to provide a deeper understanding of internationalization. Johanson and Vahlne’s (1977) Uppsala model, also known as the stage model, is perhaps the most cited framework (Coviello & Munro, 1997). According to the Uppsala model companies internationalize step by step, with a starting point in the domestic market. Companies will then gradually enter geographically close markets. After gaining further knowledge concerning internationalization companies might enter markets that are geographically and psychologically (in terms of culture, language etc.) further away from the domestic market (Johanson & Vahlne, 1977). However, much has changed since the Uppsala model was created, the model has therefore in later years been revisited.

2.2.1 Networks
Within the revisited Uppsala model networks and relations are considered to a greater extent, the new model is therefore known as the network model (Johanson & Vahlne, 2009). Being a part of networks in both the domestic and foreign markets is, according to Johanson and Vahlne (2009), crucial for companies to have a successful internationalization. Through the relationships within the network trust and
commitment can be obtained. Networks can, for example, be used to enter new markets (ibid). Johanson and Vahlne (2009) claims that internationalization involves taking steps to become a relevant insider in relevant business networks in the foreign market. However, according to Zaheer (1995) this might lead to the company suffering from the liability of outsidership, defined as liabilities due to lack of market knowledge and lack of relevant business network position, this is also supported by Johanson and Vahlne (2009). Being a part of a relevant business network might help the company gain credibility in the new market, which usually is a major challenge for growth for SMEs both domestically and internationally (Stinchcombe, 1965). Furthermore, Welch and Luostarinen (1988) argues that by forming business networks companies can overcome the limitations from lack of foreign market knowledge and experience when internationalizing. Chetty and Patterson (2002) as well as Sharma and Johanson (1987) describes business networks as triggers for the internationalization of SMEs as they can influence the market selection and entry mode decisions. Business networks also have the ability to lower costs and in doing so lower the risk of internationalization (Chetty & Patterson, 2002).

2.3 Entry strategy
In order to internationalize firms need to organize their capabilities and choose the most suitable entry strategy for the particular foreign market (Cavusgil et al., 2013). The most influential factors to take into consideration when planning to enter a new market are market size, market potential and the business environment. Cavusgil et al. (2013) presents three different groups of which entry strategies can be categorised in; contractual entry, investment entry and trade based entry modes.

Conventional entry modes are characterised by high commitment, high control and high risk (Cavusgil et al., 2013). Examples of contractual entry modes are franchising and licensing. These types of entry modes do not necessarily result in equity, since it may also involve non-equity modes, such as information exchange and technology transfer (ibid). Investment entry modes are characterised by high levels of control, high risk, high commitment and low flexibility - more so than the other categories. Examples of investment entry modes are joint ventures and wholly-owned subsidiaries (ibid). Trade based entry modes are characterised by low commitment, low risk and low control (ibid). Examples of trade based entry modes are direct and indirect exports, a trade based entry mode also allows a firm to engage in international trade. For SMEs that usually lack the resources LSEs possess it is common to use the trade based entry mode by indirect export via local and foreign intermediaries and export agents as a way to enter foreign markets (Hessels & Terjesen, 2010). These agents reduce the risks of operating on new markets by providing market knowledge as well as finding
potential customers and develop a business network (ibid). However, a study made by Healy and Serafeim (2016) suggests companies are more likely to be involved in issues regarding ethical dilemmas, especially bribes and corruption, when using an agent in a high-risk country.

2.3.1 Entering politically unstable markets
Political risks when entering a foreign market have become a vital concern for companies seeking profits abroad (Alcantara & Mitsuhashi, 2013; Henisz & Macher, 2004; Ojiako, 2012). Entering a market where frequent changes concerning political regimes and regulations, such as labour, taxation, corporate governance, trade and intellectual property is considered to be a high risk and studies have shown that firms have a tendency to avoid such markets (Alcantara & Mitsuhashi, 2013; Jones, 1984). The choice to either seek or avoid risks depends on the firms’ view of itself in the domains of gains or losses (Alcantara & Mitsuhashi, 2013). Firms that are satisfied with their current situation tend to avoid new, different options as they are seen as threats that may harm the firm’s current favourable position (ibid). These companies can therefore be viewed as unwilling to take risks that may have a negative outcome. In contrast, firms that are unsatisfied with their current position view new options as positive opportunities and are therefore more likely to have daring, risk-taking strategies (ibid).

2.3.2 Psychic distance
Psychic distance is best described as the individual’s perception of differences between international markets (Avloniti and Filippaios, 2014). Psychic distance refers to the difference in both people and country characteristics. Depending on the level of psychic distance these characteristics will then to a higher or lower extent disturb the flow of information, goods and services between a company and a market (ibid; Hollensen, 2017).

The greater the perceived distance is between the home and the host country the more likely it is for a company to shy away from direct investment. It is possible for managers to reduce their own psychic distance towards foreign markets by assessing psychic distance on an individual level (Sousa & Bradley, 2006). Furthermore, Johanson and Vahlne (1977) suggest that the level of psychic distance is one of the criteria companies take into consideration when making an international market selection (IMS), meaning there is a low level of uncertainty concerning foreign markets and a low level of perceived difficulty in acquiring the information needed about the markets. Language is, according to Dow and Larimo (2009), one of the least important factors when deciding which market to enter, whereas differences in
religion, industrial development and degree of democracy have a much greater impact on the management's choice of entry mode (ibid).

According to Johanson and Wiedersheim-Paul (1975) the psychic distance between markets can be reduced by increasing the knowledge of foreign markets through experience and acquisition of information and relations. However, Johanson and Vahlne (2009) argue the psychic distance should not be considered as constant due to the rapid changes in the business environment.

2.4 Business culture

Beckman and Forsling (2009) state that culture is developed when a group of people are striving for survival together in a certain place, at a certain time and during certain circumstances. Beckman and Forsling (2009) have constructed a model in form of a pyramid that shows what part of behaviour is inherited and what is learned.

![The Pyramid](image)

**Figure 1** *The Pyramid*  
Source: Beckman and Forsling (2009)
Since culture often differs between different countries some problems in international business situations might occur. According to Beckman and Forsling (2009) there are a couple of matters that separate Swedish business culture from other cultures. One of them is the Swedes’ fear of conflict, foreign business partners sometimes find it frustrating that it is difficult to get negative feedback from Swedes. The Swedish culture is individualistic but unlike some other individualistic cultures it is not seen as something positive to brag about oneself and one's accomplishments or stand out from the crowd in Sweden (ibid). Furthermore, in Sweden it is not the manager’s job to make all the decisions, it is preferable if the entire group is involved in the decision-making process. A final difference that many foreign business partners find peculiar within the Swedish business culture is the lack of hierarchy. The employees are usually on a first name basis with the managers and no matter the position one has in the company everyone is usually allowed to speak their mind and bring forward their ideas (Beckman and Forsling, 2009).

2.5 Business ethics

*Business ethics* can be described as what is considered right and wrong or good and bad as well as human conduct in business context (Gavay, 2010). There are several methods of ethical reasoning and these are (a) *Utilitarian criteria* which means that “decisions are purely made on the basis of their outcomes or consequences.” (Paliwal, 2006: p. 49). (b) *Rights criteria* which means the decision-making process ought to be consistent with fundamental rights, such as the freedom of speech, for example. (c) *Distributive justice criteria* which suggests that those involved in the decision-making process should enforce and impose rules fairly and impartially since that will lead to an equal distribution of costs and benefits (Paliwal, 2006).

According to Moon (2001) politically unstable markets usually contain unfamiliar challenges and risks, such as high levels of corruption and bribery, human rights violations and authoritarian regimes. Due to media, activist groups and consumers it is crucial that companies act in an ethical and accountable manner in politically unstable markets as well, or it will reflect negatively on the company (ibid). To do this companies must apply standards for corporate governance and efforts against bribery and corruption, one way of doing so is to have a well-defined CSR strategy.

2.6 CSR

According to Moon (2001) the view of companies’ social responsibilities has changed in later years from Friedman’s (1970) opinion; that making a profit is a company’s only responsibility. Moon (2001) instead suggests that companies should have a moral
standard as well as a social responsibility towards their stakeholders. Lindgreen and Swaen (2010) argue that CSR is now considered a reality rather than an ideology and that it is necessary for companies to define their role in society as well as to apply ethical and social standards to their businesses. Some of the reasons for companies to higher their moral standards are to avoid bad publicity and high court costs but also to boost the brand image (Moon, 2001). Öberseder, Schlegelmilch and Murphy (2013) agree with Moon’s (2001) statement that well performed CSR efforts can boost the brand image but furthermore claims that negative CSR associations are even more influential and damaging than positive associations.

As already mentioned companies have several stakeholders and these stakeholders are necessary for the corporate survival since companies only have limited time and resources to get the stakeholders’ attention and engagement (Mitchell, Agle & Wood, 1997). According to Campbell (2007) companies should not knowingly act in a way that might affect their stakeholders negatively. If the company act in such manners they must rectify their actions as soon as the harm is brought to their attention. If it is brought to attention that the company take actions which are considered unethical for the general public it will be easy for customers and suppliers to find another company to conduct business with.

One of the most well-known CSR models is, according to Visser (2011), the Pyramid of corporate social responsibility made by Carroll in 1991. According to Carroll (1991) CSR should embrace the entire range of business responsibilities which includes economic, legal, ethical and philanthropic responsibilities. These four concepts can be depicted into a pyramid with economic responsibilities as its foundation (ibid). Economic responsibility is considered to be the most important factor since a business cannot survive without making profits (Baden, 2016). To put economic responsibility as the foundation of the pyramid has however made the model gain criticism, since a company that breaks the law and acts unethically in order to gain profits is not profitable for society (ibid). However, Carroll (2016 p. 3) states that “businesses create profits when they add value, and in doing this they benefit all the stakeholders of the business.”. Furthermore, economic responsibility is a requirement that needs to be met in a competitive business world in order to remain competitive on the market.

The legal responsibility concerns the society’s expectations on companies to follow the law, comply with local regulations as well as providing goods and services that meet the minimal legal requirements (Carroll, 2016). All companies must also apply the legal framework that exists within the area of which they operate (Carroll, 1991).
However, Carroll’s model has received criticism in legal aspects since the laws today differ from the laws that existed when Carroll made the model 27 years ago. Before the age of globalization emerging markets often lacked developed legal frameworks, making it possible for companies to take advantage of the situation and act differently from how they would in their domestic market (Baden, 2016). Prieto Carron, Lund Thomsen, Chan, Muro and Bhushan (2006 p. 978) agree with Baden (2016) that “it is the rule rather than the exception that companies do not comply with existing legal frameworks related to corruption, payment of taxes, fair trade practices, respect for human rights, customer services, [and] environmental protection’ in developing countries”.

The *ethical responsibility* covers “those activities and practices that are expected or prohibited by societal members even though they are not codified into law” (Carroll, 1991 p. 41). It embodies the norms and standards the stakeholders and the community find fair and keep within respect to their moral rights (Carroll, 1991). According to Baden (2016) *ethical responsibility* is more important in emerging and politically unstable markets, partly because the laws are usually not effectively enforced but also because of poor working conditions, low wages and a lack of effective regulations.

*Philanthropic responsibilities* include companies actively engaging in acts that promote goodwill and human welfare, such as contributing to education, arts and the community at large (Carroll, 1991). These activities are not required by law, nor are they mandated or expected from an ethical point of view but companies engage in them because they want to give back to the society and or the community (Carroll, 2016). Although *philanthropic responsibility* is voluntary this category has been and still is considered to be one of the most important elements of *CSR* definitions (ibid).
Figure 2  The pyramid of corporate social responsibility  Source: Carroll (1991)

Economic, legal, ethical and philanthropic responsibilities are a part of the different expectations that society has on businesses. Economic and legal responsibilities are both required while ethical responsibility and philanthropic responsibility is expected or desired by society (Carroll, 2016).

2.7 Conceptual framework
The literature review has shown there is a connection between business ethics, CSR and entry strategies. Business ethics affects the company’s CSR strategy by providing a moral framework of what is considered right and wrong or good and bad in a business context. When choosing the right entry strategy for a foreign market the company’s CSR strategy and business ethics will most likely have an influence by affecting the risk-taking propensity. A company with high moral standards might not be willing to take risks that might affect the company’s reputation and its stakeholders in a negative way. Therefore, these factors influence companies’ entry strategies. For SMEs the effect is to choose an entry strategy that is characterised by low risk, such as a trade-based entry mode.
3 Methodology

3.1 Research approach
There are three methodologies to choose from when writing a thesis. The *inductive approach*, which derives from evidence, the *deductive approach* from logic and the *abductive approach* from the insight that most scientific advancements neither follow the pattern of pure deduction nor pure induction and is therefore a mix of both approaches (Alvesson and Sköldberg, 2009; Kirkeby, 1990). With an *inductive approach* researcher make observations from a number of different cases and if a connection between these observations is made it is generally seen as valid (Alvesson and Sköldberg, 2009). The *deductive approach*, on the other hand, is based on existing theories and knowledge, which are then subject to empirical exploration (Ghauri and Grønhaug, 2010). According to Alvesson and Sköldberg (2009) the difference between the *abductive, inductive and deductive approach* is the inclusion of a deeper understanding of the phenomenon within the *abductive approach* whereas the other two approaches do not strive for a deeper understanding of the underlying causes to the problem.

Due to the exploratory nature of this thesis an *abductive approach* was seen as most suitable. It provides the researchers with a theoretical platform as well as leaving room for the necessary collection of empirical data and combine these in order to answer the research questions. An example of an application of the *abductive approach* is a medical diagnosis; given this set of symptoms, what is the diagnosis that would best explain most of them? In other words, an observation has been made and been interpreted from a hypothetical overreaching pattern, if these interpretations are true they will explain the case in question (Alvesson and Sköldberg, 2009). To be seen as valid the interpretation will need to be strengthen by more observations. During the data collection process it became evident networks were important to all respondents, therefore the network part of the theory chapter was further elaborated. The same can be said about the trade based entry mode since this was the entry mode all respondents’ companies were using.

3.2 Research method
There are generally two different research methods to use, either a *qualitative* or a *quantitative research approach* (Holme and Solvang, 1997). The *quantitative approach* is appropriate to use when determining the extent of a problem (Kumar, 2014). It is also common to use when researching a subject on a larger scale since it is structured, standardized and uses statistical methods to describe reality by using numerical data (Berg & Lune, 2014; Holme & Solvang, 1997).
A qualitative research approach is appropriate to use when trying to explore the nature of a problem and when researching fewer cases, it is often conducted through interviews, social interactions and observations (Kumar, 2014; Berg & Lune, 2014). Both the qualitative and quantitative research approach have advantages as well as disadvantages. By using interviews and observations in a qualitative approach it is possible to obtain a deeper understanding of a phenomenon since the data will be more detailed than in a quantitative research (Denscombe, 2010). However, according to Holme and Solvang (1997) one risk of using a qualitative research approach is the possibility of a misleading selection that will not show the entire picture.

When conducting a quantitative research there are more respondents involved than in a qualitative research, which makes it possible to generalize the answers. However, to conduct a quantitative research a set of predetermined questions and answers must be written, usually in a survey (Denscombe, 2010). By having a predetermined list of possible answers for the respondents to choose from the researchers limit the answers and thereby limit the research. Considering the construction of the research questions as well as the aim to explore the nature of a phenomenon rather than the extent, a qualitative research approach was considered most suitable for this thesis.

A qualitative research approach is often used in combination with an inductive research approach since it usually results in theoretical contributions (Denscombe, 2010). However, this thesis is conducted with an abductive approach in combination with a qualitative research method. The reason for this is the already existing research in the field, both CSR strategy and entry strategies have been studied previously to a great extent, which provides a theoretical framework. However, the research regarding how ethical dilemmas affect Swedish SMEs and their entry strategies in politically unstable markets is scarce and therefore this study has a qualitative research approach combined with an abductive approach.

3.3 Research design
The research design describes how a thesis is to be completed as it is an overall design for the data collection and how to analyse the collected data (Ghauri and Grönhaug, 2010). According to Yin (2014) the research strategies that are most commonly used are survey, experiment, case study, history and archival analysis. However, for this thesis a comparative research was conducted.

Comparative research includes both qualitative and quantitative comparison of social entities, which may be based on many lines such as political or geographical ones in
the form of cross-national or regional comparisons (Mills, van de Bunt & de Bruijn, 2006). To search for similarity and variance is the underlying goal of a comparative research (ibid). Furthermore, “comparative research is used to separate patterns that are more general and isolate regularities from the context-laden environment” (Mills, van de Bunt & de Bruijn, 2006 p.621). The search for variation places more emphasis on difference and context in order to understand specificities (ibid). By making comparisons researchers will not only uncover differences between social entities, but reveal unique aspects of a particular entity, something that according to Mills, van de Bunt and de Bruijn (2006) would be virtually impossible to detect otherwise.

There are continuing methodological problems in comparative research and some of the main issues include: (a) case selection, unit, level and scale of analysis; (b) construct comparability (c) variable or case orientation; and ultimately (d) issues of causality (Mills, van de Bunt & de Bruijn, 2006).

The underlying goal for this research is to understand the differences and the similarities of how companies face ethical dilemmas in politically unstable markets. A comparative research makes it possible for the researchers to compare the similarities and the differences given by the respondents and to isolate regularities, which is why a comparative research design was chosen.

3.4 Purposive sampling

According to Merriam (2009) the researcher must select the units of analysis and the sample in order to collect data for the identified problem. The sample collected is usually divided into two different sampling techniques: probability and non-probability sampling (ibid). Probability sampling is preferable when the researcher wants to draw statistical generalizations of samples and is therefore more common within quantitative research (Denscombe, 2010). For a qualitative research it is more common to use non-probability and purposive sampling since it aids the researcher to understand, discover and gain insight of a certain problem (Skärvad and Lundahl, 2016; Denscombe, 2010). According to Denscombe (2010) a purposive sample allows researchers to select the different samples based on the relevance or knowledge in the matter that is to be studied.

Based on the construction of the research questions and the aim to investigate and understand a certain phenomenon a non-probability purposive sampling strategy was considered most suitable for this thesis. According to Merriam (2009) the purposive sampling needs to have a selection of criteria that must be applied when finding and deciding which representatives that will be used. The criteria should direct the
researchers towards appropriate cases as well as reflecting the purpose of the study (ibid). Therefore, based on the purpose and research questions of this thesis companies and respondents have to apply to these criteria:

The companies must...

1. be a Swedish SME
2. do business in politically unstable markets

The respondents must...

3. have a background in Swedish business in order to make their own personal ethical comparison concerning business cultures.
4. be in a managerial position to have the right knowledge about markets that have political instability.
5. have insight of the company’s entry process to politically unstable markets.

Apart from these criteria the respondents were chosen based on their experience from different politically unstable markets. Considering the personal experience of entering unstable markets is what is crucial to this research it was possible to have two interviewees from the same company.

3.5 Introduction of companies

3.5.1 Läckeby Products AB
Läckeby Products designs and manufactures high-performance products for resource-efficient energy recovery and wastewater recycling. Mattias Johnsson is the Area Sales Manager of North- and South America and South Africa. Mattias Johnsson is working for Läckeby Products in Kungälv and the interview was conducted via telephone.

3.5.2 Yaskawa Nordic AB
Yaskawa Nordic is a Swedish company that is a world leading manufacturer of industrial robots and electric- and servo motors. Johnny Jarhall is the Executive Sales Director. The Swedish office is responsible for the European, Australian, New Zealand, Russian, South African and US markets. The interview took place at Yaskawa’s office in Kalmar and was conducted face-to-face.

Yaskawa is a global company with its headquarter in Japan. Although the company is not a Swedish SME to begin with the experiences of the Swedish employees are considered beneficial for this study. Furthermore, the company is responsible for its own production and finance and therefore the influence of the parent company is not
necessarily relevant for this study. Hence, the Nordic branch meets the standards of a Swedish SME.

3.5.3 Norden Machinery AB

Norden Machinery is a Swedish world leading manufacturer of tube filling systems. Two interviews were conducted at different times at Norden Machinery. One of the interviewees was Christian Vickle, the Area Sales Manager of North and South America as well as Iran temporarily. The second interviewee was Jörgen Johansson, the Area Sales Manager of South Asia, Australia, Africa, UAE and Saudi Arabia. The interviews took place at Norden’s office in Kalmar and were conducted face-to-face.

Norden is part of the Coesia group, a global company with its headquarters in Italy. Although the company is not a Swedish SME today the experiences of the Swedish employees are considered beneficial for this study. Furthermore, the company is responsible for its own production and finance and therefore the influence of the parent company is not necessarily relevant for this study. Hence, Norden Machinery meets the standards of a Swedish SME.

3.6 Data collection

Data collected for research purposes may be considered as ordinary fragments of information found in the researchers’ surroundings (Merriam, 2009). The data collected can appear as both concrete and measurable, as well as intangible. There are two different ways in which data can be collected; primary and secondary data collection (Ghauri and Grønhaug, 2010). According to both Denscombe (2010) and Ghauri and Grønhaug (2010) there are distinct differences between the two approaches, making them suitable for different purposes and therefore require a different set of skills and resources. Primary data is considered to provide more relevant information regarding a specific research problem (Ghauri and Grønhaug, 2010), which is why the empirical findings of this thesis will mainly derive from primary data. However, through gathering and research secondary data a well-founded theoretical framework as well as methodology chapter has been sampled.

3.6.1 Primary data through interviews

Primary data refers to data collected by the researchers from primary sources and is therefore considered being of original character (Bryman & Bell 2011; Ghauri & Grønhaug 2010; Kothari 2004). When conducting a qualitative comparative research, the data is primarily gathered through interviews and observations (Silverman 2013). Merriam (2009) argues that data collection through interviews tend to represent the majority of the data collected in a qualitative research, since interviews provide a deeper understanding of feelings, behaviour and how people interpret their
surroundings (Merriam, 2009). An interview can be executed in different forms, such as emails, by telephone, face-to-face interviews and by mail (Ghauri & Grønhaug, 2010).

In this thesis the primary data has been collected by face-to-face as well as by telephone interviews, since it helps provide enriched and detailed information which serves the purpose of this thesis. By collecting the primary data through face-to-face and telephone interviews, the respondents have a chance to further explain their views and to ask the researchers questions if something is unclear to the respondent during the interview.

3.6.2 Secondary data
Secondary data is data that has been collected through other sources, such as books, scientific journal articles and online data sources (Ghauri & Grønhaug, 2010). In this thesis the secondary data has been used in the introduction chapter, the literature review as well as the methodological chapter via previously named sources related to the area of research. Information regarding the comparative interviews has somewhat derived from secondary data since it has been collected from the official websites of the companies.

3.7 Interview structure
Interviews can be conducted in different ways in terms of structure and content. According to Merriam (2009) there are three ways to conduct an interview; the structured, semi-structured or unstructured interview.

A structured research interview has its starting point in a theory of concepts and relations between different concepts. A structured interview also has a predetermined list of questions of which the respondents can give limited answers to (Denscombe, 2010). Structured research interviews are comparable and quantitative analyses are therefore possible to conduct (Lantz, 2013). An unstructured research interview is the opposite of a structured one, where no predetermined questions are prepared and the answers are therefore not limited.

The semi-structured interview has its starting point in a model of concept and relations between different concepts (Lantz, 2013). In a semi-structured interview the interviewer seeks knowledge concerning the quantities and qualities of the concepts and their possible relations (ibid). The interviewee is given the chance to speak more freely regarding the issues in a semi-structured interview. The questions apply to the individual’s experience of a phenomenon and its qualities and meanings (ibid). Many
researches within the same theme are often shown to differ from one another, which is considered an advantage within the qualitative analysis (ibid).

In this thesis a semi-structured interview was conducted, since the interview has its starting point in a model of concepts in form of an operationalization. Considering the complex nature of the subject within the research and the qualitative nature of semi-structured interviews a semi-structured approach was considered best suited for this research. A semi-structured interview also allows the researchers to ask follow-up questions in order to obtain more information from the respondents (Lantz, 2013). Furthermore, the flexibility of a semi-structured interview opens up for new discoveries and ideas within the research topic. In this thesis the researchers have followed different themes for the interviews and used keywords to guide the respondents in the right direction to make sure the information that is given is relevant to the research. A predetermined list of questions has been formulated, these questions were however merely used as a guideline for the researchers due to the exploratory nature of the research.

The interview guide (see Appendix A) was initially written in English but was translated into Swedish for the convenience of the respondents. Three of the interviews were conducted face-to-face at the respondents’ different offices. One interview was conducted via telephone due to the distance between the researchers and the respondent. The respondents were briefed on the topic and the aim of the study, they were however not given the chance to see the questions beforehand since the questions were merely meant to be a guideline for the researchers.

3.8 Operationalization
According to Jacob and Furgerson (2012) it is necessary to conduct a thorough literature review before establishing an interview guide. This way the researchers will obtain knowledge regarding what have been studied before and which areas that need to be explored. According to Patel and Davidsson (2011) an operationalization is used to define the theoretical concepts within the literature review into abstract terms with a clear connection to the real world. Table 1 presents the linkage between the theoretical framework and the interview questions (Appendix A) together with the purpose of each question.

<table>
<thead>
<tr>
<th>Concepts</th>
<th>Key words</th>
<th>Reasoning</th>
</tr>
</thead>
</table>

24(61)
<table>
<thead>
<tr>
<th>Business operation</th>
<th>Company, position</th>
<th>These questions were asked with the intention to get an insight of the interviewee and the interviewee’s work experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internationalization</td>
<td>Internationalization process</td>
<td>These questions were asked with the intention of getting a wider understanding of where the companies established their operations in the international market, the companies experience and their strategies.</td>
</tr>
<tr>
<td>Entry strategy</td>
<td>Politically unstable markets, recommendations,</td>
<td>These questions were asked with the intention of understanding how the companies enter politically unstable markets and their strategies. The underlying aim was to explore if ethical dilemmas had an impact on the entry strategies.</td>
</tr>
<tr>
<td>Business culture</td>
<td>Cultural differences, adjustments</td>
<td>These questions were asked with the intention to understand if the interviewee has faced any ethical dilemmas when entering politically unstable markets and how the interviewee and the company handles the situation.</td>
</tr>
<tr>
<td>Business ethics</td>
<td>Norms, rules, permits, contracts, politically unstable markets, proactive</td>
<td>These questions were asked with the intention of gaining a deeper understanding in how ethical dilemmas affect companies and how they have faced the issues. The aim was to understand the differences in norms and rules in Sweden and politically unstable markets.</td>
</tr>
<tr>
<td>CSR strategy</td>
<td>Code of conduct, praxis, strategy, ethical dilemmas, improvements</td>
<td>These questions were asked with the intention of understanding whether CSR is a tool that can be used to avoid being faced with ethical dilemmas.</td>
</tr>
</tbody>
</table>
Other Anonymity, addition

This question is of a general nature which asks if the participant wishes to be anonymous. The reason for asking is to follow the ethics of interviewing and to give the interviewees the opportunity to express themselves freely. The interviewee also had the opportunity to add to the questions to make sure they have given the interviewers all information necessary.

Table 1  Operationalization  Source: Own

3.9 Method of Data analysis

The objective of the data analysis is, according to Merriam (2009), to make sense of the collected data. Qualitative data aspire to gain an understanding of a phenomenon through the collection of a mass of data out of a subjective point of view (Ghauri & Grønhaug, 2010). Ghauri and Grønhaug (2010) suggests a key characteristic for data analysis is to divide complex wholes into minor components. Furthermore, Ghauri and Grønhaug (2010) address there is no single universal method to analyse qualitative data. However, Miles and Huberman (1994) have distinguished three different elements which are all commonly appearing in qualitative analytical procedures; data reduction, data display and the drawing of conclusions. The data reduction is defined as “the process of selecting, focusing, simplifying, abstracting, and transforming the data that appear in written field notes or transcriptions” (Miles & Huberman, 1994 p.10). The reduced and transformed data allows the researcher to process the information and then draw conclusions from it (Ghauri & Grønhaug, 2010).

The empirical data resulted in similar outcomes, despite the semi-structured design of the interviews. The recorded interviews were listened to and transcribed by the researchers and the notes taken during the interviews were compared to reduce the risk of misinterpretations. After presenting the findings it was possible to draw conclusions. If any disagreements were identified the researchers returned to the recorded interview to make sure the right conclusions were drawn from the findings. The analytical data procedures conducted in this research does therefore follow the analytical pattern suggested by Miles and Huberman (1994)
3.10 Quality of research

When conducting a research, it is crucial the findings are regarded valid and reliable (Bryman & Bell 2011; Denscombe 2010). According to Yin (2009) the quality of a research can be verified by two different approaches; validity and reliability, which together make the core of what is accepted as scientific proof.

3.10.1 Validity

When assessing the quality of a study one of the most important research criteria is validity since it determines whether the collected data is relevant for the study or not (Bryman & Bell, 2011). The validity is often considered to be lower in a qualitative research compared to a quantitative research due to the closeness to the subject as well as the respondent’s control of contribution of data (Holme & Solvang, 1997; Denscombe, 2010). When conducting a qualitative research, it is possible that the researchers misinterprets the signals and motives from the respondents (Denscombe, 2010). However, there are strategies the researchers can use to increase the reader’s perception of the validity of the study. One of these strategies is triangulation which means that the same set of data is analysed and examined through different perspectives in order to understand it better (Kumar, 2014). For this thesis a triangulation was made since the researchers assessed the gathered primary data separately before discussing it collectively making it examined and analysed through different perspectives. The second strategy, to increase the validity, is respondent validation which means the researchers ensure that the gathered data, given by the respondents, is interpreted correctly (Merriam, 2009). By returning to the respondents with the collected data they can validate and make sure the researchers have understood them correctly without misunderstandings. Since the subject of this thesis could be considered delicate it is important to give the respondents the chance to revise the researchers’ interpretations of their answers and therefore a respondent validation was also made. The respondents were given the opportunity to take part of the gathered data, this way any potential misconceptions were eliminated from the thesis, hence making it more valid.

3.10.2 Reliability

Reliability refers to whether or not the used instruments of research provides the same, or similar consistent results when being used under the same conditions repeatedly (Denscombe, 2010; Kumar, 2014). Reliability is primarily associated with quantitative studies since the results of a qualitative study may not be repeated in a similar study since the collected data can be interpreted differently depending on the person. However, Kumar (2014) and Patton (2002) argues for the opposite. When conducting a qualitative research, the reliability can be evaluated based on how dependable or
conformable the study is (Kumar, 2014). To enhance the reliability of a qualitative study Denscombe (2010) argues the methodological procedure should be strengthen through detailed descriptions and explanations, allowing the reader to follow the process, the interpretation of the results and how the conclusions were drawn from the results.

In order to make the results as reliable as possible within this thesis the methodological procedure is presented in a detailed and distinctive manner. This was made in order to provide the reader with information as to how the empirical findings were gathered and how the conclusions derived from these findings. Since the interview guide (Appendix A) was written in English and then translated into Swedish, due to the convenience of the respondents, there is a risk of misinterpretations when translating the answers into English. However, to decrease the risk of information loss or misinterpretations all interviews were recorded and transcribed word by word making it possible to both listen and read the answers given before translating, which increases the reliability. Although the interview guide was merely used as a guideline it shows other researchers that might want to conduct the same research what kind of questions the respondents were given, making it possible to replicate the results.

3.10.3 Ethical considerations

When conducting a qualitative research various ethical considerations regarding the collection of data as well as the interpretations of the findings must be taken into consideration (Merriam, 2009). Researchers have a moral responsibility to understand, explain and find answers to the research questions in a way that is as transparent, honest and accurate as possible. To achieve this, researchers carefully address the strengths and weaknesses of the thesis, also by providing a detailed methodology chapter (Ghauri & Grønhaug, 2010).

When conducting a research that addresses sensitive topics moral dilemmas might occur, the researcher is therefore responsible for ensuring the study does not cause any discomfort to the interviewees (Ghauri & Grønhaug, 2010). During the data collection process it is important to not pressure the interviewees to participate and to get a consent of the participation (Saunders, Lewis & Thornhill, 2012). If the respondent wishes to be anonymous the researchers must protect the interviewee’s identity (Ghauri & Grønhaug, 2010). Therefore, all respondents were given the opportunity to be anonymous before the interviews were conducted.

When conducting this research full transparency has been aspired by presenting a methodological outline. The participants were informed about the different concepts
of the thesis before the interviews and could have cancelled the interview at any given moment. The respondents were also given the opportunity to read the thesis before publishing to ensure there were no misinterpretations, thus enabling them to give full consent.
4 Empirical findings

4.1 Respondents
The respondents that have participated in this study all have experience of entry strategies in politically unstable markets. All respondents work for Swedish companies in the industrial sector who conduct business on several continents.

4.1.1 Läckeby Products AB
Mattias Johnsson is an Area sales manager in North- and South America as well as South Africa. Johnsson claims that South America, mainly Mexico and Colombia, as well as South Africa are the most politically unstable markets where he conducts business.

Johnsson suggests companies should use their networks to find a person who knows the market the company desires to enter, an agent or distributor is preferable. Johnsson argues that it is more desirable to work with someone who knows the market rather than to start with a subsidiary, branch office and so on since it is important to understand the laws and regulations as well as the industry within the market. Johnsson claims it is difficult to enter a new market but to enter a politically unstable market is almost hopeless and therefore companies need someone who knows about the market. Most distributors have contacted Läckeby through fares and other deliverances the company has performed in the distributors’ areas. According to Johnsson, Läckeby has a local distributor on every market they are operating on.

Johnsson claims the difference between politically stable and unstable markets are the bribes and corruption in general in the politically unstable markets. He argues there are different ways of solving issues regarding bribes and corruption. In South Africa, for example, Läckeby’s contact work with a highly considered bank and by doing so the company do not conduct business directly towards the customer. Due to this cooperation between the contact and the bank the customer always needs to be able to account for where the money comes from.

There are both pros and cons in entering politically unstable markets. Johnsson claims one of the main advantages for Läckeby when entering politically unstable markets is the demand for their products since these markets are typically not as developed in regard to energy and recycling and therefore there is a great need for investment. Regarding the negative aspects Johnsson argues control is one of the main difficulties. During the production time a lot can happen in an unstable market and therefore it is necessary to be one step ahead and this is the main reason Läckeby is in contact with the bank, to make sure the company gets paid for the products. Another matter that is
difficult for Läckeby to control is personnel ethics, how the employees are treated and similar matters. These issues are part of Läckeby’s code of conduct. Although Johnsson has good relationships with the distributors he claims it is difficult to control what is happening to those with lower rank such as fitters for example. The standards differ between Sweden and South Africa where there is a high level of unemployment and therefore it is difficult to handle employment issues. Therefore, Johnsson argues it is important to have a good relationship with the managers in these markets to ensure they share the same values even though the conditions differ between the companies.

Furthermore, Johnsson argues there is difficulty in drawing a line between what is considered a gift and a bribe in these kinds of markets. In Mexico companies do not have an option, more or less, they have to give something to the Mexican companies in order to conduct business. An example of such a gift is a couple of wine bottles, here Johnsson argues it is quite similar to the Swedish culture where companies have lunches, coffee and such - a gift rather than a bribe, in his opinion. Johnsson states Läckeby do no such thing, their distributors handle all communication with the Mexican companies Läckeby wants to conduct business with. However, if Läckeby were to find out a business partner was conducting business in an unethical manner the company would not continue working with that partner, even if that means it would hurt the business. According to Johnsson there has only been one occurrence where he had to ask a business partner about a commission that seemed suspicious. He calls this a ‘grey area’, a person who lands a deal must get something in return, otherwise this person will no longer help the company finding new business partners and so on. However, this cannot be a continuous occurrence, in that case the company will not hire that person for another mission. The company is clear about their standards and that they disagree with this way of conducting business. Furthermore, Johnsson states he hopes the development in these markets will go in the right direction, being more ethically correct.

To work proactively with these dilemmas Johnsson states companies should be transparent and clear about how they work with ethics and morals, to show it on the company’s website and to be clear about it at first contact with potential business partners. It gets easier to avoid ‘shady business deals’ when companies are open with their views on such manners. Furthermore, he argues it is easier for the employees of a company to act ethically correct if there is a clear praxis to follow and that it is important to spread the company’s code of conduct both within and outside the company, towards clients and customers. A code of conduct or well-defined CSR strategy can also make the entry of a politically unstable market easier since the company will enter the market with ‘fair play’ in mind. A praxis also makes the selection of markets narrower, something that could make the selection process a bit
trickier. However, the company ensures there is no ‘foul play’ from the start and will not have wasted time and efforts to the same extent.

Johnsson claims there is no particular cultural difference he has been faced with. He mentions it is important to have a clear communication from the start to reduce risks of uncertainties and misinterpretations. In general relations are considered more important in other markets and that it takes time to build relationships, something that might be easier in Scandinavia.

4.1.2 Yaskawa Nordic AB
Johnny Jarhall is a Sales Director, responsible for global sales. The Swedish office is responsible for the European, Australian, New Zealand, Russian, South African and the US markets.

Jarhall mentions how difficult it is to operate on new markets without any help from a local agent or distributor. Therefore, it is important to have a well-functioning network and use the relationships that have already been established by the company. According to Jarhall it is also important to understand the culture of the market the company is entering. He states one should find out how business is conducted in the market, how to dress and how to behave in a general sense. In some markets it is customary to bring a gift for the wife of the CEO, for example, such things are something one needs to know before entering a new market.

In general companies need to do a risk analysis before entering a market, politically unstable or not. One factor that plays a role in the analysis is whether it is a long-term or a short-term contract with a client. For a long-term contract Jarhall argues companies are willing to take more risks, risks that might be unthinkable for a short-term contract. Since Yaskawa produces robots it is also important for the company that the markets have access to proper electricity for the robots to work properly. According to Jarhall it is also difficult to convince employees to go to politically unstable markets. A couple of employees have had struggles in Iran, for example, where the employees of Yaskawa got stones thrown at them in the streets, where they were believed to be Americans. These are issues that need to be considered in a risk analysis, according to Jarhall.

When entering new markets Yaskawa either has an agent on site or a branch office, they do not enter markets without any sort of assistance since they know it is needed in the process. According to Jarhall a local contact or agent might be needed to handle linguistic issues as well as norms and regulations issues and such. Jarhall mentions
companies can receive help from different organisations such as Business Sweden, the Chamber of Commerce and various consultant companies to gain information regarding regulations, laws and other matters concerning the market the company wants to enter. Some of these tools can be expensive but according to Jarhall it is worth it.

Jarhall claims he has not been faced with any ethical dilemmas in particular, except for one; the male dominated workforce, which is very apparent the longer one travels from Sweden. Jarhall mentions that Yaskawa avoids certain markets such as Arab markets since the markets’ size are considered too small for it to be worth the difficulties concerning cultural differences.

Jarhall claims that if a company has a code of conduct the employees do not have to make any decisions regarding the ethical dilemmas that might occur, they can simply refer to the company’s code of conduct. For listed companies there need to be a transparency and all transactions must be accounted for. For Yaskawa there is a ‘Blue book’ that handles such issues and therefore the company cannot pay or receive any bribes because according to Jarhall it is unthinkable. He believes that bribery is common in Russia for example, where money is thrown left and right to get business deals, something he states Yaskawa would never be involved in.

Jarhall believes that a code of conduct makes the entry process easier since it is clear to the employees what is allowed since all they need to do is to follow the acquis. This in combination with doing your homework is according to Jarhall the most important factors when entering politically unstable markets. Jarhall argues it is important to do your homework regarding the markets you are entering, both regarding cultural aspects and the markets in general. It is important to know what is expected of you and to act in an appropriate manner.

4.1.3 Norden Machinery AB

4.1.3.1 Christian Vickle

Christian Vickle is the Area Sales Manager for North and South America with experiences from Iran.

Vickle mentions that Norden mainly use their networks when considering new markets to enter. The company use indirect export via agents as their entry strategy, according to Vickle. He also mentions the company is already established on all large markets that are interesting for the industry and therefore the company is not as prone to taking risks on smaller markets, since it is not always necessary for Norden to be present on
them. Furthermore, Vickle mentions having some sort of local contact is crucial since that contact will have more experience regarding the market and how to operate in that particular market and to make sure there are no linguistic difficulties. All permissions and contracts are handled by a third party, such as an agent, in foreign markets. He also argues companies can use their networks to find solutions as well as business partners in foreign markets.

Vickle also mentions that a positive aspect of entering politically unstable markets is the lack of competition. Due to the difficulties in entering some politically unstable markets, like Iran for example, not many companies are prone to take the risks of entering. Norden had an already established contact in Iran before the sanctions were put, making it easier for them to enter the market. The demand is also quite large in these types of markets, according to Vickle. The difficulties in politically unstable markets are the payments, deliverances and the informal institutions. According to Vickle the informal institutions are not used in Sweden and it is therefore difficult to decide how ethically correct all deals are, which is why Norden use agents who know the markets and the informal institutions. Due to the difficulties the risk analysis is more extent in politically unstable markets, making sure it is worth taking the risk to enter the market for the company. When entering a politically unstable market there are more people involved during the entry process, both from Norden and the parent company, Coesia, than there are when entering a politically stable market.

Vickle mentions he has not encountered any specific ethical dilemmas in politically unstable markets. However, due to the informal institutions in these markets it is difficult to have control and to know what is considered a correct way of conducting business on the market, here he mentions bribes as an example. Vickle argues companies must be clear in what they consider is a correct way of conducting business, especially in unstable markets where there are many uncertainties. Furthermore, he mentions companies must adjust to the business culture in the market they are operating on, but never go against their own ideals. For Norden politically unstable markets are usually small markets for the company and its industry. The risks when entering these markets might be too great and in the end it might hurt the company’s brand or reputation, a risk the company is not willing to take. When asked what the company would do if they found out an agent or customer was not acting in accordance with Norden’s values, Vickle says the contract would probably be terminated. As he does not have any experiences on the matter this is his assumption. He does mention a warning would probably be the first step and if the third party continues to act unethically the termination would occur.
Vickle argues that a code of conduct is necessary for all companies to work with internally. He also mentions that the words in the code of conduct hold no meaning unless they are broken down to something concrete with examples for each department within the company. Since Norden is part of a larger group of companies Vickle states it is difficult to show the clients and customers the company’s view of what is ethically correct since everything needs to be in correlation with Coesia’s view. He also claims it is easier to act ethically correct if the company has a well-defined code of conduct, something that can be used to work proactively with ethical issues.

Norden works internally to learn from each other’s experiences regarding business culture in different parts of the world. Vickle mentions the importance of having an open attitude, especially in his field. He argues it is important to adapt to the business culture of the market you are operating on and to be well prepared. In general, Vickle states it is easy for Swedes to adjust to other cultures since there are many different cultures present in Sweden.

4.1.3.2  Jörgen Johansson

Jörgen Johansson is the Area Sales Manager for South Asia, Australia, Africa, UAE and Saudi Arabia.

Johansson mentions the importance of networks when internationalizing. The network has helped the company’s entry to foreign markets by finding appropriate agents and distributors to work with, especially in politically unstable markets. The agents are used as representatives of Norden which is a cost-effective way to enter a market as an agent can promote the company and its products as well as build relations with customers. By doing so the network will already exist when the products are introduced to the market and the network the agent has built can be further used if the company wishes to expand.

To secure payments and to understand how the bank sector operates in different markets is something Johansson argues is of great importance when entering a politically unstable market. He mentions Norden uses Letter of Credit and Cash on Delivery to secure payment in such markets. There are other obstacles that occur when operating in politically unstable markets, according Johansson communication is a great issue. An email response can, for example, take several weeks and this will of course create issues concerning delivery and overall communication. There are also personal risks that are taken when employees travel to unstable countries, therefore a lot more planning goes into a business trip and the employees need to be attentive as to what is going on around them. Johansson states that corruption is an issue that is
reoccurring in such markets but it has not affected the company’s operations so far. He mentions the high capital value and the uniqueness of the products are factors that might influence the lack of issues concerning corruption. Johansson also states that Norden’s policy is to never take part in any sort of corruption and bribery.

To avoid the mentioned issues that might occur Johansson suggest that companies should gain knowledge about the market of which the company is entering and understand the culture and the mentality of the people. He also mentions companies need to be on location for a successful operation and that you need to respect others’ way of conducting business and to be flexible. Johansson states that it is difficult to have control over the business situations in unstable markets, especially since governments and authorities are usually not very helpful.

The positive aspects of entering politically unstable markets are, according to Johansson, the enormous populations who use the products that Norden’s clients produce, there is therefore a great potential in these markets. He furthermore explains how the competitors in these markets are often behind in terms of technology and quality, which makes it easier for Norden to compete. Regarding ethical dilemmas Johansson mentions he has not been faced with anything in particular when operating on politically unstable markets. The people he has been in touch with are usually highly educated, often in Europe, and they follow the rules and adjust to Norden’s standards quite easily.

When being asked how companies can work proactively with ethical dilemmas that can occur when entering unstable markets Johansson mentions companies should have a representative in form of an agent on the market. He also argues companies should be present in some way on the market and try to be a good representative concerning business ethics.

Within Norden’s parent company, Coesia, there is a CSR strategy that Norden is obliged to follow. However, Johansson mentions that Norden does not work extensively with a code of conduct. His view is that Swedish employees already have a high moral standard and knows what is considered right and wrong and therefore the company does not need to put in a lot of efforts in their code of conduct. Furthermore, Johansson states the company is willing to adapt to foreign standards as long as the company has control over the situation. If the company was to lose control and discovers a representative of the company was acting ethically incorrect the cooperation with the representative would be terminated immediately. He goes on explaining the company cannot be associated with corruption or any other ethical dilemmas. Johansson also mentions he regularly sees how employees in foreign markets are mistreated by their superiors. Whether to mention this to the supervisor or
not is something Johansson sees as a difficult dilemma as the standards differ quite a 
lot from the Swedish standards. Furthermore, Johansson mentions that religion, 
communication and transparency are usually major differences when it comes to 
cultural aspect of conducting business. He mentions that Swedes in general adapt more 
to other cultures than vice versa, something he considers is intelligent to do as it, in his 
opinion, is a sign of respect. Johansson argues that relations are usually considered 
more important in other cultures, something that is important to adapt to as well.
5 Analysis

5.1 Internationalization
According to Johanson and Vahlne (2009) being a part of networks is crucial for companies to have a successful internationalization as these networks can lead to trust and commitment between the different actors. All respondents stress the importance of networks when operating on any foreign market, even more so in politically unstable markets. This statement is strengthened by Stinchcombe (1965) who argues relevant networks can help companies gain credibility on foreign markets. According to Vickle, Johnsson, Jarhall and Johansson Swedish SMEs can benefit from using their networks to increase knowledge and reduce uncertainties. This goes in line with Luostarinen’s (1988) research that concludes networks can help companies with their lack of foreign market knowledge and lack of experience when internationalizing. One can argue that networks are crucial for SMEs in particular since they often lack experience of foreign markets and the resources that are necessary for internationalizing. A network can thereby be a low-cost solution to gain knowledge concerning internationalization and market entry.

5.2 Entry strategies
Cavusgil et al. (2013) claim the most influential factors to take into consideration before entering a new market are market size, market potential and the business environment. All respondents mention these factors, however they differ in opinion of what is considered most important for each company. For Norden market size and potential are of great significance when considering entry to politically unstable markets. For Yaskawa all three factors are taken into consideration, however, business environment is considered most crucial for the company. Demand was mentioned as the most important factor for Läckeby, it can be argued this translates into market size and potential. It is evident all three companies take the factors mentioned by Cavusgil et al. (2013) into consideration before entering politically unstable markets. Furthermore, Vickle argues there is a lack of competition on politically unstable markets, which is one of the main advantages of entering such markets. This statement further strengthens the empirical data is in line with the theory.

The importance of conducting a thorough risk analysis before entering foreign markets is mentioned by two of the respondents; Jarhall states that companies need to do a risk analysis before entering any foreign market, regardless whether the market is stable or not. Furthermore, Vickle mentions the risk analysis is more extensive for unstable markets to make sure entering the market is worth the risk for the company. The risk analysis is not mentioned by Cavusgil et al. (2013), however one might argue that
taking factors, such as market size, potential and business environment into consideration is to make a risk analysis. The empirical findings are therefore in line with the mentioned theory.

Cavusgil et al. (2013) presents three different modes of entry strategies; trade based, investment based and contractual based entry mode. Hessels and Terjesen (2010) mention it is common for SMEs to use a trade based entry mode to reduce the risks when operating on new markets. It is evident that Norden, Yaskawa and Läckeby all use a trade based entry mode overall when entering foreign markets since it is argued by the respondents that a local agent or distributor who knows the market is crucial for operations on foreign markets. Both Norden and Yaskawa use investment based entry modes as well through wholly owned subsidiaries through their parent companies. Furthermore, according to the empirical data trade based entry mode through agents or distributors is considered the least risky way of entering a politically unstable market considering the respondents statements on the matter. Johnsson states it is hopeless for companies to enter an unstable market without any sort of connections since there is a lack of control in such markets. One can argue this is in line with the theory considering trade based entry mode is, according to Cavusgil et al. (2013), characterised by low risk, low commitment and low control. Johnsson, Jarhall, Vickle and Johansson all state the use of local agents and distributors decrease the risk of being involved with ethical dilemmas, such as bribes as corruption. However, Healy and Serafeim (2016) argue that the low control of the trade based entry mode is what increases the risk of companies being involved in such illegal activities. One might argue that Healy and Serafeim’s (2016) argument is valid when companies do not conduct a thorough research regarding potential agents or distributors. However, when companies are thorough in finding agents who live up to the company’s moral standards the risks are decreased since it is more likely the agent will find business partners who meet the moral standards of the company.

Studies by Alcantara and Mitsuhashi (2013) as well as Jones (1984) have shown that companies tend to avoid politically unstable markets. This has not been evident in the empirical data considering Norden is operating in South America, Iran, Africa, Saudi Arabia and UAE, Läckeby is operating in South Africa and South America and Yaskawa is operating in Russia and South Africa and all companies do so successfully. According to Alcantara & Mitsuhashi (2013) firms that are satisfied with their current situation tend to avoid risky markets since it is seen as a threat against the company’s current favourable position. Both Norden and Yaskawa are world leading within their fields, it can therefore be argued they are satisfied with their current situation but still
have risk-taking tendencies. The empirical data is therefore not in line with the theory in this aspect.

5.3 Business culture
According to Beckman and Forsling (2009) culture can differ between different places and countries, which is something the respondents have noticed when conducting business in politically unstable markets. For example, Johnsson states that relationships are of greater importance in other cultures than in Sweden, he also mentions that it is important to have clear communication. Jarhall, however, mentions the importance in knowing how to dress and act when conducting business abroad. Regarding Norden, Vickle states the company works internally to educate the staff in how to conduct business with different cultures. Furthermore, Johansson claims that the major differences he has faced regarding business culture are religion, communication and transparency. All respondents mention they usually adapt more to other cultures than the other way around. One can argue that the respondents in general do not see cultural differences as a problem when conducting business abroad, it is merely seen as a small obstacle they need to adapt to. Läckeby, Yaskawa and Norden all use agents and distributors and since the agents are aware of the cultural differences and the adaptations that need to be made it is possible the respondents have not noticed any major cultural differences that would have been seen as obstacles. Vickle mentions that he has no contact directly towards customers, merely towards the agent in the certain market. Johansson mentions most of the agents he is in contact with have studied in Europe. It can therefore be argued these agents have experience of the European culture and therefore find it easier to adapt to new cultures than people who have only lived in their home country and therefore have limited experience of other cultures.

Dow and Larimo (2009) state the factors that have the greatest impact regarding which markets companies enter are differences in religion, industrial development and degree of democracy. Jarhall mentions industrial development is crucial for Yaskawa’s operations since their products cannot function without electrical power. He also mentions that differences in religion make Yaskawa avoid the Arab markets. Since the company has several female employees the inconvenience of entering these markets is too great. Johansson also mentions religion, he does however not see it as an issue, rather an inconvenience at times. One inconvenience he has experienced is that participants in business meetings in some countries suddenly leaves the meeting to pray. Johnsson claims that the industrial development, especially the lack of development regarding energy and recycling, is the main advantage for Läckeby in
politically unstable markets. All four respondents mention that it is not worth taking the risk of entering a market if it is considered too politically unstable since the personal safety must come first. It is evident that Läckeby, Yaskawa and Norden conduct thorough analysis of markets before entry, by doing so they reduce the perceived distance between the home and host market (Johanson & Wiedersheim-Paul, 1975), making them successful within their industry.

5.4 Business ethics
Moon (2001) argues that high levels of corruption, bribery as well as human rights violations are challenges that companies usually encounter in politically unstable markets. Johnsson states that bribes are an issue Läckeby has encountered in unstable market, he also mentions the difficulty to draw the line between a bribe and a gift. Jarhall mentions that issues regarding male dominated workforce makes it difficult for Yaskawa to operate in some markets since the company has a lot of female employees in the field, making the company shy away from some markets. Jarhall did however mention he has never encountered issues regarding bribes and corruption in politically unstable markets. In regards of the gathered empirical data it is evident that Läckeby, Yaskawa and Norden have encountered ethical dilemmas of some sort when operating in politically unstable markets. However, Jarhall had encountered a different kind of ethical dilemma than the other respondents. Johansson mentions he has encountered ethical dilemmas, such as male dominated work forces, when operating for Norden in politically unstable markets. However, Vickle states he has not encountered any ethical dilemmas on unstable markets when working for Norden. He also mentioned the company had an already established agent in Iran, which is the only politically unstable market Vickle states he has any experience from. One might argue the agent that had been active on the Iranian market for 30 years helped reduce the risk of encountering ethical dilemmas by knowing the market and how to operate in it and therefore Vickle never encountered any ethical dilemmas.

Moon (2001) argues it is crucial for companies to act in an ethically accountable manner due to media, activist groups and consumers as it might reflect negatively on the company. Vickle states the main reason why companies should not act in an unethical manner is due to the harm it might cause the brand image and it therefore could be more of a business decision rather than an ethical decision. Johansson also states Norden cannot be associated with corruption, these statements are in line with Moon’s (2001) argument. Neither Johnsson nor Jarhall mentions this aspect in the interview. However, Johnsson mentions that Läckeby would terminate the cooperation with a client if they found out the client was acting in an unethical manner even if that means it would hurt the business. One could argue this is in line with the theory since
Johnsson implies there is something more important for the company than to make a profit.

5.5 CSR

Regarding proactive actions to take against ethical dilemmas Johnsson, Jarhall and Vickle all mention the companies’ code of conduct. When asked to explain the content as well as how each of the companies work with their code of conduct it is evident the building blocks are the same between the concepts of code of conduct and CSR. Hence, code of conduct is an empirical phenomenon while CSR is a theoretical framework.

While well performed CSR efforts can boost the brand image, negative CSR associations are more influential and damaging (Öberseder, Schlegelmilch & Murphy, 2013). Vickle mentions this aspect and claims that acting ethically correct is a business decision since acting in an ethically incorrect manner reflects badly on the company and could lead to the loss of stakeholders. Since people in general tend to focus more on negative than positive aspects it is easier to criticize than to praise. One can argue this is a reason as to why it is important for companies to know what they believe is right and wrong and ensure their employees share the same values.

According to Carroll (1991) there are four main responsibilities that should be included in companies’ CSR strategies and these are; economic, legal, ethical and philanthropic responsibilities. The respondents do not mention these responsibilities by their theoretical term. However, Johnsson, Jarhall, Vickle and Johansson all mention that the markets the companies enter need to be large enough or have enough potential to be worth entering. Hence, if the companies cannot make any profit from these markets they would not enter them. Therefore, it is evident the respondents and their companies take economic responsibility into consideration from the start. Regarding legal responsibilities all respondents use the help of local agents or distributors who know the market and the regulations to follow the local laws and praxis. For example, Johnsson states that it would be almost hopeless to work without someone who knows the local laws and regulations in politically unstable markets. It is obvious that companies need to follow laws and regulations, both in the home and host market, since it would take too much time and effort for the companies to spend time in court and be under investigations. To be in court can also be expensive, making the profits of the company lower. Therefore, if companies break their legal responsibilities that will also affect the economic responsibilities of the companies due to an ineffective distribution of resources.
Ethical responsibilities have been touched upon earlier in this thesis and is something several of the respondents have struggled with on politically unstable markets, especially regarding work ethics. Johansson mentions he regularly sees how employees in foreign markets are mistreated by their superiors. Since the work environments differ from Swedish standards he finds it difficult to know whether to mention this to the supervisor or not. Johansson’s statement is in line with Johansson’s since he mentions the difficulties in knowing if the staff at the different locations are treated accordingly to the standards in the country. Therefore, it is important to have good relations with the managers in these markets to ensure the companies share the same values. Companies are obliged to follow the law and need to make a profit in order to continue to exist. It can therefore be argued those responsibilities are easier for companies to fulfil than the ethical responsibilities. However, as mentioned, companies need to act ethically correct as well, both for the sake of the personal ethics of the people involved but also for the company’s reputation and brand image. The philanthropic responsibilities have not been mentioned by the respondents. Since none of the companies have offices or own subsidiaries, other than the parent companies’, on the markets they operate on it makes sense that they do not engage in the local communities, since their only contact is with the agents and distributors.

Johnsson, Jarhall and Vickle all mention that code of conduct is a framework that can be used as a guideline within the company for the employees that states how to act morally and ethically correct. Partly because it helps to separate right from wrong but also since the employees do not have to make any decision on their own, instead they follow the praxis the company has given them. Vickle claims that having a well-defined code of conduct makes it possible to work proactively with ethical issues. Johnsson mentions that if companies are transparent regarding their work with ethics and morals when contacting new potential business partners, it is easier to avoid ‘shady business deals’. It can also make the entry process to a politically unstable market easier since the company will enter the market with the intent of ‘fair play’. Jarhall believes a code of conduct or company praxis can make the entry to unstable markets easier since the employees simply follow the acquis.

Johansson’s opinion differs slightly from the other respondents as he claims the company has a code of conduct but the responsibility to act ethically correct comes down to the individual. He also claims Swedes have a good perception of what is considered right and wrong and therefore companies do not need to put a lot of effort into their code of conduct. When entering politically unstable markets Johansson believes what is most important regarding ethics is to be located at the market and act as a moral role model towards the business partners in that specific market.
opinions between Johansson and Vickle differ, even though they work within the same company. We can only speculate in why their opinions differ as this was not the focus of this research. The reason they differ in opinion could be the difference in employment time, work experience in general or a difference of opinion regarding the relevance of CSR or a code of conduct.
6 Conclusions

6.1 Answering the research questions
The rapid pace of internationalization has led Swedish SMEs to enter politically unstable markets due to the business potential and lack of competition. Despite the positive aspects companies usually encounter ethical dilemmas in these markets due to a lack of developed legal frameworks and formal institutions (Osuji, 2011). Previous research has shown that companies should work internally with a code of conduct or CSR strategy to show stakeholders the company’s views (Kathryn & Maiko, 2001). The study in this thesis aims to answer the following research questions (1) How do ethical dilemmas affect Swedish SMEs’ entry strategies to politically unstable markets? and (2) How can a CSR strategy affect Swedish SMEs ability to identify and avoid ethical dilemmas in politically unstable markets?

The first research question concerns what effects ethical dilemmas have on Swedish SMEs’ entry strategies to politically unstable markets. Hessels and Terjesen (2010) have demonstrated that SMEs usually use a trade-based entry strategy, which might have an impact on ethical dilemmas as it might lead to an increase of bribery and corruption (Healy & Serafeim, 2016). The empirical findings have disproved this statement since the findings show that a trade-based entry strategy decrease the risk of bribery and corruption since the participants in this study have not been involved in such activities. This is most likely due to the moral standards of the companies since having a high moral standard will make a company choose an agent who matches those standards. A company with low moral standards is therefore more likely to be involved in illegal activities, such as bribery and corruption. Thus, it is not the entry strategy itself that impacts the probability of a company being involved in such activities, rather the moral standards of the company. The research has therefore shown Swedish SMEs ought to have local contacts in politically unstable markets in order to reduce the risk of encountering ethical dilemmas. The findings also demonstrate the importance of thorough preparations, selecting the most suitable agent or distributor to cooperate with is one of the key aspects. The agent ought to share and communicate the company’s moral values and standards toward potential customers and business partners. The study shows it is preferable to have long-term relations and to use one’s network when entering politically unstable markets to reduce uncertainty by shared knowledge. Thus, ethical dilemmas affect entry strategies in different ways. SMEs need to prepare and conduct a thorough risk analysis to a greater extent before entering a politically unstable market. A part of the preparations is finding a local contact who
shares the same values as the company since a local contact will reduce the risk of encountering ethical dilemmas.

The second research question concerns whether CSR can be used as a tool to identify and avoid ethical dilemmas in politically unstable markets. The literature has shown that companies should behave ethically correct toward their stakeholders in order to protect the brand image and to avoid bad publicity (Moon, 2001). The empirical findings indicate that Swedish SMEs have ethical and moral behaviour in mind and would rather risk losing a business opportunity than to risk the company’s brand image by being involved in issues regarding ethical dilemmas. Furthermore, a study by Lindgreen and Swaen (2010), as well as the empirical data, show it is beneficial for Swedish SMEs to have a moral framework, such as a code of conduct or CSR strategy. The employees will then be able to follow the moral framework of the company instead of making any moral or ethical decisions on their own. Thus, according to the empirical data a CSR strategy affects the entry strategy by delivering a moral framework of which the companies base their decisions on. By mediating a moral framework, both internally and externally, it is easier to find potential markets, business partners and entry strategies that matches the moral standards of the company. Therefore, it is evident that a CSR strategy helps companies identify and avoid ethical dilemmas in politically unstable markets.

To summarize, ethical dilemmas affect Swedish SMEs in different ways, both regarding CSR and the companies’ entry strategies. By conceptualising a moral framework into a CSR strategy, the selection of entry strategies will be more comprehensible. Hence, the conclusion of this research is that ethical dilemmas affect Swedish SMEs regarding the choice of entry strategy. Furthermore, the research concludes that a CSR strategy can be used as a tool to both identify and avoid ethical dilemmas by influencing the selection process in regards of entry strategy, business partners and business operations.

6.2 Theoretical implications
Previous research has emphasized the importance of understanding corruption in different markets and how it effects international business (Werlin, 2013; Lopatta et al., 2016; Osuji, 2011; Cuervo-Cazurra, 2016). However, the subject of how ethical dilemmas affect the entry strategies of individual companies has not been extensively researched. Furthermore, Spence (2016) argues that LSEs get more attention in general when it comes to research than SMEs do and thus, a research gap was identified. The research in this study was conducted regarding the connection between Swedish SMEs, ethical dilemmas, entry strategies and CSR.
The gathered data is in line with the theoretical framework except for the trade based entry mode where Healy and Serafeim (2016) suggest that it leads to corruption and bribes as the empirical data suggests the opposite. Additionally, this study concludes the theoretical aspects of business ethics, CSR and entry strategies affect each other. The findings of this thesis have added that there are multiple dimensions to entry strategies to politically unstable markets. Thus, the research gap has been filled since a connection between the theoretical aspects has been found, thereby providing a framework of how to enter politically unstable markets as well as how to identify and avoid ethical dilemmas in regard to international business.

6.3 Practical implications and recommendations
The increase of internationalization among Swedish SMEs leads to a higher risk of encountering ethical dilemmas since the companies operate on a larger number of markets that are geographically further away from the domestic market (Tillväxtverket, 2016). For companies, ethical dilemmas such as bribes and corruption lead to increased costs, high uncertainty and a risk of unfavourable publicity (Cuervo-Cazurra, 2016). The empirical data shows that Swedish SMEs should have a well-defined CSR strategy or code of conduct in order to show the employees the company’s moral standards. Furthermore, a CSR strategy will help the company during the market selection since the standards of the company must be met. The empirical data also shows there is a need to prepare and do a thorough risk analysis before entering politically unstable markets. A part of the preparations is finding a suitable local business partner who shares the company’s values. After the initial steps are taken it is important the companies have representatives who visit the markets. These representatives should learn and adapt, to a certain extent, to the culture in order to build long-term relationships. By doing so it is easier for companies to ensure the moral standards are met. Thus, reducing the risk of encountering ethical dilemmas.

6.4 Limitations
During the progression of this thesis certain limitations that might have had an influence over the quality of the findings as well as the ability to answer the research questions were identified. One concern that was raised was whether it would be possible to assure the respondents honesty during the interviews considering the delicate matter of the subject of this thesis. During the interviews all but one respondent brought the attention to the delicate matters, such as bribes and corruption by themselves. If the respondents considered this subject too delicate they probably would not have brought it up themselves. Furthermore, the research was aimed towards understanding how to enter a politically unstable market in an ethically viable manner.
and not whether the companies were involved in bribes. Since this angle is less aggressive there is no reason for the respondents to be dishonest. The companies are also listed, which means they must account for all transactions - making it difficult to be involved in bribery and corruption to begin with.

Another limitation is that the participating companies in this study are all owned by larger companies, therefore it can be discussed whether they meet the standards of a Swedish SME or not. Being part of a larger organization might affect the companies’ entry strategies since they have access to more resources than most SMEs do in regards of networks and capital. Considering the companies work independently, have their own production and are responsible for their own finance the influence of the parent company does not necessarily affect the companies to a great extent. These companies therefore fulfil the criteria of being Swedish SMEs. Regarding the CSR strategy of the companies it is irrelevant where the strategy is constructed. The relevance is whether the strategy is communicated to the employees and how it is complied.

6.5 Suggestions for future research
The authors of this study emphasize the importance of future studies within this field. During the research a number of relevant areas for future research were identified.

1. The focus of this thesis is ethical dilemmas in form of bribes and corruption. However, during the data collection it became evident that ethical dilemmas includes other matters as well, such as human rights violations for example. Therefore, a study regarding other perspectives of ethical dilemmas would contribute to a greater understanding of how ethical dilemmas affect entry strategies.

2. All companies in this research are industrial companies that use indirect export when entering new markets. A study involving companies in different sectors, such as service, IT or sales might contribute to a deeper understanding of how Swedish SMEs in general enter politically unstable markets.

3. Since this thesis has a qualitative research method with few respondents it is difficult to generalize the results. By conducting a quantitative research with a higher number of respondents it would be possible to generalize and thereby get an even clearer view of how Swedish SMEs enter politically unstable markets.

To conclude this thesis the authors would like to stress the importance of understanding ethical dilemmas and their impact on international business. By understanding the impacts of ethical dilemmas companies can reduce risks and
uncertainties that occur when entering foreign markets, especially unstable markets. Despite their size even SMEs can influence the way of conducting business by standing by their moral standards. Thus, with some power comes great responsibility.
7 References

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2. Jarhall, Johnny, Sales Director at Yaskawa Nordic AB, face-to-face interview, 2018-05-04
3. Vickle, Christian, Area Sales Manager at Norden Machinery AB, face-to-face interview, 2018-05-09
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7.2 Sources
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7.3 Figures and tables

Figure 1 *The pyramid* (Beckman and Forsling, 2009). Page 12.
Figure 2 *The pyramid of corporate social responsibility* (Carroll, 1991). Page 16.
Figure 3 *Conceptual framework* (Own). Page 17.
Table 1 *Operationalization* (Own). Page 25-26.
Appendix
Appendix A, Interview guide

Background information
• Brief information about yourself (Name, position in the company, employment time, international experience - including politically unstable markets).
• Brief information about the company (What markets is the company operating on, for how long has the company operated on politically unstable markets).
• Do you wish to be anonymous?

Entry strategy
• Can you give us an example of the last time the company entered a politically unstable market?
• If you would have to enter any of the politically unstable markets again what would you have done differently?
• Does the company use different strategies when entering politically unstable markets compared to markets that are not?
• In your opinion what are the pros and cons of entering emerging markets/politically unstable markets?

Ethical dilemmas/Business ethics
• In what ways have you noticed that norms and rules differ between Sweden and politically unstable markets?
• Is it difficult to get permits and contracts in politically unstable markets? How to move forward?
• What specific ethical dilemmas have you noticed/encountered when entering certain markets?
• When faced with ethical dilemmas in politically unstable markets, how does the company proceed its entry to that market?

CSR
• How do you propose companies can work proactively with ethical dilemmas?
• Is it easier to act ethically correct if the company has a company praxis to follow?
• Does the company have a CSR strategy?
Business culture

- What cultural phenomenon have made the entry process more difficult?
- What differences have you experienced between the Swedish business culture and the business culture on the politically unstable markets you have entered?
- What adaptations regarding culture/approach have you done when doing business on these markets?

Finally

- Do you have anything more to add to the subject?