WHERE TO INVEST?

IMPORTANT FACTORS BEHIND COUNTRY CHOICE

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“Doing business in a foreign market is no different; but then again, it is often more challenging and more difficult”

(Brown, 1990)
Abstract

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Title: Important Factors Behind Country Choice - Where to invest?
Keywords: FDI, choice of country, market entry, factors behind country choice.

Background: The competition between countries is fierce to attract foreign direct investment, different countries offer different activities and factors influencing foreign companies. Simultaneously, companies have to take active part in their choice of host country for their investments.

Purpose: To examine foreign companies established in Sweden and their external environment and determine important factors when deciding in what country to invest in.

Objective: To give recommendations to Sweden and concerned parties regarding what factors they should highlight to attract foreign direct investment.

Theoretical framework: Scientific research appoints different factors behind an investor’s choice of country. When a company operates on the international market they are depended on several variables and factors connected to the company’s internal operations and their external environment. The decision is critical and many factors have to be considered to find the optimal country to enter.

Methodology: We have used qualitative case studies involving six foreign companies established in Sweden. Face-to-face together with email interviews, and additional secondary information have been practised to evaluate contemporary theories, to understand what factors are most important.

Conclusion: From the eleven most frequently discussed factors in theory we found that six of them can be identified as important, whereas investors should evaluate these factors with great consciousness.
Acknowledgement

In a ten weeks time this master thesis has been created in prosperity and adversity. We have obtained great knowledge in an unacquainted subject and are thankful for the experience it has brought us. During our journey we have faced positive response and gained valuable information in favour for our thesis. We will seize the opportunity to express our gratitude to the persons who together have made this process possible.

>To our tutor, Anders Pehrsson who has given us feedback and encouraged our work.
>Our respondents, who have taken time to answer our questions in a warmly way.
>Our opponent group and persons who have assisted with support and propositions for improvements.
>Friends and family who never left our side during this time.

We wish you a joyful reading!

Växjö University, June 2008

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Table of Contents

1 INTRODUCTION ................................................................................................................. 1
   1.1 BACKGROUND ............................................................................................................. 1
   1.2 PROBLEM DISCUSSION ............................................................................................. 3
   1.3 RESEARCH QUESTION ............................................................................................... 5
       1.3.1 Definition of foreign investor/company ............................................................... 5
   1.4 PURPOSE AND OBJECTIVE ..................................................................................... 5
   1.5 DELIMITATIONS ......................................................................................................... 6

2 THEORETICAL FRAMEWORK........................................................................................... 7
   2.1 THEORETICAL INTRODUCTION ............................................................................. 7
   2.2 CORE BUSINESS ..................................................................................................... 9
   2.3 INTERNATIONAL EXPERIENCE .............................................................................. 9
   2.4 HOST COUNTRY EXPERIENCE .............................................................................. 10
   2.5 CULTURE ................................................................................................................ 11
   2.6 DEGREE OF COMPETITION .................................................................................. 11
   2.7 MARKET ECONOMY ............................................................................................... 12
   2.8 RESOURCES ........................................................................................................... 12
   2.9 GOVERNMENTAL SUPPORT .................................................................................. 12
   2.10 POLITICS ............................................................................................................... 13
   2.11 LAWS AND REGULATIONS .................................................................................. 13
   2.12 RISK AND CONTROL .......................................................................................... 14
   2.13 THEORETICAL ANALYSING MODEL ................................................................. 15

3 METHODOLOGY .............................................................................................................. 16
   3.1 RESEARCH DESIGN ............................................................................................... 16
   3.2 DATA COLLECTION METHOD .............................................................................. 18
       3.2.1 Theoretical data ............................................................................................ 18
       3.2.2 Primary data .................................................................................................. 18
       3.2.3 Case research .............................................................................................. 19
       3.2.4 Selection ....................................................................................................... 19
   3.3 OPERATIONALISATION ........................................................................................... 21
   3.4 RESEARCH STRATEGY ............................................................................................ 24
   3.5 QUALITY OF RESEARCH ..................................................................................... 25
       3.5.1 Validity .......................................................................................................... 25
       3.5.2 Reliability ...................................................................................................... 26

4. EMPIRICAL INFORMATION ............................................................................................ 27
   4.1 HUAWEI ................................................................................................................ 27
       4.1.1 Investment process ....................................................................................... 27
   4.2 “COMPANY X” - AN INTERNATIONAL HOME SHOPPING COMPANY .......... 28
       4.2.1 Investment process ....................................................................................... 28
   4.3. VEGA SVENGE AB ............................................................................................. 29
       4.3.1 Investment process ....................................................................................... 30
   4.4 Mc Do-It .................................................................................................................. 31
       4.4.1 Investment process ....................................................................................... 32
   4.5 BETON- UND MONIERBAU .............................................................................. 33
       4.5.1 Investment process ....................................................................................... 33
## Table of Figures

2.1 Scoop Model *(The Swedish trade council, 2008)* ................................................................. 8  
2.2 Model for analysis .................................................................................................................. 15  
3.1 Model of procedure ............................................................................................................. 16  
5.1 Empirical results .................................................................................................................. 37  
6.1 Important factors ................................................................................................................ 43  
7.1 Summation of attributes ..................................................................................................... 46  
7.2 Sweden’s highlights ............................................................................................................ 47
In this chapter we will introduce the reader to our subject of interest that will be researched in this thesis. The background will give the reader an understanding of the situation in Sweden and how this subject caught our attention. Furthermore, the problem discussion will describe the theoretical problem and end with the research question, which will henceforth be the base of our research.

1.1 Background

The competition between companies is getting stronger due to internationalisation and more business opportunities, simultaneously the same situation are seen between countries. Countries around the globe are competing with each other in order to attract foreign investments (ISA, 2006). According to the World Association of Investment Promotion Agency (WAIPA), a worldwide organisation with the purpose of encouraging international investments, the rules and course of action for Foreign Direct Investment (FDI) is rapidly changing (WAIPA, 2008).

“Much will happen- and much will change”
(Mr. Kai Hammerich, President of WAIPA, 2008)

The fierce competition puts pressure on governments and investment promotion agencies (countries own equivalent to WAIPA) to constantly find new and innovative ways of attracting FDI (WAIPA, 2008). Therefore, countries around the globe are trying to understand what underlying factors attract FDI (Head, 2005). In addition, Confederation of Swedish Enterprise (2006) states that Swedish companies are making major investments abroad but at the same time the investment level in Sweden is quite low. The result is an unbalanced economic situation since Swedish companies invest more money in other countries than Sweden receives. Moreover, research stresses different negative reasons in Sweden that makes it hard for investors to choose and operate on the market (Confederation of Swedish Enterprise, 2006). Additionally, a publication conducted by Swedish Institute for Growth Policy Studies (ITPS) maintains that the degree of foreign investments in Sweden is relatively low in
comparison to other developed countries (ITPS, 2007). On the other hand, a research conducted by Invest in Sweden Agency (ISA), the Swedish promotion agency, stresses that Sweden as country has accomplished well during the last decade to attract FDI. They state that Sweden is an attractive investment market because of its overall package (ISA, 2006).

Momentarily, Sweden is accordingly to the Confederation of Swedish Enterprise (2006) viewed as a country with growing economy and high welfare. ISA (2008) further states that new establishments from international investors can bring capital, new technologies, know-how and job opportunities to Sweden. On the contrary, a problem is that many Swedish local companies chose to move their production to foreign markets and take these values away from Sweden, which makes it even more important to captivate international investors (ISA, 2008). We can clearly conclude from the used publications that it exist an ongoing global discussion. There are several interested parties taking part in the discussion, likewise is it also an up-to-date discussion in Sweden.

We believe it is important to stress that the two investigations (conducted by ISA and the Confederation of Swedish Enterprise) have two different purposes and standpoints, where one has the mission to deliver a publication of the present situation in Sweden to the government and the other aims to advertise Sweden to potential investors worldwide. Therefore we ask ourselves if any of those reflects the reality in Sweden or if they are published to satisfy their clients. How can we know if the investment climate is competitive compared to other countries? In either case, Sweden has to work actively and consciously to attract more foreign investors to keep up in the fear competition between developed countries.

In a pre-study interview with Karin Darlington, former employee at ISA, the investment climate in Sweden was discussed. Darlington (2008) maintains that international companies often have a preconceived notion about Sweden and the business environment, foreign companies “listen to what they want to hear”. When Darlington (2008) answered the question if there are any tendencies of specific industries choosing to establish in Sweden, she answered:

“It is hard to see a trend in what industry foreign investments take place”

(Mrs. Karin Darlington, former employee ISA, 2008)
After our meeting with Karin Darlington our interest of the present investment situation in Sweden increased even more. We decided to broaden our knowledge and learn more and will therefore answer the question below in order to give recommendations to Sweden and concerned parties, which will be presented in the end of this report.

What important factors should Sweden point out in order to attract FDI?

1.2 Problem discussion

Boundaries between countries are more and more being erased and it is getting harder for companies to compete effectively, therefore investments abroad occur more frequently. In previous time, international business actions received less attention compared to today where many companies’ survival are dependent on internationalisation (Calhoun, 2002). Kahn (1998) stresses this phenomenon as:

“To power is shifted to business units responsible for performing a given function globally, and the emphasis is on optimising processes worldwide."

(Kahn, 1998)

Nowadays, nations are actively trying to attract foreign investments to create a favourable economic situation for the country (Head, 2005). At the same time, companies have to investigate what nation can give them the “optimal” business environment, which in return will help them reach their future objectives. There are many categories of countries which reflect their current status as a nation; developing, developed and controlled (Yakhou, 2006). Of these three different markets, according to Head (2005), it is nations that are referred to as “developing” that are working most actively to attract FDI. Moreover, Head (2005) describes that developing countries are trying to understand and take advantage of the elements that foreign investors are searching for to gain economic growth (Head, 2005). Due to this we believe that the competition between countries around the globe makes it even more important to stand out as a country. Developed countries are falling behind and will face a hard time winning the competition for investors. Developed countries have to be clearer and show what extra values they could give foreign investors. Previous economical studies show that factors behind the location decision of international companies are other than cheap labour (Bhagwati, 2006), and we believe that these factors has to be located and promoted to win
investors. Moreover, when a company (investor) decides to enter a new market it is not only a choice between developing and developed countries. For example, if a company chooses to enter the category of developed countries they still have many options to choose from, since the countries still differ.

According to Driscoll (1997) there are two main categories that influence the company’s choice of country. *Firm-specific* assets are both the tangible and the intangible competitive advantages that a company compares to potential host markets. The second reflects the *location factors* as endowments that a country provides the investor, for instance cheap labour, access to raw materials, host government benefits and cultural differences (Driscoll, 1997).

“FDI will be preferred only when the average cost of serving a market through exports exceeds the average cost of production in the foreign market.”

(Driscoll, 1997)

In other words Driscoll deems, if a company can find economic and competitive advantages in a specific country and investments in the country is more beneficial than exporting to this market, an investment should take place.

Different researchers appoint various factors behind a company’s choice of country. Chen (2007) states that the most important factors for choosing a host country are historical trade link, cultural distance between the countries, possibilities for communication (e.g. language), market attractiveness, the level of competition and restrictions for entry (Chen, 2007). However, according to Driscoll (1997) levels of control, risk and resource commitment and flexibility are important dimensions when choosing what country to enter. Included in those dimensions is the cultural distance, government regulations and policies and in general the country’s know-how (Driscoll, 1997). Another interesting view is from the researcher Calhoun (2002) who instead stresses factors as; cost for entrance, cultural similarities, understanding of the national written and unwritten rules and level of corruption for example bribery. Further on, the author Nyström (2007) has chosen to describe these factors in another way, the author stresses that a market entry is often associated with growth and expected profits, something that should be added is barriers that come with entries into new markets. Barriers are usually divided into two parts, *structural* and *behavioural*. The structural barriers
reflect the structural characteristics of the entry market and the behavioural reflects the reactions of actors to the new entrant on the market (Nyström, 2007).

As the aforementioned discussion shows, many researchers have tried to identify different aspects that are of importance when a company decides what country to invest in, coincidentally they are disunited and stress different factors. We ask ourselves, what are the investors really searching for?

1.3 Research question

What important factors do foreign companies recognise in their choice of country, including their establishment process?

1.3.1 Definition of foreign investor/company

A company is seen as foreign when more than half of their shares’ voting value are hold by an foreign owner, or if the company belongs to a corporate group in Sweden whose parent company have a foreign owner (ITPS\(^1\), 2006)

1.4 Purpose and Objective

The purpose of this thesis is to examine foreign companies established in Sweden and their external environment, to determine important factors when deciding in what country to invest in. We will give propositions for further research to give an opportunity of generalisation. Theories regarding market entries and barriers will be reviewed and analysed in comparison with what benefits a company gain when entering a new country. We will distinguish the most frequent factors in previous research in order to compare them with our empirical information. Furthermore, the objective is, as the problem described in the background, to give recommendations to Sweden and concerned parties regarding what factors they should highlight to attract foreign direct investment.

\(^1\) ITPS is a Swedish organisation run by the government, who have the purpose to contribute with basis for knowledge within growth politics, and are thereby offering official statistics regarding foreign companies in Sweden
1.5 Delimitations

We have delimitated our thesis to only focus on developed countries, since we find the difference between developing and developed countries too unequal in order to be able to reach a common reliable conclusion. Moreover, the research will be conducted among foreign companies established in Sweden.
2 Theoretical framework

Contemporary research has been evaluated and reviewed and will be presented in this chapter. An introduction will be followed by a presentation of the most mentioned factors in the field of country choice. The theoretical framework will eventuate with an analysis model.

2.1 Theoretical introduction

When a company has decided to go global and invest in a foreign market a new door opens for them in an unknown environment (Calhoun, 2002). When making strategic choices in their plan for market entry it is important to reflect what suitable arrangements is best for the specific market. What makes it possible for the company’s product, services and the human skills to enter the new country and its market? The selection of entering mode is critical and it is a complex task, where many different factors have to be considered (Driscoll, 1997). They will face challenges around external and internal dimension that are culturally different from what they are used to. To be able to overcome those challenges they will have to rely on other actors in the host country as suppliers, distributors, customers and government officials. Because of the external and internal environments the company will have to adjust to the country’s culture to minimize the risks with being present in a foreign country (Calhoun, 2002). It is important for the company to understand that all of these factors affect the outcome of entry, and how successful the internationalisation of the company will be. Firm specific factors, both tangible and intangible assets, must be taken under consideration when the company is choosing how to enter the new market. Will these assets be a competitive advantage on the new market and should be kept as a secret, or should the company seek for help to enter the new market through an agent or another intermediary (Driscoll, 1997). The strategy for business approach suggests that acting international depends on many different variables and factors that are connected to both the corporation itself and the environment that it wants to operate in (Whitlock, 2002).

The Swedish trade council (2008) maintains in their report, Steps of Export, that it is important for companies to compare different countries with each other before deciding on what specific country to enter. It is necessary to define problems and questions that can
appear. Through the Scoop Model 2.1, the decision process can be made easier and it is recommended for each company to follow the steps in the model to find the optimal country (The Swedish trade council, 2008).

As a following step after considered the Scoop Model, The Swedish trade council (2008) states that it is important to explore what factors that are the most valuable to investigate. There are always questions that are a determine factor within the selection. They recommend companies to identify five or six of the most critical points and situations, and further evaluate them for each country. By starting with the scoop model the company will have a number of countries to choose from. In addition, by evaluate and compare each country with the most important factors they will be able to find the optimal country for entry (The Swedish trade council, 2008).

Researchers agree that companies evaluate different underlying factors before choosing what country to invest in. There are a great number of factors, whereas some of them are more
highlighted and frequently emerging in scientific research. In order to answer our research question we have categorised the theory chapter into different paragraphs describing the most theoretical occurring factors.

2.2 Core business

Research conducted by Makino (2004) describes an investor’s choice of country highly depended on what business and industry the company operate in. In addition, different companies often have different motives why they want to go international, production companies often choose to enter less developed countries due to cheap labour, access to raw material and unsettled land. On the other hand, developed countries often attract investors who search for capabilities as state-of-the-art technology, highly educated labour and innovative solutions (Makino, 2004). Benito (1992) explains that companies go international for different reasons. For example a company interested in making an investment abroad, to gain low labour advantages, will not chose a location in a developed country.

2.3 International experience

To have general international experience provide investors with certain confidence of previous knowledge, even if the investments are not in the same country the information will provide them with knowledge on how to do business internationally (Erramilli, 1991). Dunning (2001) maintains that international experience can provide the company with valuable knowledge and information by interacting with other international actors.

Yu (1990) stresses that there are two categories of experience that is essential for companies to consider in international business operations. The first one is host country experience (which will be explained in the next paragraph) and the other one reflects general international experience. Both of them are conclusive arguments when deciding which country to enter (Yu, 1990). Benito (1992) maintains that the uncertainty level will increase in companies without international experience. In addition, these companies do not have information of the general behaviour and structure of operating in an international context.
2.4 Host country experience

Information about the competition on the new marketplace is of major importance when deciding and creating the company’s strategy. It has been said that information about the new marketplace is power and that there is no better thing to wish for as an executive (Darling, 2004). In Chen’s (2007) research different factors related to a host country are identified, where these factors can be of help to choose the most suitable country. If a previous trade link between the foreign company and the host company exists it can generate in an easier investment process. Another factor is if a colonial link exists between the countries. Then the entrant has knowledge about political and governmental regulations, which will make it easier to operate on the new market (Chen, 2007). The first step to gain knowledge about the international environment is often done by exporting. The step into the new market is seen as a progressive learning where information and knowledge about competitors, social aspects, how to do and set up business and what market demands that exist (Albaum, 2005).

It is mostly important to be aware of one’s own lack of knowledge about the market, which is reflected by uncertainty. Calhoun (2002) further states that “FDI internationalization is, in actuality, a gradual process, involving a series of incremental decisions that all suffer from this lack of knowledge about the foreign market”. According to Pedersen (2004), when a company decides to enter a foreign market they are often in an inferior position compared to the domestic companies regarding knowledge and experience about the local environment. This situation creates uncertainty for the foreign company especially regarding the local government and future business associates. Factors as local preferences, culture and business processes can have a negative impact on the foreign company if they do not acknowledge them. If an entrant decides to ignore the host country’s language, culture, political systems, society and the overall economy they will encounter difficulties. Furthermore, to have knowledge about the future host country makes it possible to conduct a successful market entry (Pedersen, 2004).

If a company has been investing in a foreign country before and has prior experience it is more likely that they will invest in the country in the future. Furthermore, a clear difference regarding investments can be found between new operations and expansions. International companies that are entering a country for the first time will pay attention to those incentives that decrease the overall investment costs. On the other hand, investors who are expanding
already existing business operations within the country will benefit more from incentives as depiction deduction, income tax or tax relief, because they would not continue to invest if the conditions are negative (Rolfe, 1993).

2.5 Culture

When a company decides to invest in a host country the cultural distance between the countries is important to recognise. Research shows that if the host country culture is similar to the entrants culture, the entrant already have valuable information on how to behave on the new market, and the opposite if the culture differs in many areas (Makino, 2004). Moreover, Calhoun (2002) means that attention when choosing country is put into entering countries with cultural similarities. Further on, he discusses different aspects of cultural variation. Institutional environment is something that the company has to find their own way within, since it reflects the unspoken way of doing things (Calhoun, 2002). Makino (2004) means that it can be extremely hard for new entrants to get accepted by local firms and society if their culture differ to widely. Additionally, Erramilli (1991) states that market and culture similarities reduce uncertainty and will be helpful when transferring technology and human resources.

Further on, Chen (2007) explains how language similarities make it possible to communicate and it is a huge advantage if the international company can communicate in the local language. According to Head (2005) it is obvious when looking at corporate behaviours that different nation’s cultural differences are playing a major role when deciding what country companies chose to invest in. It is not the culture itself that makes the decision, but it is clearly one of the factors (Head, 2005).

2.6 Degree of Competition

If a specific industry in a country has a high competitive environment it is not gainful for the foreign company to enter the market because it is already mature. In addition, the market has researched saturation point (Chen, 2007). Further on, Erramilli (1991) agrees that the level of competition is of importance. Another researcher who stresses the importance of competition is Sharma (2004), who states that a strong competition can work as a threat to the investor’s survival.
2.7 Market economy

If the host country’s market has a high-growth it attracts more investors on a long-term basis (Chen, 2007). The researcher Erramilli (1991), states that market growth and overall economic environment in a country serves as underlying factors when company decides which country to enter. According to Lim (2008), the Gross Domestic Product (GDP) of a potential host country is often used to determine the attractiveness of the market. This instrument for measuring FDI is supported by several researchers, for example Jun & Singh, 1996, Root & Ahmed, 1979 and Wheeler & Mody, 1992. The GDP premise shows the potential market opportunities, if the market growth is high then companies have more possibilities to earn profit. On the other hand, if the market has a negative growth the investment climate weakens (Lim, 2008).

2.8 Resources

Sharma (2004) states that the host country’s resources; as level of competition, infrastructure, availability of raw material and labour can be of crucial importance regarding the choice of country. Driscoll (1997) explains access to resources in the new environment as an important aspect that reflects the financial, physical and human resources that the company commit to when entering the new market. Factors that should be considered are the company’s product, technology, human skills and management in comparison to what extra values that the foreign country can add to the company (Driscoll, 1997). Furthermore, a research conducted by ITPS (2007) indicates that the resources used to analyse a country’s attractiveness are, natural assets, real capital in form of machines and real estate, access to labour force and competence of labour in relation to higher education.

2.9 Governmental support

For the last decades, it has been important for many countries to attract FDI and to appear different from others, therefore many countries have started to offer investors incentives as loan guarantees, tariff protection and subvention loans. The hard competition between different countries wanting to attract investment has created an increase in the offers for foreign investors. Moreover, future investors are challenged by overwhelming choice of host countries offering different incentives. A few examples of incentives are tax relief, subvention
of local wages and money contribution for a part of the total investment cost. In addition, different companies find different incentives more attractive than others, at the same time, countries offer a variety of incentives to attract foreign direct invest (Rolfe, 1993). Before entering a new market, Darling (2004) states that companies have to build up strategies. In order to build up this strategy companies take help from government agencies or other organisations that might be helpful, such as foreign trade councils and chambers of commerce (Darling, 2004). The research of Makino (2004) also supports Rolfe’s and Darling’s argument regarding governmental incentives.

Moreover, according to Lim (2008) it is not only economic factors that have to be considered when deciding where to make an investment. Instead investment promotion activities, investments support and administrative services are of importance. A research conducted by Wells (1990) supports the fact that there is a positive link between promotion agencies and foreign direct investment inflow in a country.

2.10 Politics

According to Erramilli (1991) the political environment within the host country should be considered in investment decision. Further on, Driscoll (1997) maintains that an uncertain political situation creates unpredictable conditions for the investor. Other researcher who points out the essence of political stability is Darling (2004).

2.11 Laws and regulations

Companies have to consider laws, rules and regulations within the entry country. Otherwise, information asymmetry can appear, as the foreign company often has a hard time understanding the new information flow (Calhoun, 2002). As previously mentioned, there are governments working with incentives to attract foreign investors at the same time there are governments working to protect their domestic market from investors, which are done by several governmental regulations (Makino, 2004). Other researchers who stress laws and regulation as important components are Driscoll (1997) and Darling (2004).
2.12 Risk and Control

Literature argues that the choice of location is dependent on the risk-adjusted return on the investment offered in the different options. Anderson (1986) further means that control is often discussed as an important issue when choosing country. By control the author means “the ability to influence systems, methods and decisions”. It is harder for a company to coordinate its actions and change strategies on the new market without control. It is of importance to be able to have flexibility to change methods, strategies and systems quickly and at the same time at low costs (Anderson, 1986).

Driscoll (1997) define control as “authority over operational and strategic decision making” and further state that control will help companies to ensure the quality of their products, influence logistic and marketing activities on the targeted market. Different countries provide different levels of control, which will influence a company in their decision of market mode. A company should also consider the contrast, namely risk. Risks can be created through relationships with different parties in the new country, such as the government and competitors, and companies should consider a solution to prevent leakage of valuable information (Driscoll, 1997). Further, Chen (2007) agrees and states that the investment risk in a country affects the choice of entrance, if the economic and political situation is volatile the investment risk is high and it is uncertain to invest. In some countries, restrictions on market entry are made by the government, for example an international company is not allowed to set up a subsidiary, instead they have to form a joint venture with a local company (Chen, 2007).
2.13 Theoretical analysing model

In order to further analyse the theoretical framework we have summarised all the essential factors that affect the choice of country concerning FDI and are most frequently discussed in scientific research. The model will work as a future tool for our empirical data. All these factors have been mentioned and supported by different researchers, whereas we find them trustworthy. However, there are no indications of what factors that are more important to take into account when choosing potential investment country. Our purpose is to modify the model to highlight the most important factors in our cases.
3 Methodology

The methodology chapter will provide you as a reader with a description of our way of writing our thesis regarding choices of method and approaches. Theoretical and empirical frameworks are being discussed as well as reliability and validity of our study. Moreover, we will describe how, when and what will be done.

3.1 Research Design

We approach our theoretical problem as model 3.1 demonstrates. To reach our goal to answer the aforementioned research question we will face different phases, demonstrated by the
layers in the model. It is of importance to recognise one’s own pre-knowledge within the area that are being studied, since it reflects and influence the direction of the research (Gummesson, 2000). All authors have educational background within business and administration at university level. Moreover, the authors have international experiences from previous studies as well as an interest for international business. Within the frame of our master, *International Marketing Strategy*, a discussion was born and the research question was formulated, which originated from the researchers’ common background. To be able to answer our research question we will conduct a qualitative multiple case study and use foreign companies located in Sweden as cases. Case studies are used to understand a specific case under particular circumstances (Patton, 2002). Moreover, multiple case studies often approach several specific places as companies or societies (Bryman, 2004). Albeit, our thesis is based on cases in Sweden, we intend to give propositions for further research and generalisation in our conclusion. In order to get a deeper understanding of the situation we started to get acquainted with different interested parties and their publications within the investment field in Sweden. These publications\(^2\) are the basis of our research and were the source of our attention to the subject.

What is more, we have been in contact with a former employee at the investment organisation, ISA. The interview took place on 9 April 2008, together with Karin Darlington. The interview was partly structured with a certain amount of prepared questions (presented in the appendix 1). According to Andersen (1998) when conducting a partly structured interview the respondent possesses all valuable information, which is the reason why the interview was held relatively open not to miss any essential knowledge. Out of the theoretical data, specific factors regarding the choice of country have been presented and will be the underlying material for our empirical chapter. The theoretical chapter is summarised into an analysis model that will help us to interpret our findings. To find and compare those values to reality we will use six foreign companies established in Sweden as cases, originated from both secondary and primary information. In the conclusion we will present the most essential factors that an investor consider valuable in the choice of country.

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\(^2\) Confederation of Swedish Enterprise, 2006  
ITPS, 2007  
ISA, 2008
3.2 Data collection method

There are two main procedures to collect relevant data, theoretical and empirical. Theoretical refers to secondary data, which are collected by others where the purpose of the data might distinguish from our work. On the other hand, empirical information is primary, which the writers of the thesis collect directly to investigate the specific problem (Ghauri, 2005).

3.2.1 Theoretical data

According to Ghauri (2005) theoretical data will be used to understand and interpret our research question, and it will help us to “broaden the base from which scientific conclusion can be drawn”. This type of information consists of books, previous studies, articles and online-data, which need to be reviewed to see if they are useful and reliable sources (Ghauri, 2005). To find suitable information we have used Växjö University’s databases and its literature concerning foreign direct investment. When searching for articles we used keywords as “FDI”, “entry modes”, “choice of country”, and “region”. To build up and strengthen our empirical information we will partly use secondary data, a further description will be given under the paragraph 3.2.4 Selection.

3.2.2 Primary data

Empirical information is collected in favour of our research and objectives. Ghauri (2005) maintains that this information will help us to find what factors foreign companies are searching for. It is important to carefully plan and decide which persons and organisations should be involved in the study to get an accurate picture of the reality. What is more, we have to decide how to communicate with our respondents. Ghauri (2005) states that the best possible way of interviewing does not always has to be face to face. When collecting data thorough interviews there are four main ways to consider, postal survey, personal interview, telephone interview and email interview, whereas all of these give a possibility to generalise the findings (Ghauri, 2005). We will use both structured interviews and email interviews with a diverse type of companies that have chosen to establish their operations in Sweden. What is more, the interviews will be based on questions that we believe are relevant to get the information we need. The questions are attached in appendix 2 and are further analysed under paragraph 3.3. The questions that will be sent out by email are adjusted and shortened to increase the amount of returned answers (appendix 3). We believe that it is essential to tape the interviews to be able to analyse, return and correctly reflect on the collected information.
3.2.3 Case research
According to the latest statistical report from ITPS there were 11 107 foreign owned companies established in Sweden year 2006 (ITPS, 2006). The selection opportunities seemed to be wide, however we have encountered difficulties in the process of finding cases. If one is not familiar with an international company’s corporate name or their organisation number it is hard to access this public information. Since we did not have any information about the foreign companies operating in Sweden it was hard to get admission to their corporate names. Additionally, we aimed to contact the companies on our own to decide whether the companies were expediently for our research. To overcome this obstacle of secrecy and bureaucratic restrictions we have been in contact with several governmental organisations, for example Swedish Companies Registration Office and The Swedish Tax Agency. In the end, we had to find this information on our own by searching in newspapers and articles on the Internet and were able to pinpoint several companies, however a few were suitable for our investigation whereas six foreign companies were chosen.

3.2.4 Selection
To be able to carry out our study and in the end give reliable propositions it is important to have a representative sample from the studied population. The selection should be based on the purpose of the research and reflect what we intend to measure (Rosengren, 2002). We will select six cases from the total population of foreign investors established in Sweden. According to Ghauri (2005) the following step is to identify the accessible companies within the population. In addition, out of these accessible foreign companies we have to select our sample. The cases used in this study have been selected through accessibility and a further selection was made of companies suiting our research strategy and research objective. Our criterions are that the companies have to suit the definition of a foreign company (paragraph 1.3.1) and offer us the possibility to interview a person who has knowledge about their establishment and investment process. Moreover, the company should be relatively newly established and have an ulterior motive that reflects more than penetrating several markets to gain market shares. For example, Lidl and MediaMarkt have not been of interest for our research. Out of these arguments following companies have been selected:

- McDo-It – a service company from The Netherlands located in Malmoe. Established in Sweden since 2006. We find this case interesting and suitable since they are a young service company and represent a great number of investments in Sweden.
- The interview will take place on the 15 May 2008 in Gislaved, with Nico Waringa, Manager Nordics.

Vega – a German B2B mail-order dealer in equipment for the hotel and restaurant industry. The company established in Sweden 2006 and we think it is interesting to use this case since they are a newly established company.

- The interview will take place on the 8 May 2008 in Malmo, with Anneli Bell, CEO.

Huawei – a Chinese company operating in the telecom sector and established in Sweden in the year of 2000. We find it fascinating to investigate an Asian company of the great size that Huawei hold. We believe it will broaden our findings.

- To describe the case of Huawei we will conduct an email interview with Valdemar Tiger, Legal Manager.

“Company X”\textsuperscript{3} - International home shopping company. A leading French home shopping company that through acquisition chose to establish in Sweden in 1997. It is a global company with great international experience. The case is captivating because they have been present in Sweden for a longer time and therefore possess deeper knowledge about the Swedish market.

- Secondary data will be used to describe this case, foremost an untreated interview with the vice CEO of the company.

Beton- und Monierbau – an Austrian construction company, established in Sweden in 2006. We believe the case will provide us additional information regarding a building trade company investing in Sweden.

- We will use an email interview to understand their investment process and why they chose Sweden, and will contact the Head of the Branch Office in Sweden, Norbert Fuegenschuh.

Spatial View – a Canadian/German company developing 3D image processing and auto stereoscopic displays, established in Sweden 2005. It is interesting because of their country of origin.

\textsuperscript{3} To be able to use and publish the material the source required anonymity.
In order to conduct information about their investment process, we will conduct an email interview with the company’s technical sales and 3D consultant, Paul Curley.

We understand that it can be criticised that we use secondary information for one of our cases, however we find the case both relevant and valuable in order to present the most important factors behind country choice. Moreover, we have reviewed the material with a critical eye to secure that the information is objective. The material is presented in appendix 9.

3.3 Operationalisation

In the following paragraph we will present each question that will be used in our interviews to collect empirical information. To gain a better understanding of the importance of each question, we will explain how they are connected to our theoretical framework. The scientists state that companies search for and analyse different factors in order to make the right decision in what country to invest in (2.1 Theoretical introduction). The motivation behind our research is to identify the most essential factors and we will therefore conduct interviews with foreign companies and use our questions to compare the reality with the scientists’ opinions.

*What is your core business and what industry are you operating within?*

The question will be asked to gain general information about the company and its background. Due to the fact that we are not focusing on a specific industry we believe it is important to know in what field the companies are operating within. There is a possibility that the circumstances can be related to a specific industry, for example certain regulations.

*What is your position within the company?*

*How long have you been employed at the company?*

In order to ensure that our interviewees possess the knowledge we intend to investigate we believe it is important to conceive the person’s experiences within the company. This will help us to examine the validity of our research.

*What is your company’s country of origin?*

This question will function as help to process the questions that are more based on theoretical concepts. If the company states that the culture is an essential factor it will be necessary to be aware of the company’s country of origin.
What year did you establish in Sweden?

How long before did you start your planning of going abroad?

Did you compare different countries with each other before deciding for Sweden?

When a company decides to go international Driscoll states that the selection of entry mode is critical. Moreover the Swedish trade council maintains that it is important to compare different countries before deciding which country to enter (2.1 Theoretical introduction). Hereof, we find it needful to ask these questions.

The following questions will be asked to examine each theoretical factors included in our analysis model. In order to explore the potential value of each factor we aim to obtain the most occurring ones.

Did your core business influence your choice of country?

The scientists’ claim that different companies have different motives when investing, for example production companies might search for cheap labour. Furthermore, an investor’s choice of country is depended on the company’s core operations (2.2 Core business). When asking this question we aim to explore if the core business are of importance when deciding country.

Before entering the Swedish market did you have any previous experience of doing business abroad? Have it been an advantage or a disadvantage?

The theory states that it can be helpful for companies to have general international experience since it will provide them with valuable knowledge and decrease the level of uncertainty (2.3 International experience). If our interviewees say that they have previous experience then we want to know if they found it useful when entering Sweden. On the other hand, if they did not have any previous experience, did they experience it as a drawback.

Before establishment did you have any previous experience and knowledge about Sweden?

The host country experience is a concept that is well mentioned in theories. If a foreign company has experiences in the new country it will be an advantage in the whole establishment process (2.4 Host country experience). Consequently we intend to explore if our selected companies have been in contact with Sweden before entering and if it was of importance.
Is the culture in Sweden similar to your home country?
- If not, what are the differences?
- Have the culture been of importance?

Many scientists state that companies often enter countries that have a similar culture compared to their own culture. If cultural aspects differ too much it will be hard for the entrant to adjust in the new business environment (2.5 Culture). With these questions it is important to keep in mind the company’s country of origin.

Is the level of competition within your field high or low in Sweden? Did you know about the level of competition before entering?

Since theories maintain that the competition level in a country can be an underlying factor when choosing country (2.6 Degree of competition) we want to find out if the companies sense any competition within their business area.

What market economy aspects did you consider when choosing country? Are there any economic advantages given in Sweden?

If the host country’s market has a high-growth theories point out that it will attract more investors. Furthermore, GDP is often used to determine the attractiveness of the market (2.7 Market economy). We want to know if this factor really matters for the investors.

What resources are you depended on? Do you get access to more resources by being present in Sweden? Was it important when you chose country?

The resources in the new environment can be an advantage for the entrant, they can gain access to resources that they cannot find in their own country (2.8 Resources). We want to investigate if there are any valuable resources that Sweden offers.

Do you feel that you get any governmental support and advantages from the Swedish government? Did you get support from an organisation in Sweden during your establishment process?

In order to ask these questions we intend to get a better understanding of how Sweden works to attract foreign investors. Since theories state that many countries’ government have started to offer investors different incentives (2.9 Governmental support).
Do you have control over your own company or do you feel that the business environment is more risky compared to your home country? Is this something that you were aware of and considered before entering?

Different countries have different levels of risk and control, which will influence a company in their decision of market selection (2.12 Risk and control). Through these questions we hope to find out if the Swedish business climate is affected by risk and control.

Is the Swedish political system in favour for your company?

The political environment and potential uncertainties can affect an entrant’s decision to either avoid or to choose a specific country (2.10 Politics). We aim to examine if the Swedish political system is something that attract or frighten foreign investors.

Do you experience any governmental difficulties, for example laws and regulations? On the contrary, do you experience any governmental incentives?

The laws and regulations in a country can be an advantage or a disadvantage for an investor compared to the home country’s arrangements (2.11 Laws and regulations). We are interested to find out if these factors are of importance and what Sweden offers and does not offers foreign investors.

Are there any other positive or negative factors that you experience here in Sweden? What factors in general did you consider when choosing Sweden?

The final questions create an opportunity for the interviewees to freely discuss their investment process and establishment in Sweden. Furthermore, it gives us the possibility to identify new potential factors that have not been included in the analyzing model.

3.4 Research strategy

It is of importance that the investigator does not have any prejudgments when collecting the needed information. In our thesis we will approach the inductive strategy as inductively as possible to draw conclusions based on our empirical information. The process of this type of research reflects how the findings can be connected to the previous literature and either strengthens already existing knowledge or provides the literature with new conclusions about the subject. In an inductive research the qualitative approach is often used to collect material...
(Ghauri, 2005). In our thesis we are testing if the factors found in literature are applicable in reality with help of different foreign companies.

When conducting different theoretical attributes from several experts within the field and comparing them with new findings conducted through several empirical cases, is called ontology. Further research can be done to see how valid the new information is in order to present new knowledge and theories within this specific field of science (Sarder, 2007). In our research we will gather empirical information from different foreign companies in order to understand what values and attributes that were the underlying factors for their choice of country.

3.5 Quality of research

According to Merriam (1998) when conducting a research it is of great importance that the material is valid and reliable. The reader must be able to trust the hypothesis and the findings that are being presented. When discussing validity and reliability in qualitative research one has to take ethical aspect in consideration to make a fair judgment. To test the trustworthiness and credibility of a research there are three different categories, to judge the quality one uses internal-, external validity and reliability (Merriam, 1998).

3.5.1 Validity

Internal validity implies to measure the things that are aimed to be measured. The theoretical and empirical concepts have to be operationalised in a reliable way. When constructing a measuring device it is easy to wander from the subject. Therefore, it is important to remember and focus on measuring the planned concept (Rosengren, 2002). All the interview questions are well analysed and operationalised and the same questions (email questions are slightly modified) will be used to all participants in order to get an equal starting-point. Furthermore, the case that is based on secondary information will be presented alike with the results of the interviews.

External validity is primarily about re-using the findings in other situations, to make it possible to generalise the results from the study (Merriam, 1998). Even though we use Sweden as a case we aim to give propositions for developed countries. Our answer will be applicable on that category of countries, while the recommendations will provide information
to Sweden. We have chosen to divide our thesis in this structure to increase the external validity.

### 3.5.2 Reliability

Reliability appoints how trustworthy and reliable the collected data really is (Grönmo, 2006). In addition, Merriam (1998) maintains that reliability must be considered when conducting a research. If the findings of the studied phenomenon are reliable they should reach the same conclusion, independent of the researcher. Another important issue reflected by Andersen (1998) is that reliability could be explained by how the findings are influenced by different coincidences. It is important to use trustworthy measuring device to measure what one intend to measure (Andersen, 1998). However, when it comes to qualitative studies, which we are using in our thesis, the reliability is hard to define because we are interviewing people and their answers will be influenced by their own thoughts and experiences. Moreover, it can be hard to segregate and it could be explained by “researchers seek to describe and explain the world as those in the world experience it” (Merriam, 1998).

We believe that the reliability for our research is high and that our findings will be the same if the research is conducted by another person. We are aware of the fact that our six cases may not represent the total amount of foreign companies in Sweden. In addition, accessibility of foreign companies have limited our research and not given us the opportunity to investigate a certain category, for example a specific industry. We have not influenced the email interviews since we have not been present when they were answered. Additionally, the face-to-face interviews were held restricted and objective. Finally, we have not been able to influence the secondary data regarding “Company X”.

4. Empirical information

In this chapter we present our participating companies as individual cases. Each case consists of a brief corporate presentation followed by a section where we describe the companies’ opinions and experiences regarding the different factors of the analysis model.

4.1 Huawei

Huawei is a private owned Chinese telecom company founded in 1988. Huawei is an international corporation that primarily produces mobile telecommunication solutions, and are challenging as well as competing with global and well experienced companies. Today, the company has around 68,000 employees foremost in China whereas 100 work in Sweden (Wennberg, 2008). In 2001, Huawei decided to establish a Research and Development (R&D) center in Kista, Sweden. Further on, in 2003 they expanded their operations in Sweden with a sales office (Tiger, 2008).

4.1.1 Investment process

Valdemar Tiger, Legal Manager, explains that before Huawei decided to invest in Sweden they compared different countries in Europe, the reason was to get an opportunity to enter the European market. Tiger (2008) maintains that Huawei’s core business was one determining factor when choosing location. Kista is internationally well known for their strength in the telecom field and R&D environment. Huawei did have long international experience before establishing in Sweden, however, they hold the opinion that it has been difficult to draw on previous experiences. In addition, they have been forced to work under the condition, learning by doing. Huawei had no experience of doing business in Sweden, but were well aware of the high competence found in the Swedish IT and telecom sector.

“The prominence of the Swedish IT and telecom sector was a major driving force before establishing our entity in Sweden.”

(Mr. Valdemar Tiger, Legal Manager of Huawei, 2008)

Tiger (2008) describes that the cultural differences differ widely between Sweden and China, especially regarding business operations. It has been a great challenge for Huawei since many
of the employees are of Chinese origin. What is more, Huawei believes that the competition level is high within their industry in Sweden, but stresses that they succeeded to overcome this obstacle. The company’s revenues have been on a satisfying and successful level according to Tiger (2008). Huawei does not see many economic advantages by being present in Sweden, and this was not a factor that they took into account before investing in Sweden. Huawei regards access to competent employees within IT and telecom sector as an important resource and at the same time a crucial factor for their choice of location.

Tiger (2008) explains that Huawei received support from the organisation ISA during their establishment process, “[…] except for that we have received little or no support”. Moreover, after being present in Sweden for some years they feel that they have control over their company, but they do experience some difficulties when people on decision making level have problems to adopt and understand local practices, which can affect the control of the company. At the same time, the political system in Sweden does not influence their operations. In contrast, they experience huge differences in legal and business framework between China and Sweden. In addition, Huawei’s company structure is more adapted to the Chinese way of doing business and therefore faces difficulties implementing the same business strategy in Sweden, and adapt to the Swedish legal system. Finally, Tiger (2008) summarise their experience in Sweden with a number of cultural difficulties and great gain in competence.

4.2 “Company X” - An international home shopping company

The company can be traced back to late 19th century when the original owner found a wool mill and established a business in France. The company made its debut within mail-order and home shopping in early 20th century and has grown to be one of the largest international home shopping companies with its 22,161 employees. In 1997, “company X” acquired a Swedish home shopping company, and have since then been run by the French company ever since (“Company X”’s homepage, 2008).

4.2.1 Investment process

In a case study made by ISA the company maintains that the Swedish market consists of consumers with a high income per head, as a cause of the spreading population pattern,
making Sweden an important location for the international home shopping company. Furthermore, Sweden’s low level of population density in comparison to the efficient postal network gives “Company X” growth opportunities on the market. These growth opportunities can be seen in their increased profitability and gained market shares over the last years. The CEO of the divisions in Sweden and England states that Scandinavia and Sweden is a relatively homogeneous market and is therefore often used as a test market for new products. Moreover, the company experiences the Swedish market as a pro-business environment with an increasing social climate and active trade unions (ISA, 2003). In an interview with the vice CEO of “Company X”, the factors brought by Sweden and the acquired company was discussed. “Company X” maintains that they have gained an exchange of valuable experiences and knowledge within the Internet and e-business since Sweden is far-advanced within this field (Bjärkby, 2008).

Further on, they stress that Sweden have a strong postal system, high standard of internet, good access to address indexes and simplified return-handling because of advantageous legislations. On the contrary, the competition level in Sweden is high due to fashion companies’ additional start to offer their products online. Another weakness in Sweden is the high running costs of company and “Company X” experiences that their business operations require more personnel. The geographical location in Sweden have given them a nearness to both an important airport and harbour and access to cheap ground for expansion, no such circumstances are given in any of the other Nordic countries. Sweden and the region “Company X” has established in have given them extra competence within home shopping, which has been an advantage for “Company X”. In comparison to other European countries “Company X” has experienced that Sweden have lower price level, favourable distributions- and employee costs. Furthermore, they believe that the local governmental contacts and involvement are good in Sweden, but it has not been of importance for the company (Bjärkby, 2008).

4.3. Vega Sverige AB

Erwin Müller found a textile wholesale company in Germany in 1951. The Erwin Müller group has today grown into a global company with 80 departments in eight locations in Europe, with its 456 employees. The company is market leaders within B2B mail-order dealer for hotel and restaurant equipment and offer a range of 35,000 products. The company
established in Sweden in the year of 2006 by starting the subsidiary Vega Sverige AB, located in Malmoe (Vega, 2008).

4.3.1 Investment process

Annelie Bell, the CEO of the company, has been working at Vega since the decision to establish in Sweden and explains that planning process of entering a new market is set to one to two years. Bell (2008) says that Vega always compares different countries and potential markets before deciding on what country to invest in. Much of the location decision is based on an analysis of countries’ price level, markets size and potential marginal income. Their core business is depending on their target groups in each country, if a future market consists of less than 30,000 hotel and restaurants then the market is perceived as too small to enter. What is more, previous international experience has been of importance for Vega and they are mindful to make use of it for future decisions. When they decide to invest in a new country they take help from employees with experience and knowledge of previous startups. According to Bell (2008), Vega has no previous business experience of Sweden except from hiring Swedish work force. Their corporate language is German but they are working after the motto:

“Act local and think global”

(Mrs. Annelie Bell, CEO of Vega Sverige AB, 2008)

Culture differences that Vega experiences are mostly inside the whole corporation due to the strongly German leadership. Bell (2008) further states that it is hard to understand and to see what suits the Swedish market because of the German influences. Moreover, the overall restaurant and hotel business represent people from different nationalities and it is therefore hard to distinguish any specific cultural differences. When Vega decided to invest in Sweden they conducted a broader market research to investigate the competition level. Sweden is a country where mail-order shopping is common which lower the barriers for Vega. Additionally, the competition level within their field is low, there are no direct competitors offering mail-ordering. They experience Sweden’s market economy as positive for them due to the welfare, which is something they have been considering. When people earn more money they consume more which favor the hotel and restaurant business and generate increased demand for Vega’s products. Sweden’s rise in coffee consumption has also led to a higher demand for complementary products. Vega does not access any extra resources by being present in Sweden, but they have contacted the German-Swedish Chamber of
Commerce to help them with the accounting records and transferring documents from German to Swedish. This has been of great value since they have been able to focus more on their establishment process.

According to Bell (2008) they received no support from the government neither from the urban district in Malmö. Instead, they received help from other German mail-order companies already established in Sweden. Vega experiences a greater financial risk in Sweden compared to the other countries they are present in. The reason is the Swedish culture of using invoice system and not cash on delivery as the case is in many other European countries. Vega is therefore grateful for the credit record system available in Sweden and at the same time the possibility of easy access on personal records. Furthermore, Vega does not experience any disadvantages or advantages with the Swedish political system. The Swedish laws and regulations effect Vega’s product selling with different restricts of packaging and permissions. Another difficulty in Sweden is the pension system, since it differs from the German one.

Finally, Bell (2008) closes the interview by stating that it is important for Vega to be international and their establishment in Sweden has been easier due to the cultural similarities between Sweden and Germany, Bell (2008) explains that both countries work orderly and detailed.

4.4 Mc Do-It

The Dutch company, McDo-It is an internationally operating full-service organisation providing modern services in the field of personnel issues and was founded in 1999. The company was established in Sweden in 2006. Moreover, the company recruits foreign employees, especially from Poland, to provide different industries with highly skilled workforce. Mc Do-It is foremost operating within industry, technique, food, production, warehousing, logistics and technology sectors (McDo-It, 2008). In winter time they access 400-450 employees and summer time when the demand is higher, 600 employees (Waringa, 2008).
4.4.1 Investment process

Nico Waringa, one of three owners of McDo–It Sweden, maintains that the company compared different countries before choosing to enter Sweden. Their investment process began in 2005 when they started to investigate the Swedish market. At that time, they hired Ernst & Young to investigate the Swedish legal system especially regarding terms of employment. Waringa (2008) explains that their core business was an influencing factor when they chose Sweden since Sweden is well known for good working conditions. McDo-It finds it mostly important to take care of their employees and therefore the Swedish business atmosphere is favourable for them.

“The whole system in Sweden takes care of their employees this is why we chose to come to Sweden, this is one aspect.”

(Mr. Nico Waringa, Manager Nordics McDo-it, 2008)

Furthermore, they have previous international experience and Waringa (2008) states that it has been an advantage when entering Sweden. McDo-It did not have any previous experience of Sweden and it has not been an advantage or a disadvantage.

The Swedish culture is similar to the Dutch culture but there exists differences as well. Business people of bigger companies are cautious when making decisions which makes the process harder and slower compared The Netherlands. McDo-It considered the Swedish culture before they decided to establish.

“To start in a new market, in a new culture, of course you need to do your homework. You cannot solve it all before starting, you have to solve it when diving in there”

(Mr. Nico Waringa, Manager Nordics McDo-It, 2008)

Waringa (2008) further explains that they investigated the competition level before and during their establishment process, they experience the competition as rather low but are aware of that companies will chose local personnel in first hand. Moreover, Waringa (2008) states that McDo-It is still in a decision procedure whether they will be transferred to a Swedish company, since it is harder for a foreign company to conduct their business compared to a Swedish registered corporation. The market economy was of great importance as the Swedish economy is growing faster compared to other European countries. Therefore McDo-It
believed that Sweden must be short on labour. What is more, there are no extra resources that Sweden offers McDo-It, since they offer Swedish companies recruitment service. Further, they are aware that there are many organisations willing to support foreign companies. McDo-It themselves have received valuable support from ISA and the Dutch Consulate. Waringa (2008) experience the establishment in Sweden as a more private financial risk since he invests with personal assets. The political system is in favour for McDo-It and Waringa (2008) feels a general shift in the Swedish business atmosphere. Furthermore, they have not experienced any governmental difficulties or incentives regarding laws and regulations. Finally, Waringa (2008) summarises that Swedish companies are cautious and have a strong culture that consist of meetings. The economic growth has been of importance together with the social security system and infrastructure in Sweden.

4.5 Beton- und Monierbau

Beton- und Monierbau (BeMo) is a company specialised within engineering production of all kinds of construction work under ground, for example tunnels. The company was founded in 1964 in the Austrian city, Innsbruck (BeMo, 2008). What is more, BeMo established their business operations in Sweden in 2007 (Fuegenschuh, 2008).

4.5.1 Investment process

Norbert Fuegenschuh, Head of the Branch Office in Sweden, explains in the interview that BeMo did not compare different countries before deciding to invest in Sweden. At the same time, their core business influenced their choice of country. According to Fuegenschuh (2008) the company had previous international experience before the investment process in Sweden and they believe that it has been a great advantage. In addition, in summer 2005 BeMo formed a joint venture together with a company from Limhamn, Sweden, and based on that experience they decided to invest in the Swedish market on their own. Much of the culture is similar to BeMo’s home country’s culture, however several differences exist on how to do business and how to behave. Additionally, the culture of Sweden was not important when they decided to enter the market, but during execution of their business it has been and still is of huge importance. According to Fuegenschuh (2008) the competition level is high in Sweden but the situation is much better compared to central Europe, BeMo were aware of the competition level before their investment process because of their previous experience from their joint venture. BeMo did not consider the market economy of Sweden. Moreover, by
being present in Sweden they get access to resources as manpower together with access to construction material and equipment. Governmental support is nothing that BeMo has any experience of, they did not receive any governmental support during and after their establishment process. Regarding control and risk, Fuegenschuh (2008) maintains that the situation is basically the same compared to their home country, the constructing industry is always risky. The political system in Sweden is not of importance for the company. In the end, BeMo has not received any governmental incentives and they did not experience any governmental difficulties when investing in Sweden but at the same time Fuegenschuh (2008) gives notice on the situation in Europe:

“It’s still interesting that even now that the European Market exists, many rules/ laws/ education levels/ experiences/... are not accepted in other countries”

(Mr. Norbert Fuegeschuh, Head of the Brach Office of BeMo, 2008)

4.6 Spatial View

Spatial View is a world leading company in bringing advanced technology into the digital age and was founded in 1996 (Spatial View, 2008). The aim is to help doctors diagnosing and plan procedures without being present (Riksdelen, 2008). The company’s headquarter is located in Canada and their R&D division is located in Germany (Spatial View, 2008). The establishment in Sweden took place in 2005 in Kalmar at the Swedish East coast (Kalmar Science Park, 2005).

4.6.1 Investment process

Paul Curley, consultant in technical sales and 3D solutions in Sweden, states that the company’s choice of country to invest in was determined from the beginning. The request for Spatial View’s services was one of the main reasons for choosing Sweden, at the same time Curley (2008) does not believe that their core business has influenced their choice of country. No other countries were compared in this process. Today, Spatial View is represented by own sales offices in three countries and additionally affiliates and agents in many in many other countries. The international experience they possessed before entering the Swedish market has neither been an advantage nor a disadvantage for the company. According to Curley (2008) they had knowledge and experience from previous work with Swedish companies, which have been of great importance. The cultural differences have not been of large
Empirical information

importance, the workforce in Sweden is from many different cultures, so the Swedish culture has been rather similar to the company’s own.

The industry that Spatial View is operating in is a relatively new field of technology and the competition is rather low. The company did a market research where they investigated the competition level before entering the Swedish market. When Curley (2008) refers to the market economy, he states that Sweden is a country that adapts to new technology in an early stage and this was under consideration when choosing country. The Swedish well-funded health and public service sector was also considered before entering.

“Staff with experience in 3D development work, and a market for our services are the main draws for Sweden”

(Mr. Paul Curley, Technical Sales / 3D Consultant of Spatial View, 2008)

According to Curley (2008) Spatial View chose to target the Swedish market due to the fact that universities in Sweden are examining graduates that are of importance for their own gaining. The company gets access to resources as people with know-how and proficiency in the field of computer vision and 3D visualization. Moreover, the company received help and support from the Regional Council of Kalmar County with initial capital and the Science Park in Kalmar with contacts that have been of value during their establishment. Curley (2008) also mentions that the Swedish concept of limited company makes it securer and less risky to set up a company in Sweden compared to other countries. Moreover, there is an opposite side, politics. Sweden has high taxes and “there is too much bureaucracy in securing funding”. Curley (2008) maintains that the Swedish laws and regulations have not hindered them in any major way. Additionally, there are many sources of funding for new companies, but for a small business it takes too much time and effort applying for these (Curley, 2008).
5 Analysis

The results of our findings will be discussed and compared to the theoretical statements that we find necessary for our research presented in chapter 2. We will explain our mode of procedure and present a model of the empirical results. We will further discuss the material by distinguishing between non-important and important factors.

5.1 Empirical results

Based on the theoretical aforementioned framework the analysis model 2.2 was designed. The factors in the model were the underlying material for our empirical investigation. To further enable a connection between the two essential parts we will present the result in the following chart, model 5.1. Every theoretical factor have been treated and processed in five of the cases, whereas “Company X”, is pictured through secondary information from an interview collected by an external source. However, we consider this information to be valid since the questions reflect what we intend to measure (the interview is attached in appendix 9). The crosses in the model indicate if our foreign companies have recognised and valued the factors. What is more, if a company has recognised a factor it is pictured with a cross in the model, whereas one cross represents one point. A total sum of recognised factors have been calculated to be able to distinguish the most important factors we have decided that the total sum must exceed 50 percent (a minimum of 4 crosses), because the majority must outweigh the minority. Since every factor differs in what way we have treated them we present an explanation of each factor.

- **Core business**: has it influenced their choice of country.
- **International experience**: if the company has international experience and believes that is has been an advantage.
- **Host country experience**: if the company has host country experience and believes that is has been an advantage.
- **Culture**: has the company noticed the culture and kept it in mind.
- **Competition level**: has it been investigated.
- **Market economy**: was it considered before choosing country.
- **Resources**: if the company gets access to valuable recourses in the new country.
- **Government support**: if the company got/get any governmental support or incentives.
- **Politics**: is this a factor that was/is considered.
- **Laws & regulations**: has it affected the company.
- **Risk & control**: is there any palpable risk or control that the company can associate to (except from the financial risk always present when making investments).

<table>
<thead>
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<th>Cases Factors</th>
<th>Huawei</th>
<th>“Company X”</th>
<th>Vega</th>
<th>McDo-It</th>
<th>BeMo</th>
<th>Spatial View</th>
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### 5.1 Empirical results

5.2 **Non-important factors**

According to Erramilli (1991) and Dunning (2001), *international experience* provides the investor with valuable knowledge and certain confidence that will be an advantage when operating in the international environment, and work as a conclusive argument. What is more, Benito (1992) states that the uncertainty level for a company will increase without international experience. Based on our findings we can contradict these statements. The majority of our cases has international experience but do not experience it as an advantage or
a disadvantage. For instance, Huawei sustains that it has been hard to draw on their previous international experience. When perceiving the companies perception of risk and control we see no correlation between having international experience or not having international experience together with the level of uncertainty. *Host country experience* is well mentioned in theories where authors as Chen (2007), Calhoun (2002) and Pedersen (2004) maintain that information regarding the new marketplace can be of help to choose the optimal country. In our cases, only two companies possessed experience of the new entry country and found it useful. On the contrary, the other four have not seen it as lack of knowledge and a disadvantage to not possess this experience. Thereby, we will be able to exclude this factor. Erramilli (1991), Driscoll (1997) and Darling (2004) state that *politics* should be considered when choosing what country to invest in. In our research only a minority has reflected over this factor, where for example Vega and BeMo refer to the factor as not substantial and we will treat this factor accordingly. One reason behind politics not being of importance could be that politics could be more related to undeveloped countries since the political environment in those countries often are more unstable in comparison with developed countries. To avoid difficulties on the new market theories conclude that companies have to pay attention to the *laws and regulations* within the country. We found that three of our cases have been affected by the laws and regulations within the entry country. However, we argue that there were no major laws and regulations that hindered them from investing. The majority in our study has not appointed this factor and therefore we find it not to be of importance.

In theory, among others, Anderson (1986) and Chen (2007) state that *risk and control* is mentioned as an important factor. In comparison of our empirical information we can determine that this is not an important factor. What is more, we believe it could be based on the fact that we are investigating investments in a developed country. Whereas, we believe risk and control generally can be associated with developing countries.

### 5.3 Important factors

The scoop model suggests it is of importance to identify the most valuable factors and further explore and investigate these factors to be able to find the optimal country for entry. Many other researchers discuss the significance of understanding that being present in a new country can give a favorable or less favorable business climate. Hereof, it is necessary for companies to reflect over factors that will affect the successfulness of the new entry market. From our
investigated cases we understand that companies value and consider different factors as the theories maintain. One can deduce from the chart, model 5.1, that the companies have considered different factors, concurrent as some have been more frequently applied.

Core business is one of the most frequent factors mentioned in our cases, and we agree with theories concluding that an investor’s choice of country is highly depended on their core business. What is more, Makino (2004) states that developed countries have a tendency to attract investors who search for capabilities as state-of-the-art technologies, high skilled labour and innovative solutions. The same situation can be seen in our cases since they are searching for competent employees and valuable knowledge as the situation can be assembled:

Huawei regards access to competent employees within IT and telecom sector as an important resource, and at the same time a crucial factor for their choice of location.

Simultaneously, “Company X” refers to their establishment as an increased exchange of experiences and knowledge of their core business. Furthermore, BeMo says that they get access to technologies as construction material and equipment. In summation of core business, we can clearly state that our cases have been evaluating their core business when choosing country. McDo-It maintains that their core business has been a determined factor, since they search for markets offering good working conditions for their employees. Additionally, the aforementioned attributes of core business can be found in the factor, resources. Whereas Driscoll (1997) maintains that the company’s product should be considered when evaluating potential resources given by the host market. When reflecting on our research we can draw a parallel between the factors core business and resources. Our companies see core business as crucial element when choosing country simultaneously as their business is depending on certain resources. Many of our cases explain that labour and technology are resources provided in the new country, additionally the resources have a crucial connection to what industry they are operating within. BeMo is operating within the construction industry and their demand for resources is depending on their core business.

Moreover, “Company X” is a home-shopping company dependant on an efficient postal network. Since the company’s business concept is based on having a functional logistic system as a resource accessible in the new country. We believe that these two factors have been of decisive influence in their choice of country.
What is more, Sharma (2004) maintains that infrastructure can be viewed as an important resource, which is also mentioned by “Company X”, who refers to an efficient postal network as an opportunity of growth. Furthermore, ITPS (2007) describes that other attractive resources, except from labour force, could include natural assets and real capital. When analysing BeMo’s gain in resources a connection can been drawn between theory and our empirical findings, where real capital and natural assets correspond to construction material and equipment. Four of our cases get access to valuable resources in the new market, which makes it possible together with our discussion to state that the factor, resources, is applicable as important.

Theories conclude that culture should be examined. If cultural similarities exist between the host country and the country of origin then the establishment process can be simplified. Most of our cases find the host culture similar to their own, concurrent as they valued this factor before and during their establishment. For example, McDo-It has considered the culture and explains that you cannot be prepared for every situation, you have to solve it when diving in there. In addition, Calhoun (2002) says that foreign companies have to find their own way in the new environment. The majority of our cases have noticed and worked with culture and found it similar to their own culture. “Company X” experiences the new market as a social climate, concurrently as Vega explains cultural differences being something frequent within their industry. At the same time, Vega tries to act local, think global. On the contrary, Huawei is the case facing the greatest cultural differences:

*It has been a great challenge for Huawei since many of the employees are of Chinese origin.*

We believe that the reason is their origin from the Asian continent and as Makino (2004) states, it can be hard for an entrant if the culture differs too widely. Further on, Chen (2007) explains that language similarities can be an advantage whereas in our research we find no indication of language being of importance or unessential. Therefore, when we are referring to culture the language aspect will not be included. According to Head (2005) it *is not the culture itself that makes the decision, but it is clearly one of the factors*, which we connect to the findings of our study where the majority has evaluated culture as a factor, but they do not perceive it as a major reason behind their establishment.
The *competition level* is briefly mentioned in theories, as Chen (2007) and Sharma (2004) maintain that a high competition environment is not in favour for the foreign company. Albeit, we found that a high competition level does not hinder the investors, for example Huawei has succeeded to overcome the high competition level in the new country. Additionally, BeMo was aware of the high competition level before entering but it did not hinder them. We sustain that this factor have been investigated by a predominant number of our cases before their establishment, and therefore it is an important factor independent of level. For example, the mail-order dealer for hotels and restaurants industry explains:

*When Vega decided to invest in Sweden they conducted a broader market research to investigate the competition level.*

One of many researchers sustains that the *market economy* in the new country is a factor that should be considered. Moreover, Erramilli (1991) defines it as an underlying factor when choosing country, which can be related to our findings as four cases out of six have considered the market economy. In addition, McDo-It states that the market economy was of great importance and Vega sustains that their establishment decision is based on the country’s price level, market size and potential marginal income. A positive market economy and welfare have been seen as important for our cases providing them with growth opportunities. Vega observes the market economy in favour for the whole hotel and restaurant industry which generates an increased demand for their products. Simultaneously, McDo-It has valued the market economy and believes that depending on the high growth a lack of labour will occur providing them with work opportunities.

What is more, Lim (2008) sustains that a high growth can provide market opportunities and as Chen (2007) defines it, high growth attracts more investors on a long-term basis. Relying on our findings we can agree with the authors and their arguments that a positive market economy is attractive for foreign investors. Lim (2008) emphasises that a negative market growth weakens FDI in a country. Since our companies have seen the positive growth as a reason to enter the new country it makes it possible for us to agree with Lim (2008). We do not believe that our investigated cases would have chosen to enter if the market economy would have been negative.
Competition between countries is high to attract FDI and theories claims that governmental support can help companies in their establishment process. According to Rolfe (1993), incentives offered by governments have increased over the last decades, which is an underlying factor when attracting FDI. However, the majority of our cases have not received any incentives but decided to fulfill the investment. Therefore, we believe that incentives offered by government are not of importance when choosing country. In addition, Spatial View is the only case who has mentioned any incentives, initial capital, the other five have not been offered any incentives. On the other hand, the companies have valued governmental support as promotion agencies activities, knowledge and information about the host country. Additionally, Spatial View experienced their contact with promotion agencies as useful:

*The company received help and support from the Regional Council of Kalmar County with initial capital and the Science Park in Kalmar with contacts that have been of value during their establishment.*

Correspondingly, as Huawei received support from ISA during their establishment process, “Company X” perceives the local involvement as good and McDo-It have received valuable governmental support from ISA. We consent that it can be connected to Darling’s (2004) discussion, support from agencies can be helpful in building up the company’s strategy in the new environment. Conclusively, the research conducted by Wells (1990) suggests a positive link between FDI and promotion agencies, which we fully support.
6 Conclusion

In the following chapter we will answer our research question by modifying our analysis model. The conclusion is based on the discussion in chapter five. Our answers serve as a proposition for further research in a broader context and give an opportunity of generalisation.

What important factors do foreign companies recognise in their choice of country, including their establishment process?

The results and answer to our research question of what important factors we have distinguished through our research are presented in model 6.1. These factors have been recognised by our cases throughout their establishment process: from their choice of country to actually conducting their business in the host country.
As the model demonstrates there exist six factors affecting a foreign company’s choice of country. Henceforth, it can be deduced from the model that one of the factors differs and is connected to the company’s internal operations, **core business**. The other five factors, **culture, competition level, market economy, resources and governmental support**, are corresponding to the company’s external environment and are affiliated to the situation in the host country. The company can influence the internal factor, core business, on the contrary, the external factors are beyond the company’s possibility to impact. Although, all factors give the company an opportunity to evaluate the situation in a potential new market and further decide whether the market is optimal for their requirements.

Finally, our model (6.1) of factors works as a proposition for companies that have an interest of investing in a new country and wanting to find the optimal market. Additionally, the factors can function as help making the decision process easier and less time demanding.

### 6.1 Proposed future research

The abovementioned conclusion is created for future research. We have tested the eleven most frequent theoretical factors on six foreign companies established in Sweden. A broader research could include the appointed important factors together with a larger group of respondents. Further on, an investigation of potential correlations between industries as well as different countries can give opportunity of generalisation. Moreover, correlations between factors itself could be tested to gain a better understanding of what factors affecting choice of country.
7 Recommendations

We intend, with our recommendations, to give Sweden and concerned parties suggestions on factors they could highlight to attract foreign direct investment. The factors are based on positive feedback retrieved from our investigated cases regarding the external attributes found in Sweden.

Model 7.1 demonstrates the outcomes of our cases’ opinions and experiences of Sweden based on the investigated factors. We believe that it is of importance to present all cases’ experiences about all the external factors in our study since it is interesting for Sweden to understand how our cases have evaluated their presence on the Swedish market. To give recommendations we have summarised the external factors. Internal factors are directly connected to a company and its industry and cannot be influenced by Sweden and are thereby excluded from the model. On the other hand, external factors are provided by the country and influence the company in a positive or a negative way. Moreover, we present each external factor based on the cases’ experiences.

- **Minus (-):** a negative impression of the factor.
- **Plus (+):** a positive impression of the factor.
- **Zero (0):** neither positive nor negative- neutral impression.

In our model, a *minus* represents a negative experience and will not be counted as a point, since it is not beneficial for Sweden to stress negative factors. We have chosen to calculate each *plus* as one point, since the company has valued it as positive in Sweden. *Zero* features a neutral attribute and something that the foreign investor has not reflected on and it does not give the investor any additional value. We decided to exclude zero from our summation. To be able to distinguish the most positive factors we have decided for the total sum to exceed 50 percent (a minimum of 4 points), the advantages must overweigh the disadvantages. “Company X”, is a special case in our research, where no secondary information is given about politics and risk & control. However, we maintain that the summation will not be affected by this lack of information.
The first attribute proved is *competition level* in Sweden. Whereas we can conclude the competition level as favourable within four different industries with support from our research. The majority of our cases have a positive recognition of the competition level, which we believe should be advertised to attract foreign investors. What is more, one major reason behind our cases choice of location is dependent on the positive *market economy* found in Sweden. A positive market economy is beneficial for all parties involved and creates a higher growth and demand. Independent of what industry a company operates within they can take advantage of the favourable situation in Sweden.

Further on, *resources* is classified as an advantageous feature of Sweden. The foreign companies experience that they get extra access to resources by being established on the Swedish market. Reoccurring factors that they refer to are highly educated and skilled labour force together with the existing know-how. We find this factor to be of major importance irrespective of industry. The final positive attribute in Sweden is *governmental support*. Majority of our cases have received support from the government, for example helpful information and access to contact networks. Additionally, the foreign investors have found this knowledge as useful in their establishment process.
We use a modified version, 7.2 Sweden’s highlights, of our analysis model to clearly demonstrate the positive attributes we recommend Sweden to highlight when attracting FDI.

Finally, we believe that these attributes should be advertised to prospective investors interested of Sweden. Since, the four factors have proved to be of great value for our cases before and under their investments.
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Appendix

Appendix 1 – Interview with Karin Darlington

Interview with Karin Darlington, former employee at ISA, 2008-04-09

Karin means that it is hard to measure the investment level in general, because of different tools to measure. Companies establish gradually into a new market, and often buy one part of a company to begin with and increase their business in a long time process. International companies often have a picture of Sweden, and listen to what they want to hear. For example a Dutch smaller logistic company where the two owners wanted to move to Sweden to get a better value of life but had not listened to and considered Sweden’s high employee benefits and taxes. They are now investigating to go in to the polish market instead.

It is hard to see a trend in what industry foreign investments take place, but Karin had the impression that many have a dream to set up a company in Sweden in a sector they today are not working within. According to Karin there are not many production companies that invest in Sweden, they more often choose Eastern Europe, China, and Asia. Many foreign companies are more service minded, which is lacking in many Swedish production companies. Thereby is it more service companies investing in Sweden, and Karin see a great opportunities within this field and between B2B. Sweden can offer high educated labor, high developed research and development and access to educated labor. In comparison with Ireland, who focused more on biotech and have managed to gain a great amount of investors. Invest in Ireland (IDA) and for example England has special marketing programs and trips, where they advertise and offer special packages to foreign companies.

ISA are working to attract foreign investors, but they are not supported by the government. The government gives contribution to salaries and expenses but have no further commitment. IDA has a common organisation to work and develop the process to gain investors. Karin says that it is harder for a foreign company to get help in Sweden, it is all dependent on which region the company choose and the person being responsible there, since they are all individual. A problem for international companies when establishing in Sweden is the contact with banks. It is hard to get a loan as a foreign company.
ISA is working for the goal that foreign companies should get the same treatment as a Swedish company. Example a competitor to Google wanted to locate their main server in the forest of Småland, because it is safe in Sweden (terror). Problems occurred as electricity taxes. Everything was ready, but the government did not give up their regulations.

Possible information sources; ITPS – register of foreign companies, Börje Svanborg – Located in Sthlm, have been working with ISA since the start.
Appendix 2 – Interview questions: face-to-face

1. What is your core business and what industry are you operating within?

2. What is your position within the company?

3. How long have you been employed at the company?

4. What is your company’s country of origin?

5. What year did you establish in Sweden?

6. How long before did you start your planning of going abroad?

7. Did you compare different countries with each other before deciding for Sweden?

8. Did your core business influence your choice of country?

9. Before entering the Swedish market did you have any previous experience of doing business abroad? Have it been an advantage or a disadvantage?

10. Before establishment did you have any previous experience and knowledge about Sweden?

11. Is the culture in Sweden similar to your home country?
   - If not, what are the differences?
   - Have the culture been of importance?

12. Is the competition level within your field high or low in Sweden?

13. Did you know about the competition level before entering?

14. What market economy aspects did you consider when choosing country? Are there any economic advantages given in Sweden?
16. What resources are you depended on? Do you get access to more resources by being present in Sweden? Was it important when you chose country?

17. Do feel that you get any governmental support and advantages from the Swedish government? Did you get support during your establishment process from an organisation in Sweden?

18. Do you have control over your own company or do you feel that it is more risky compared to your home country? Is this something that you were aware of and consider before entering?

19. Is the Swedish political system in favour for your company?

20. Do you experience any governmental difficulties, for example laws and regulations? On the contrary, do you experience any governmental incentives?

21. Are there any other positive or negative factors that you experience here in Sweden? What factors in general did you consider when choosing Sweden?
Appendix 3 - Interview questions: email

1. What is your core business and what industry are you operating within?

2. What is your position within the company?

3. What is your company’s country of origin?

4. What year did you establish in Sweden?

5. Did you compare different countries with each other before deciding for Sweden?

6. Did your core business influence your choice of country?

7. Before entering the Swedish market did you have any previous experience of doing business abroad? Have it been an advantage or a disadvantage?

8. Before the establishment did you have any previous experience and knowledge about Sweden?

9. Is the culture in Sweden similar to your home country?
   - Have the culture been of importance?

10. Is the competition level within your field high or low in Sweden? Did you know about the competition level before entering?

11. What market economy aspects did you consider when choosing country? Are there any economic advantages given in Sweden?

12. What resources are you depended on? Do you get access to more resources by being present in Sweden? Was it important when you chose country?
13. Do feel that you get any governmental support and advantages from the Swedish government? Did you get support during your establishment process from an organisation in Sweden?

14. Do you have control over your own company or do you feel that it is more risky compared to your home country? Is this something that you were aware of and considered before entering?

15. Is the Swedish political system in favour for your company?

16. Do you experience any governmental difficulties, for example laws and regulations? On the contrary, do you experience any governmental incentives?

17. Are there any other positive or negative factors that you experience here in Sweden? What factors in general did you consider when choosing to enter Sweden?
Appendix 4 – Interview with Vega Sverige AB

Interview with Annelie Bell, CEO Vega Sverige AB, 2008-05-08

1. What is your core business and what industry are you operating within?
Mail- order dealer for hotels and restaurants, established in 8 different countries with a total amount of 80 corporations.

2. What is your position within the company?
CEO of Vega Sverige AB

3. How long have you been employed at the company?
Since April 2006 when she was transferred from Munich

4. What is your company’s country of origin?
Germany

5. What year did you establish in Sweden?
In 2006

6. How long before did you start your planning of going abroad?
1-2 years of planning process

7. Did you compare different countries with each other before deciding for Sweden?
Yes, we do compare countries with each other by conducting market research on potential markets. We investigate the potential marginal income, price level and market size in the new country.

8. Did your core business influence your choice of country?
Yes, the target group in a country is of importance and if it is smaller than 30,000 it is not of interest.

9. Before entering the Swedish market did you have any previous experience of doing business abroad? Have it been an advantage or a disadvantage?
Yes, we have global experiences that have been helpful. First we opened in Germany, then Austria followed by France, Switzerland, Spain and Sweden. We make sure to help each other when starting a new business, we are really taking advantage of our internal knowledge.

11. **Before establishment did you have any previous experience and knowledge about Sweden?**

We had no previous experience of Sweden before we decided to enter, except from using Swedish employees and Swedish office, even though the corporate language is German we work after the motto act local, think global. I’m “German” because I have been living in Germany for many years but are now starting to get more Swedish again after living here for two years. We are 9 employees at the office in Malmö and six of us is speaking German.

12. **Is the culture in Sweden similar to your home country?**
   - **If not, what are the differences?**
   - **Have the culture been of importance?**

The organisation has a high German culture, which can cause cultural difficulties in some situations. The industry that we are in consists of many different customers of cultures and nationalities, therefore it hard to define a specific cultural distance in Sweden. I think that Germans and Swedes are alike when it comes to writing reports and work responsible.

13. **Is the competition level within your field high or low in Sweden?**

We always conduct a market research to investigate the competition level in new country before deciding to enter. What competitors that exist and their price levels. In Sweden there are no other direct competitors using mail- order instead we can see wholesalers as competitors. It will be hard for someone to beat our company’s vision because of its size, network and fast delivery.

14. **Did you know about the competition level before entering?**

Yes we did. We always set our prices 5 to 10 percent lower than the existing competitors on the market.
15. What market economy aspects did you consider when choosing country? Are there any economic advantages given in Sweden?

The market economy in Sweden is positive for us as a company. The whole industry with hotels and restaurants is growing when the economy is booming, people eat out more when they have more money in their pocket. This increase the demand and sales for our products. Sweden has turned to have a strong coffee culture, people are willing to pay a lot and sit down to drink their coffee which also is gainful for us.

16. What resources are you depended on? Do you get access to more resources by being present in Sweden? Was it important when you chose country?

No, nothing special. But we got help from the German – Swedish Chamber of Commerce in beginning with our book keeping and translation into Swedish. We contacted them on our own and they also helped us with legal aspects on our product line. It was very helpful in the beginning but will be too expensive in the long run.

17. Do feel that you get any governmental support and advantages from the Swedish government? Did you get support during your establishment process from an organisation in Sweden?

No, no help from the government nor the urban district, instead we have received help from other German mail-ordering companies which has established their operations in Sweden. We received a little help from the urban district in Malmo, the were supposed to help us to find an office but I found it quicker myself instead.

18. Do you have control over your own company or do you feel that it is more risky compared to your home country? Is this something that you were aware of and consider before entering?

Sweden is using a invoice system which continue a certain level of higher risk than we are used to. Many countries in Europe pay cash on delivery or in advance, the financial risk is therefore higher in Sweden. But at the same time, in Sweden you can easily get access to credit reports and personal information.

19. Is the Swedish political system in favour for your company?

It is nothing that affects us.
20. Do you experience any governmental difficulties, for example laws and regulations? On the contrary, do you experience any governmental incentives?

The only one is laws, where you have to have permission for gas heaters, and certain restrictions when delivering dangerous fire products. This has forced us to send deliveries in smaller packages and to offer customers specific forms to fill in.

21. Are there any other positive or negative factors that you experience here in Sweden? What factors in general did you consider when choosing Sweden?

The Christmas table in Sweden is of great favour to us, because the demand for plates and other products increase in November. The pension system in Sweden is quite different from Germany and other European countries which have caused a debate in the company, some executives have a hard time understanding eh differences.
Appendix 5 – Interview with Huawei

Interview with Valdemar Tiger, Legal Manager Huawei, 2008-05-06

1. What is your core business and what industry are you operating within?
Our business consists of two core areas, one is R&D regarding mobile networks and the other concerns reselling of telecommunications equipment to telecom operators.

2. What is your position within the company?
I am the Legal Manager for the Nordic region.

3. What is your company’s country of origin?
Huawei is a Chinese company based in Shenzhen PRC.

4. What year did you establish in Sweden?
The R&D center was established in 2001 and the sales office in 2003.

5. Did you compare different countries with each other before deciding for Sweden?
Huawei has permanent establishments in most countries, especially in Europe and the decision to settle in Europe was partly due to the strength in the telecom field as well as the internationally recognized R&D environment in Kista.

6. Did your core business influence your choice of country?
Yes, see above.

7. Before entering the Swedish market did you have any previous experience of doing business abroad? Have it been an advantage or a disadvantage?
Huawei opened its first offices abroad in 1998 and it has therefore been difficult to draw on previous experiences before establishing presence in Sweden. It has to a large extent been learning by doing.

8. Before the establishment did you have any previous experience and knowledge about Sweden?
The prominence of the Swedish IT and telecom sector was a major driving force before establishing our entity in Sweden.

9. Is the culture in Sweden similar to your home country?
   - Have the culture been of importance?

   The culture in Sweden is quite dissimilar to the Chinese one, not the least when it comes to business practice. Due to our high proportion of staff with Chinese origin this has been a great challenge to us.

10. Is the competition level within your field high or low in Sweden? Did you know about the competition level before entering?

   The competition level is high but perhaps lower than in many other industries, we have been able to sustain a considerable and sustainable growth during the last few years both in Sweden and internationally. In terms of revenues our establishment has been very successful.

11. What market economy aspects did you consider when choosing country? Are there any economic advantages given in Sweden?

   Generally speaking the economic advantages has not been many and they have not been the core reason for choosing Sweden for us.

12. What resources are you depended on? Do you get access to more resources by being present in Sweden? Was it important when you chose country?

   Availability to pool of competent staff within IT and telecom, see above.

13. Do you feel that you get any governmental support and advantages from the Swedish government? Did you get support during your establishment process from an organisation in Sweden?

   We received support from ISA when setting up our office, except for that we have received little or no support.

14. Do you have control over your own company or do you feel that it is more risky compared to your home country? Is this something that you were aware of and considered before entering?
I believe that we are in control over our own company. The difficulties for us may be that some people on decision making level in our company are unfamiliar with various local practices in various fields which perhaps can result in some lack of control.

15. *Is the Swedish political system in favour for your company?*

Generally we see very little connection between our business operations and the political system in Sweden.

16. Do you experience any governmental difficulties, for example laws and regulations? On the contrary, do you experience any governmental incentives?

*Most of all we experience a huge culture shock between the legal and business framework which exists in China and the one that exists in Sweden. Our business structure may be more adapted to the Chinese framework and it is sometimes difficult to implement such practices in Sweden simply because executives from China need to adapt to a great extent.*

17. Are there any other positive or negative factors that you experience here in Sweden? What factors in general did you consider when choosing to enter Sweden

*Nothing in particular which relates to Sweden particularly. Much of the cultural difficulties which we encounter exists equally in other European countries where we operate.*
Appendix 6 – Interview with Beton- und Monierbau

Interview with Norbert Fuegenschuh, Head of the Bransch Office in Sweden Beton- und Monierbau, 2008-05-08

1. What is your core business and what industry are you operating within?
Construcitng all kinds of tunnels

2. What is your position within the company?
Head of the Branch Office in Sweden

3. What is your company’s country of origin?
Austria

4. What year did you establish in Sweden?
2007

5. Did you compare different countries with each other before deciding for Sweden?
no

6. Did your core business influence your choice of country?
yes

7. Before entering the Swedish market did you have any previous experience of doing business abroad? Have it been an advantage or a disadvantage?
Yes. Big advantage

8. Before the establishment did you have any previous experience and knowledge about Sweden?
Yes. We were involved in a joint venture – together with a company from Limhamn - in Falkenberg since summer 2005. Based on this experience we decided to enter the Swedish market on our own.

9. Is the culture in Sweden similar to your home country?
In the big scale it is similar. In detail (especially regarding the human factor of business) there are several quite significant differences.

- Have the culture been of importance?

    Not for the decision to enter the Swedish market, however during execution of our business it has been and is still of big importance.

10. Is the competition level within your field high or low in Sweden? Did you know about the competition level before entering?

    We knew about it from our JV-experience. Situation is tough but better than in central Europe.

11. What market economy aspects did you consider when choosing country? Are there any economic advantages given in Sweden?

12. What resources are you depended on? Do you get access to more resources by being present in Sweden? Was it important when you chose country?

    Manpower
    Access to construction material and equipment (no problem)

13. Do you feel that you get any governmental support and advantages from the Swedish government? Did you get support during your establishment process from an organisation in Sweden?

    no

14. Do you have control over your own company or do you feel that it is more risky compared to your home country? Is this something that you were aware of and considered before entering?

    Not much difference. This kind of business is always very risky.

15. Is the Swedish political system in favour for your company?

    Doesn’t matter

16. Do you experience any governmental difficulties, for example laws and regulations? On the contrary, do you experience any governmental incentives?
Not particularly. It’s still interesting that even now that the European Market exists many rules/ laws/ education levels/ experiences/ … are not accepted in other countries. No governmental incentives.

17. Are there any other positive or negative factors that you experience here in Sweden? What factors in general did you consider when choosing to enter Sweden
Appendix 7 – Interview with McDo-It

Interview with Nico Waringa, Manager Nordics McDo-It, 2008-05-15

1. What is your core business and what industry are you operating within?
We are a temporary working agency from the Netherlands. We provide employers that have a hard time recruiting people of their own with labour force, mainly from Poland. These jobs can be hard to fill with local people because these jobs are often seemed as less desirable on the domestic market.

2. What is your position within the company?
One of three company owners of the Swedish McDo-it.

3. How long have you been employed at the company?
In the late of 2006

4. What is your company’s country of origin?
The Netherlands

5. What year did you establish in Sweden?
2006, but the company started in the Netherlands 1999.

6. How long before did you start your planning of going abroad?
The company started out in 2005 with investigating the legal systems and aspects in Sweden. Specially in terms of employment. We hired Ernst & Young to help us investigate the Swedish laws and legal system.

7. Did you compare different countries with each other before deciding for Sweden?
Yes, there was a research between several countries before we decided to enter the Swedish market.

8. Did your core business influence your choice of country?
Yes, Sweden is well known for their employees working conditions. It is almost the same as in Holland. The people that we provide to our clients must work under good
circumstances and they have to feel comfortable in the new situation. As a company you have to know about their working conditions so that we can rely on that they want to work for our clients and not quite their job after only two weeks.

Sweden is a country well known for its working condition and a good social climate. The whole structure of Sweden takes care of their employees. the whole system in Sweden takes care of their employees this is why we chose to come to Sweden, this is one aspect.

9. Before entering the Swedish market did you have any previous experience of doing business abroad? Have it been an advantage or a disadvantage?
Yes I have worked international before. This knowledge has given me advantages in my work here in Sweden. I think that the challenge of entering Sweden has been less difficult due to this. The Dutch McDo-It also has previous international experience, in Germany and England.

11. Before establishment did you have any previous experience and knowledge about Sweden?
I had really no experience at all of Sweden, just the things that I had heard through word of mouth.

12. Is the culture in Sweden similar to your home country?
- If not, what are the differences?
- Have the culture been of importance?
To start in a new market, in a new culture, of course you need to do your homework. You cannot solve it all before starting, you have to solve it when diving in there. The cultural differences were discussed before we established in Sweden and I have to say that it is quite similar to Holland. The things that have come to mind is that business people in Sweden, especially in bigger companies, is a bit slower in their decision making process. Sometime things can take a little too long time. But when it comes to smaller companies, for example business in Gnosjö, the process often goes much faster because the decision process is often shorter, it does not has to be discussed in many meetings.

13. Is the competition level within your field high or low in Sweden?
The competition is quite low in Sweden. We have some competition from Ukraine and Latvia, but nothing that we see as a threat to our business. There are of course local competition that recruits Swedish people, but that is not how we operate. We offer our
services when employers cannot find labour force in the local area and have a hard time finding labour at all.

14. Did you know about the competition level before entering?
Yes, we were well aware of this before our entering the Swedish market. Another thing in Sweden is that it is harder to operate as a foreign company compared to domestic companies. At the moment our salaries and other administrative tasks is taken care of in The Netherlands and Germany. We are still consider to transfer into a Swedish company, so far we have tested the market. It is easier to conduct your business if you are an Aktiebolag.

15. What market economy aspects did you consider when choosing country? Are there any economic advantages given in Sweden?
This was one of the biggest factors for entering Sweden. The Swedish economy has grown higher and faster compared to other European countries. We believed that Sweden is a big country with few people and we thought that a country like Sweden with its high growth must be short of working force.

16. What resources are you depended on? Do you get access to more resources by being present in Sweden? Was it important when you chose country?
Not many actually. We are in need for apartments for our workforce and rental cars. So far has the administrative part been run by the office in the Netherlands, but will further on be operated here in Sweden.

17. Do you feel that you get any governmental support and advantages from the Swedish government? Did you get support during your establishment process from an organisation in Sweden?
In Sweden there are a lot of organisations that are willing to help us as a foreign company. We had help from ISA and the Dutch consulate and it has been a great help.

18. Do you have control over your own company or do you feel that it is more risky compared to your home country? Is this something that you were aware of and consider before entering?
In general there is no other risk here in Sweden compared to other countries. When you invest your own money there is always a risk, but this is nothing specific to Sweden. I can not really see anything specific Swedish aspects in this, only that I invest with my own money.

19. Is the Swedish political system in favour for your company?
Yes I think so. There is a general shift in the working surroundings that are in favour for the employee, something that has to do with the change in the government.

20. Do you experience any governmental difficulties, for example laws and regulations? On the contrary, do you experience any governmental incentives?
No not really. We have not come to that yet. There are some legal aspects that has to be followed when you work in one country but you have a citizenship in another country.

21. Are there any other positive or negative factors that you experience here in Sweden? What factors in general did you consider when choosing Sweden?
I really think that the infrastructure here in Sweden is wonderful. Compared to the Netherlands you can actually plan a trip in Sweden. Not a traffic jam as it is there. I also think that people here in Sweden are quite cautious and that the Swedish “meeting culture” can bee rather slow and the social climate together with the market economy is positive factors in Sweden.
Appendix 8 – Interview with Spatial View

Interview with Paul Curley, Technical Sales / 3D Solutions Consulting Spatial View, 2008-05-08

1. What is your core business and what industry are you operating within?
Our core business is the sale of Autostereoscopic displays, and helping customers integrate those displays into their business. The industries we work with are CAD/CAM, advertising, architecture, medical imaging and game development.

2. What is your position within the company?
Technical Sales/ 3D Solutions Consultant

3. What is your company’s country of origin?
Germany/Canada

4. What year did you establish in Sweden?
1996

5. Did you compare different countries with each other before deciding for Sweden?
No

6. Did your core business influence your choice of country?
No

7. Before entering the Swedish market did you have any previous experience of doing business abroad? Have it been an advantage or a disadvantage?
Yes, the company has branches in 3 countries and affiliates/agents in many more. This was neither an advantage nor a disadvantage.

8. Before the establishment did you have any previous experience and knowledge about Sweden?
Yes, we had worked with Swedish companies previously. The parent company previous had an office in Gothenburg, and therefore had experience of Aktiebolag laws and the structure, which has been of importance when enter Sweden again.

9. Is the culture in Sweden similar to your home country?
   - Have the culture been of importance?
     Rather similar, as our workforce in Sweden is from different countries, this hasn’t been of so high importance.

10. Is the competition level within your field high or low in Sweden? Did you know about the competition level before entering?
    Low, as auto stereoscopy is a new technology. Yes, we studied the market before establishing.

11. What market economy aspects did you consider when choosing country? Are there any economic advantages given in Sweden?
    The largest advantage is the fact that Sweden is an early adaptor for new technologies, and has well funded health and public service sectors.

12. What resources are you depended on? Do you get access to more resources by being present in Sweden? Was it important when you chose country?
    Staff with experience in 3D development work, and a market for our services are the main draws for Sweden. We were always going to target the Swedish market, and Swedish universities are producing graduates in the fields of computer vision and 3D visualisation.

13. Do feel that you get any governmental support and advantages from the Swedish government? Did you get support during your establishment process from an organisation in Sweden?
    We got support from Regionsförbundet in Kalmar Län, who helped us with initial capital, and Kalmar Science Park have helped us with contact networks and everyday questions when we established here.
14. Do you have control over your own company or do you feel that it is more risky compared to your home country? Is this something that you were aware of and considered before entering?

The Aktiebolag concept actually makes setting up a company in Sweden more secure than in other lands.

15. Is the Swedish political system in favour for your company?

Taxes are high, and there is too much bureaucracy in securing funding.

16. Do you experience any governmental difficulties, for example laws and regulations? On the contrary, do you experience any governmental incentives?

None of the government regulations hindered us in any large way. There are many sources of funding for new companies at government and local levels, though the length of time required to apply makes applying for many of them unfeasible for a new small company.

17. Are there any other positive or negative factors that you experience here in Sweden? What factors in general did you consider when choosing to enter Sweden?
Appendix 9- secondary data: "Company X"

Frågor till  
Intervju med  
VD  
2008-03-06

1* Vad fick det franska bolaget att intressera sig Sverige?  
startade sina kontakter redan på 70-talet, sk branschvänner genom EMOTEA.  
ICA/Industrikapitalet sökte intressenter för avyttring. Många var intresserade, men bästa budet var från  
Avgörande var ett expansionsförvärv med etablerad plattform i  
Norden. Förvärvet skedde 97 och redan 98 lanserades i Norden (liknande  
infrastrukturer)

2* År  
? Mycket nöjda, köpte en stark finansiell struktur "en bank"

3* Har de lärt sig något av som kopierats på andra verksamheter där de är verksamma?  
Post & butik kopierades av tillförts:  
- erfarenhetsutbyte  
- synergie PPR nivå (främst inköp/transport Asien)  
- Internetkunskap: e-business ökat med 2 siffriga tal sedan 2000 idag 50% av totala oms  
  (främst egen kompetens med senast ny webb extert, Sverige ligger långt framme.  
  Produktionsort (främst i UK)

4* Styrkor & Svagheter med den Svenska/nordiska marknaden?  
Styrkor:  
- Starkt postalt system  
- Hög internetpenetration (2-3 år tillbaks)  
- Mycket bra tillgång till adressregister (ej DK)  
- Returhantering pga lagstiftning till fördel SV, samlar FI  
Svagheter:  
- Driftkostnaden (svårautomatiserat/personalintensivt  
- Detaljhandeln som numer erbjuder kombinerad internet/sg  
- Kompetensförsörjning MF/sg (bra övriga grupper inköp/sortiment)

5* Utmaningar som distanshandeln står inför?  
Konkurrens detaljhandel, kostnadsläget

6* Styrkan med  
- Närheten till l hamm och l flygplats, bra läge tillgång till mark för  
  expansion och till bra pris (finns inget bättre läge i Norden)  
- Lång tradition postorder=kompetens distanshandel  
- Högskolan FoU, Sweden logistics, SDH (Svensk Distanshandel)
7* Vad saknar de i Sverige, hos kunderna/ leverantörerna?
Många leverantörer blir globala och mer oflexibla och lyhörda. Avgörande är bra personliga relationer, tex Posten Sverige var ett bättre alternativ för den Norska marknaden pga av det.

8* Lönsamhet Sverige kontra andra Europeiska länder, skiljer det sig i så fall varför? Lägre prisnivå, distributionskostnad/täthet, personalkostnad

9* Hur ser trenderna ut inom distanshandel?
- Fler aktörer inom e-business
- Detaljhandel mer e-business
- Fler vertikala förvärv (det gäller att välja rätt, mer process än produkt)

10* Hur ser det ut med kompetensförägning?
Se svagheter punkt 4

11* Hur uppfattas den lokala kontakten/engagemang från myndigheter? Bra, men ej av betydelse för ägare...

SJUHÄRAD
Sjöahedens kommunalförsamling