A STUDY ON ENTRY MODES IN AN OLIGOPOLISTIC MARKET SITUATION

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Subject: Business Administration

Level and semester: Bachelor Thesis,
Spring 2012

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PREFACE

Authors would like to acknowledge everyone who over the years has encouraged and supported us in our studies, projects and this bachelor thesis. They are too many to mention. We also appreciate the continuous support that our families have provided us throughout this process.

We would like to acknowledge the support we had from Dr Pejvak Oghazi, Dr Magnus Hultman, Krister Jonsson& Dr Vinit Parida, for good tutoring throughout this endeavor and thank 'Strandmöllen AB' for giving us an opportunity to have interviews with them for our research.

We will like to congratulate ourselves for the considerable effort put into this project.

Finally, special thanks to Linnaeus University School of Business and Economics in general and the ISM staff in particular for their tireless effort in seeing us through this education.

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Abstract

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Title: A STUDY ON ENTRY MODES IN AN OLIGOPOLISTIC MARKET SITUATION

Keywords: Entry modes, external factors, Strandmöllen AB, acquisition/ wholly- owned subsidiary.

Background: One of the main distinguishing factors that we have identified between the different market structures is the level of barriers to entry. Market entry barriers are relevant when considering new market entry. The main barriers to entry include Cost advantages of incumbents, Product differentiation of incumbents, Capital requirements, Customer switching costs, Access to distribution channels and Government policy.

Purpose: The purpsoe of this paper is to identify factors that may influence entry mode decisions in an oligopolistic market situation.

Method: Our thesis is based on a single case study of a Danish company in Sweden. We have chosen to do a qualitative research method. We have gathered our empirical data by doing emails and face-face interviews.

Conclusions: We answered our research questions such as, "What factors affect entry mode decisions?" These factors could be both internal and external but we concentrated on factors related to external environment within the new market because they are decisive in the choice of entry modes strategy within a new market since the firm usually has little or no control over them. For this study, external factors that affected Strandmöllen AB's choice of entry modes into the Swedish market are: business environment, cultural distance, market barriers and competition intensity. Our second research question is, 'Which entry modes can a firm use to enter an oligopolistic market situation?' Strandmöllen AB is a wholly owned subsidiary of Strandmöllen AS. The entry mode strategy was by acquisition of ScanGas, a small Swedish gas supplier.

Suggestions for further research: This subject area (oligopolistic) is quite rare. We could not find much material on entry modes in an oligopolistic situation. Authors think that with more resources and more time, this could be an interesting area to expand academic research on.

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CHAPTER ONE

1.1 Background.

In order to generate more revenue companies sometimes have to find new markets for their products. Helfat and Lieberman (2002) classified new entry opportunities into new industry, new product-market niche, new geographical localization and established product-market. Finding the right market and selecting the right mode of entry are critical and strategic decisions for company management (Couturier & Davide, 2010). An entry mode is an institutional arrangement that a firm uses to market its product in a foreign market in the first three to five years, which is generally the length of time it takes a firm to completely enter a foreign market (Root, 1994).

Once the decision to enter a new market has been made, companies have to choose carefully what entry mode strategy to employ (Sanchez-Peinado & Pla-Barber, 2006). According to Couturier & Davide (2010), companies' choices for new market entry can be classified into three types:

- Greenfield investment (direct investment normally entailing 100% ownership and therefore full control),
- Strategic partnerships (formal alliance between two commercial enterprises such as joint venture, licensing agreement, distributorship etc)
- Acquisitions (one company purchases a majority interest in another company or the entire company)

Certain factors determine the efficiency of new market entry. Scholars have classified these factors into internal and external determinants (Root, 1994; Lisa & Mujtaba, 2007; Randoy& Debell, 2002; Andersson, 2004; Zhao, Luo & Suh, 2004). Internal factors include firm size, resource availability, technical know-how, dynamic capabilities. According to King&Tucci (2002), the ability to respond to a new market is part of a class of organizational abilities called 'dynamic capabilities'. Eisenhardt and Martin (2000, p. 107) define dynamic capabilities as "organizational and strategic routines by which firms achieve new resource configurations as markets emerge." Thus a good understanding of the company's capabilities is necessary for making the best choice of how to enter a new market.

External factors include Market structure (market barriers, competition intensity, and market potential), legal factors, political risk (governmental attitudes towards foreign direct investment) and cultural distance (Root, 1994; Lisa & Mujtaba, 2007; Randoy& Debell, 2002; Andersson, 2004; Zhao, Luo & Suh, 2004).

According to Buckley & Casson (1998), market structure is a critical factor affecting entry mode. Market structure could be referred to a selected number of organizational characteristics of inter-relationships between the buyers and sellers of a particular product/service (Lanzillotti 1954).In general, market structure refers to the characteristics of the market such as the relative strength of buyers and sellers, extent of collusion and product differentiation amongst actors, levels of competition and barriers to entry and exit of the market. The main market structures include perfect competition (many buyers and sellers), oligopoly (few sellers and many buyers), monopoly (single seller and many buyers) and monopsony (single buyer and many sellers).

One of the main distinguishing factors that we have identified between the different market structures is the level of barriers to entry. Market entry barriers are relevant when considering new market entry (Niu, Dong & Chen, 2011). Market barriers can adversely affect the speed and extent of entry into a new market (Gruca & Sudharshan, 1995; Varadarajan & Peterson, 1992). The main barriers to entry include Cost advantages of incumbents, Product differentiation of incumbents, Capital requirements, Customer switching costs, Access to distribution channels, Government policy (Porter, 1980; Johnson, Scholes & Whittington, 2011).

Authors understand that internal aspects are important but for this paper want to focus more on external factors. Internal factors are part of the internal environment; these factors are controllable variables, within the company's reach. The company can acquire for example new technical capabilities or hire a really smart executive. The external factors are part of the external environment, constituting uncontrollable variables outside the company's reach. If a company is operating within a new/ foreign market, the company has to be able to deal with uncontrollable variables which could be different per country, like international forces that interact between different countries (Root 1994; Ball, McCulloch, Frantz, Geringer, & Minor, 2004). This makes the external factors more interesting for study and thus the focus of this work.

1.2.1 Problem discussion

Selecting the right entry mode strategy might have far-reaching consequences on the future performance and survival of the firm, (Ekeledo & Sivakumar, 2004). Inappropriate entry mode selection may result in financial loss as experienced by Federal Express in Europe (Ekeledo & Sivakumar, 2004; Mathe & Perras, 1994); or failed entry as experienced by Merrill Lynch in Japan (Hill, 2002). Federal Express acquired already existing local companies but faced difficulty in integrating these companies and especially in Europe they faced challenges in establishing sufficient trucking solutions resulting in huge financial losses (Mathe & Perras, 1994). Merrill Lynch failed in its initial entry of the Japanese private client services market largely because it

adopted an approach that was incompatible with the restrictive and conservative legislation in place in Japan at that time (Hill, 2002).The experience here shows that even if a company has been successful in the past, success cannot be guaranteed when it comes to moving internationally and doing business with different countries/cultures. It is very important to understand country characteristics and other environmental issues before selecting the right entry mode for a new market.

Another problem that might arise from not selecting the appropriate entry mode strategy is a substantial limitation of strategic options open to the firm as well as a blockage of opportunities, (Ekeledo & Sivakumar 2004; Alderson 1957). The works of such scholars raise certain questions such as: What factors affect entry mode decisions? What barriers commonly exist in oligopolistic market situations? Which entry modes can a firm use to enter an oligopolistic market situation? How sufficient is the information available to companies contemplating entry into a new market for making comparisons between entry modes and how accessible is this information?

The factors that determine the entry mode decision could be divided into internal and external. Internal factors deal with the company's key capabilities and resources (Lisa & Mujtaba, 2007). It is obvious that for a firm to succeed in any venture it must have a proper understanding of its capabilities. Sometimes it is possible that a firm might overestimate its capabilities and underestimate its weaknesses and this could be damaging for the firm. There is also the possibility that some firms may make the error of expecting that strong capabilities and success in one market should translate into success in new markets(Ekeledo & Sivakumar 2004; Alderson 1957; Lisa & Mujtaba, 2007).

External factors are frequently shown to exert a strong influence on the entry mode decision (Zhao, Luo, & Suh, 2004). This is because unlike for internal factors which the firm can change (by acquiring additional capabilities or hiring new workers), the external factors are usually out of the control of the firm. Amongst the external factors, market entry barriers are of particular interest to us as well as to several scholars (Niu, Dong & Chen, 2011; Gruca & Sudharshan, 1995; Varadarajan & Peterson, 1992).

Market entry barriers could be considered to be a crucial factor when making market entry decisions for two reasons: First, for the incumbents, building or keeping the barriers high will make it difficult for new firms to enter markets and secondly, for the new entrants, the presence of high or low barriers could provide directions in market selection (Karakaya & Stahl, 1989).

According to Shepherd (1979), entry barriers range from high to low in pure monopoly, dominant firm, and tight oligopoly conditions, whereas free entry exists in pure competition market situations.

In a market situation where a few suppliers dominate the market, also known as an oligopolistic market, a firm must respond to their rival's choices and rivals would also respond to the firm's choices. In an oligopolistic market situation, there is tension between cooperation and self interest. Thus, entry and survival might be different from a more open market. Firms in an oligopolistic market situation would obviously want to protect their market share and thus would act in ways so as to make entry into their market difficult (Karakaya & Stahl, 1989. It is therefore interesting to find out the most appropriate entry mode that a firm should use when entering an oligopolistic market situation, factors that may influence the choice for entry mode and the challenges that such a firm would face due to barriers.

1.2.2 Purpose

The purpsoe of this paper is to identify factors that may influence entry mode decisions in an oligopolistic market situation.

1.2.3 Research questions

1. What factors affect entry mode decisions in an Oligopolistic market situation?
2. Which entry modes can a firm use to enter an oligopolistic market situation?
3. What barriers commonly exist in oligopolistic market situations?

2. Theoretical framework

In this section, we focused on literature review which relates to our research questions. Our literature review consists of two parts of our conceptual framework (literature about external factors that influence the entry mode decision and entry modes theory).

This paper seeks to find the optimal entry modes for market situations that are characterized by less intense competition (oligopolistic). For this reason the theories selected include theories on factors (external) affecting the decision of what entry mode a company should employ. Amongst the external factors, market structures and the effect of barriers to market entry are of notable interest to the authors.

2.2 External Factors

2.2.1 Business environment's Characteristics

The decision on which entry mode to choose depends on several firm- and home country-related factors, such as the attraction of the home market, risk prevention, long-term orientation, firm size as well as the experience in international markets (Chuan and Messner, 2011).

Entry mode theory assumes that firms will select the mode that provides the best return on investment (Brouthers et al., 1999; Woodcock et al., 1994). According to Elango & Sambharya (2004), a Greenfield investment provides the entrant with an opportunity to create new supply in the industry and putting the pressure on the entrant to provide resources and capabilities for competing and overcoming industry specific barriers. Acquisitions on the other hand are more useful where time is of the essence and are the easiest option for overcoming barriers to entry as well as difficulties associated with being a foreign entrant. Acquisitions however do not create any new industry supply. Joint ventures provide an opportunity for risk pooling as well as pooling of resources and capabilities and a way to minimize the effect of entry barriers as well as foreign entrant liabilities.

Woodcock, Beamish and Makino (1994), with respect to the relationship between entry mode choice and performance, made three important points. First, firms must consider the risk of exposing their core resources to other companies in making the mode selection decision. Second, firms risk paying too high a price in acquisitions for the target firm and therefore reducing their future performance. Lastly, joint ventures and Greenfield ventures reduce the influence of acquisition risk. Williamson (1991) suggests that hybrid modes (joint ventures) will be used less often in high environmental uncertainty markets because adaptations cannot be made quickly due to the need for consent between parties. Aulakh and Kotabe (1997), Erramilli and Rao (1993) Gatignon and Anderson (1988), Kim and Hwang (1992) argue that joint ventures provide firms

greater flexibility, which is needed when environmental uncertainty is high in order to speed up adaptation. Gatignon and Anderson (1988, p. 309) suggest that for manufacturing firms, high environmental uncertainty 'should lead to a need for greater flexibility and therefore to the use of lower-control governance modes. Kim and Hwang (1992, p. 35) suggest that a manufacturing firm should 'limit its exposure to such risk by restricting its resource commitments' and utilize joint venture entry modes. Hennart (1989, p. 214), suggests that wholly owned modes 'reduce the cost of international coordination between parties located in different countries providing firms with transaction cost savings and concludes that '*internalization replaces therefore one type of cost (transaction costs) by another (internal organization costs)*'. However, for manufacturing firms, control may be obtained at a lower cost through wholly owned modes of entry, because of the lower level of transaction costs and lower internal organizational costs available through direct control (Gatignon and Anderson, 1988; Taylor et al., 1998). Root (1994) argues that when there is a great distance between the home and foreign country, it is possible that transportation costs are high. This would favor entry mode such as a wholly-owned subsidiary. Furthermore, for products which are highly differentiated over those offered by their competitors; there is a degree of pricing discretion and these products may absorb high unit transportation cost and high import duties and still remain competitive in a foreign market. Otherwise, if products are weakly differentiated, they have to compete on a price basis. Therefore, high product differentiation favours export entry whereas a low differentiation tends to use entry modes as contract manufacture or equity investment.

2.2.2 Cultural factors:

People from a particular culture would prefer a particular type of structure because it will fit their implicit model of structure for cultural preference (Hofstede, 1990:2001:2009:2012). Hofstede's work on cultural dimensions was classified on cultural values such as:

- Power distance Index-PDI (Inequality within society)-This Index measures the degree of acceptance of unequal distribution of power and deals with the fact that all individuals in societies are not equal; it expresses the attitude of the culture towards these inequalities. Power distance is the extent to which the less powerful members of institutions and organizations within a country will expect and accept that power is distributed unequally. In cultures with high power distance, less powerful in society accept inequality and consider as normal the distance between the persons who have power and those who are affected by it (Hofstede 2009). People in power and their subordinates have limited interaction, decision making is less inclusive and everybody

has their rightful place resulting in a hierarchical organization structure. Whereas, in cultures with low power distance, people in power interact and consult subordinates, try to look less powerful and operate a more inclusive decision making process resulting in a flat organizational structure)

- Uncertainty avoidance(UAI); organizations having high 'UA' have high written rules to follow that could help in reducing uncertainty whereas in low 'UA',there are few written rules to follow.

- Individualism versus collectivism (IDV); this is attitude of viewing ourselves as separate individuals. Cultures with high individualism (low collectivism) would focus on self – actualization. On the contrary, cultures with low individualism (high collectivism) would place more value on the development of the group as a whole. Collectivism views needs for the organisation and encourages acting from social norm/duty, not out of pleasure. There is readiness to cooperate and emphasis is placed on group decisions.

- Masculinity versus femininity (MAS); in organizations with high masculinity (low femininity), only few women could get high level and good paid jobs compared to low masculinity (high femininity) where women might get equal organizational status.

- Long term orientation (LTO); this reflects the extent to which the society/ organizations tend to show their pragmatic future oriented perspective rather than a conventional historical short term view.

Kalliny & Lemaster (2005) purport that a country's national and cultural characteristics influence the preferred entry mode. National culture is part of cultural context, but cultural context is much broader and includes investment risks associated with different host country economic, legal, political and cultural systems, as well as market attractiveness (Brouthers and Brouthers, 2000; Agarwal, 1994; Dunning, 1993, Agarwal and Ramaswami, 1992). In countries with high power distance and uncertainty avoidance a hierarchical organizational system would be more effective. This means that the favorable entry modes in such situations would be Greenfield investment or acquisition while joint ventures might not be likely to succeed. Power distance refers to the extent to which the less powerful members of organizations and institutions within a country expect and accept that power is distributed unequally while uncertainty avoidance is the extent to which the members of a culture feel threatened by ambiguous or unknown situations and have created beliefs and institutions that try to avoid these (Hofstede,2012). This is because in countries with high power distance and uncertainty avoidance a clear chain of command is necessary for effective management. This viewpoint is shared by Beamish and Banks (1987) who suggest that as investment risks increase, firms tend to seek local knowledge through joint ventures with local firms. They maintain that in high risk countries joint venture modes provide firms with lower long-term costs because of the pooling of

information. Brouthers and Brouthers (2000) suggest that cultural context variables need to be added to transaction cost entry mode models because they tend to influence managerial cost and uncertainty evaluations in target markets

2.2.3 Competition intensity

Root (1994) explains that competitive structure of the market is an important aspect in considering the market entry. When there is less competition in the market firms would seek to enter using low control modes like joint ventures. In their study of 336 entry decisions into the United States between 1989 and 1994, Elango & Sambhrya (2004) illustrated that in concentrated industries (where there are few suppliers) new entrants would avoid acquisitions and instead choose between Greenfield investments or joint ventures. They argued that some of the reasons for this included the fact that there may be fewer targets to acquire, some may be very large involving huge financial investment and accompanying risk, and some industries like defence and media may have regulations hindering acquisition. Müller (2007) also argues that where there is little competition in a market (few suppliers) Greenfield investments are the more optimal mode of entry. However their findings are in contrast with other literature on the subject. According to Hill (2007), the choice between acquisition and Greenfield will depend on the circumstances confronting the firm. If a firm wants to enter a market where there are already well established incumbent enterprises and a market where global competitors are also interested in establishing a presence, it will be suitable for the firm to enter through acquisition. This is because in this type of situation, a Greenfield venture would be too slow to establish a sizable presence. If the company decides to choose the acquisition, the company management should be aware of the risk associated with acquisition as mentioned above and should consider the risk when deciding which firm to purchase. If the firm is not careful/ aware of the risk when determine which firm to purchase, it may be better to enter by the slower route of a Greenfield than make a bad acquisition which will be dangerous. Caves & Mehra (1986) argued that in low concentrated industries (many suppliers), firms would prefer Greenfield investment because they could gain market share easily. However in high concentrated industries, firms would prefer mergers or acquisitions over Greenfield investments because Greenfield investments generate new supply which could lead to price wars between incumbents and entrant. Also Greenfield investments risked provoking retaliation from incumbents in the industry. This viewpoint is also held by Buckley & Casson (1998), whose research shows that for most companies involved in market situations where there are few suppliers acquisitions would be the preferred mode of entry over Greenfield investments. Their research also shows that in general entry through Greenfield

investment increases local capacity and intensifies competition whereas entry through acquisition does not.

2.2.4 Market Barriers

- **Industry Reputation Barriers.**

Brand names serve as a reliable signal of quality on which buyers can rely as well as carriers for a symbolic utility which some customers are willing to pay a premium for. Chen & Hennart (2002) Thus they serve as barriers to firms seeking to enter a market with already established brands. The preferred modes of entry in such situations would be by acquisition or joint ventures.

- **Industry Distribution Barriers.**

Some retail channels, such as supermarket chains and department stores, are public distribution networks that are available to most potential entrants. However, may enter an industry where local firms control captive channels (e.g., in-house sales forces or exclusive agents) that are inaccessible to foreign entrants. Since building a proprietary channel from scratch is usually expensive and time-consuming, therefore, industry distribution barriers should encourage them to choose joint ventures over wholly-owned subsidiaries. Access to supply/ distribution channels could be easily and possible through direct ownership (vertical integration). This implies that this nature of barrier could be done through bypassing retail distributors and trading directly with consumers usually through e-commerce.

- **Culture-Specific Advertising Expertise**.

The way marketers communicate with consumers through mass media tends to be culture-specific (Brouthers & Brouthers ,2003);and consequently when entering a culturally distant country the firm should learn the skills of marketing communications that are specific to local environments, or enlist such advertising expertise from joint venture partners. This viewpoint is similar to that held by Chen & Hennart (2002) who say that when entering an advertising-intensive industry, firms face higher cultural barriers and will be more likely to form joint ventures with firms endowed with culture-specific advertising expertise.

- **Industry Technological Barriers.**

A firm could face higher technological barriers in an industry where firms spend more on R&D. To overcome this market barrier, they can form joint ventures with local partners endowed with

advanced technology (Kogut and Ghang, 1991). However, Chen & Mujtaba (2007) argue that if the firm is of sufficient size in terms of financial ability, it would be easier to purchase the necessary technology to compete with the incumbent. Still in situations where the incumbent has exclusive ownership of the required technology the new entrant will either have to pursue a joint venture or settle for an outright acquisition of the incumbent.

- **Access to Natural Resources.**

Foreign investments are sometimes made for resource-seeking purposes (Dunning, 1988). Access to natural resources, however, is often controlled by local incumbents and sometimes this may be also as a result of the government policy. Chen & Hennart (2002) argue that joint ventures with local partners or acquisition of one or more incumbents would give an entrant instant access to raw materials while Greenfield investment might be too slow and costly.

- **Scale and experience.**

In some industries, once incumbents have reached large scale production, it will be very expensive for new entrants to match them and they will have to reach a similar volume in order to have a lower unit cost and if not, they will have higher unit costs. Also, barriers to entry comes from experience curve effects which gives incumbents a cost advantage due to the fact that they learned doing things more efficient compared to an inexperienced new entrant.(Jonsson,Scholes&Whittington, 2009)

- **Expected retaliation.**

A company preparing to enter a new market should be aware of retaliation of existing firms which could be great and thus, could prevent entry or make entry more costly. This nature of barrier could either be in the form of a price war or blitz. (Jonsson, Scholes&Whittington 2009)

- **Government action**

    The presence of government such as patent protection to market regulations through direct government action is also another barrier for new entrants.

- **Differentiation**

In this context means providing a product/ service different from that of your competitors with higher perceived value. This means that this type of barrier would reduce the threat of entry since it will help in increasing customer loyalty. (Jonsson, Scholes&Whittington 2009)

2.3 Entry modes

The decision on which entry mode to choose depends on several firm and home country-related factors, such as the attraction of the home market, risk prevention, long-term orientation,

firm size as well as the experience in international markets (Chuan and Messner, 2011).A market entry strategy consists of an entry mode and a market plan. The market entry mode is intended to penetrate the foreign market country while the marketing plan is intended to penetrate the foreign target market. (Albaum and Duerr, 2011) An entry mode will be made based on where to produce, what countries to serve, what market to enter, what channels to pursue between and within countries (Hill, 2007). Expansion into a new market can be achieved through various modes which are licensing,joint ventures, set up a new wholly owned subsidiary, acquisition,strategic alliance,greenfield investment and Turnky projects.. Each of the entry modes have advantages and disadvantages and the magnitude of these advantages and disadvantages associated with each entry mode are determined by a number of factors like transport costs, trade barriers,political risks,economic risks,business risk, costs and firm strategy (Hill, 2007).

Export (indirect and direct export and cooperative organisation). The goods may be indirectly or directly exported but regardless of where, the product will be produced in the home country. For indirect export, the company will have to work through independent intermediaries in order to meet its goals. Advantage of indirect export is the access to a foreign market, while using a minimum of company resources. Very little risk is involved. Other advantages are the concentration of resources on core competences and the absence of the need to directly handle export processes. Disadvantage is having little or no control over the way the products are handled in the foreign country (Anderson and Gadgnon 1986; Pan &, Tse, 2006).Whereas for direct export, the company would have to be in charge of handling its own exports. The difference with indirect export lies mainly in how the exporting firm carries out the transactions flow between itself and the foreign importer or buyer. The advantage of direct exporting is that control of the international operation is kept within the company. Hence, direct exporting facilitates a good opportunity for the company to build a business network with potential local partners. The disadvantage is that the company may not have enough resources to pursue international opportunities that can turn into sales and profits. Furthermore, one may also be unfamiliar with how to turn opportunities abroad into sales profit. Another disadvantage is large marketing distance from customers (Albaum &Duerr 2011; Anderson & Gadgnon 1986; Pan & Tse, 2006). Cooperative export is an entry mode characterized by a company entering an agreement with another company (local or foreign), in which the partner uses its distribution network to sell the exporter's goods of services. This could be a good choice for companies that are not willing or able to use their own resources to exploit other's resources through cooperation (Albaum & Duerr 2011; Anderson & Gadgnon 1986; Pan &, Tse, 2006).

Exporting could mean many different ways of entering into new markets. One distinction is number of markets and products. Entry can involve only one product and one new market, or a larger number of products and several markets (Rauch &Watson 2003). Albornoz, Redding, & Schott (2010) argue that the choices of number of markets and number products would depend on the firm's characteristics (productivity).Different export market entry modes could result in different effects on performance of firms. Simultaneous entry into several markets may have a greater effect on a firm's productivity compared with entry into a single new market. This is because there is more scope for learning and the transfer of knowledge when several foreign partners are involved (Damijan et al., 2011).

Licensing is an arrangement that a licensor grants the rights to intangible property to another entity, the licensee for a specific period which the licensor receives a royalty fee from the licensee, over certain technology, know-how, manufacturing processes trademarks, product and/or facility design, Marketing knowledge and process etc (Chen, 2008)

Franchising is a specialized form of licensing in which the franchiser sells intangible property to the franchisee and insists on rules to conduct the business. It represents the same idea as licensing, but it is commonly used in service industries (Hill, 2007). According to Hill (2007), that the advantage for licensors and franchisors is that it could help them expand abroad with relatively little capital. Other advantages are low development costs and low risk.

A disadvantage with these forms of entry modes is that the licensors/franchisors may lose control over the use of their technology and brand name.

Joint ventures entail establishing a firm that is jointly owned by two or more independent firms. A joint venture occurs when two or more firms pool a portion of their resources within a common legal organization (Kogut, 1988). Entrants benefit from a local partner's knowledge of the host's country competitive conditions, culture, languages, political and business systems, and gains in sharing of cost and risk with a local partner when the development cost and risk of entering a foreign market is high (Kalliny & Lemaster, 2005). Buckley & Casson (1998) also agree that where costs of learning by experience, building trust and technology transfer are high, joint ventures represent a useful method of entry. In some countries, political considerations make joint ventures the most feasible entry mode (Hill, 2007). This is usually the case for sensitive industries like media and defense. Joint ventures however involve shared ownership arrangements which could lead to conflict and battles for control amongst investing firms (Chen, 2008).

2.3.1 Wholly owned subsidiary

A wholly owned subsidiary is the entering of a foreign target market with 100 percent ownership. The firm can either set up a new operation in the new country (Greenfield venture), or acquire an established firm in that host nation and use that firm to promote its products (mergers and acquisitions) Kim (1990) argue that while wholly owned subsidiaries can be characterized by a relatively high level of control and resource commitments, the opposite can be said of licensing agreements. The decision between wholly-owned subsidiaries and partially-owned subsidiaries is affected by some factors such as, corresponding legal estate of the company, the international experience, whether a company is investing abroad to pursue a specific customer, whether a company wants to invest their legal estate additionally abroad and if there are ascertained differences in manufacturing between home (Chiao, Lo, and You (2010).

Greenfield strategy would leads to a better protection of proprietary technology and know-how and a wholly owned subsidiary allows for centrally coordinated global actions as well as greater flexibility; however there is the possibility of being preempted by more aggressive global competitors (Hill, 2007). Müller (2007) agrees that this entry mode has economic benefits like reduction of the production costs, reduction of transportation costs, bigger sales prospects at the foreign market, being closer to the market and the consumers. This means that, it will be easy for the firm to make its own strategic plan and control the subsidiaries in its own way compared to other entry modes, the firm does not need to bear the risk to lose its competitive advantages and know-how by selling these to another party. Therefore, the firm has more power of control and less risk but also argues that Greenfield investment is the optimal entry mode only if the technological gap between the competitors is sufficiently large.

Mergers are the results of a friendly agreement amongst companies of roughly equal size, whereas acquisitions are unequal partnerships, often the product of a battle. Advantage is that it gives the firm a much greater ability to build the kind of subsidiary company that it wants. Disadvantages are Clash between cultures of acquiring and acquired firm. Furthermore, acquisitions could be very expensive, because attractive partners are difficult to find and usually not willing to be acquired (Couturier & Davide 2010).

Some entry modes categories and subcategories

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                        ┌──────────────────────────┐
                        │  Choice of entry modes   │
                        └──────────────────────────┘
              ┌──────────────────┴──────────────────┐
    ┌──────────────────────┐          ┌──────────────────────┐
    │  Non-Equity  Entry   │          │  Equity Entry Modes  │
    │  Modes               │          │                      │
    └──────────────────────┘          └──────────────────────┘
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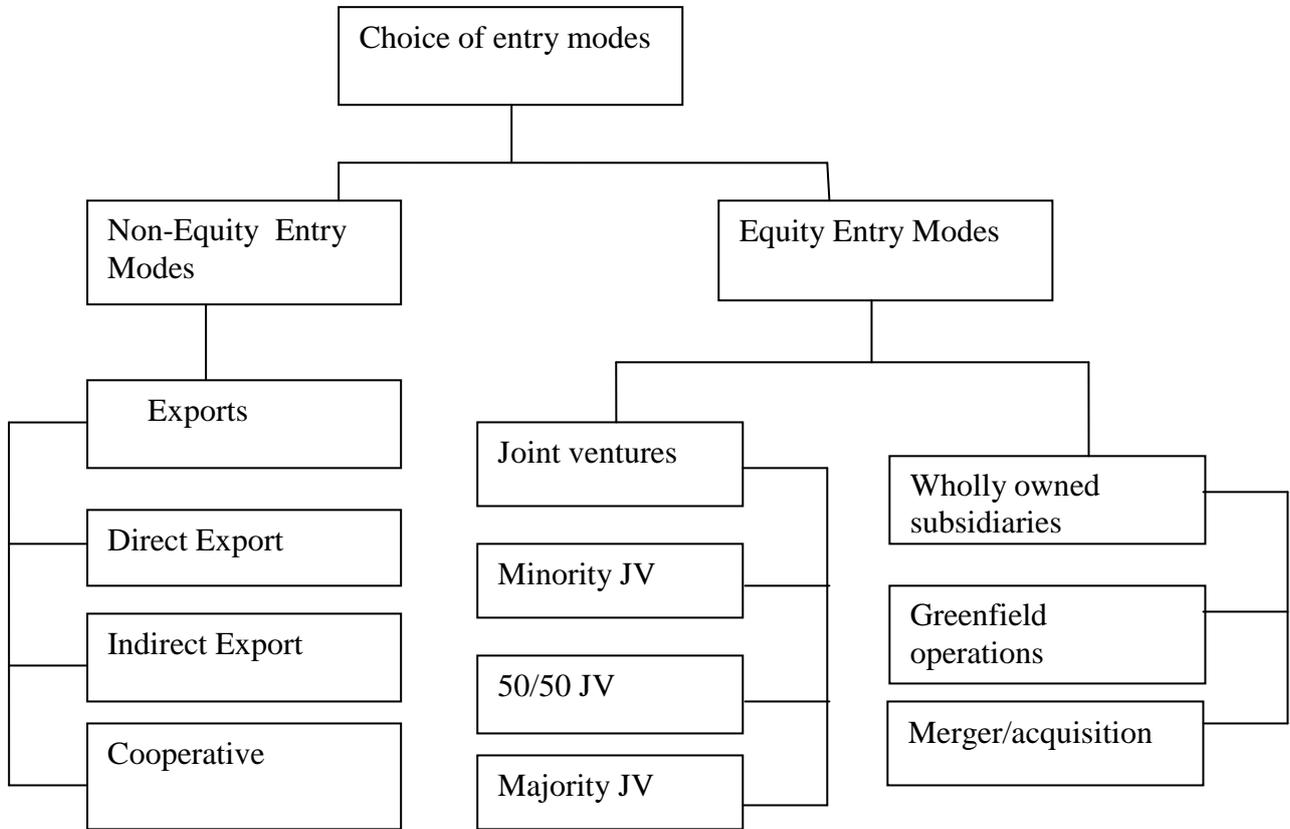| Exports		Joint ventures		Wholly owned subsidiaries
Direct Export		Minority JV		Greenfield operations
Indirect Export		50/50 JV		Merger/acquisition
Cooperative		Majority JV		

Fig1, adapted from Hierarchical model of choice of market entry modes (Pan &, Tse, 2006)

3. Methodology

This is the way we collect data to answer a research question data collection techniques, including how we get respondents, how we ask questions, role of researcher in research and in the respondents and how we analyze the data. This paper is focus on entry modes. Purpose is to identify factors that influence entry modes decision within a new market. The case study research method is chosen as the most appropriate way to answer these research questions. What factors affect entry mode decisions? What barriers commonly exist in oligopolistic market situations? And which entry modes can a firm use to enter an oligopolistic market situation? The design and methods used are described in this chapter and the authors will represent the interviewers.

3.1 Research approach

This refers to the way in which the researcher seeks to approach the research problem. Researchers can choose from which perspective to investigate a phenomenon: a qualitative perspective, a quantitative perspective and mixed method (Shadish, & Campbell, 2002: Denzin & Lincoln 2005: Bryman &Bell 2007: Dellinger & Leech, 2007). The particular method chosen for a study depends on the way in which the research will be carried out and analyzed (Alan & Emma 2007).

3.1.1 Inductive Vs Deductive research

Inductive research is data to theory. This implies that, it is through a process of gathering data, attempts to establish patterns, consistencies, and meaning. Inductive approach moves from fragmentary details to a connected view of a situation (Gray2009). Much has been written about how to conduct an inductive research case study in operation management case studies which have focused on inductive theory-building approach (Eisenhardt, 1989; Meredith, 1998; Yin, 1989; William & Trochim, 2006).

In contrast, deductive research is theory to data. Deductive starts with a universal view of a situation and works back to the particular. Conclusion is drawn logically from available facts (William & Trochim, 2006; Gray 2009). A few authors have proposed their use for deductive, theory-testing purposes (McCutcheon and Meredith, 1993; Meredith, 1998; Voss et al., 2002). These views are in line with other studies in the general business management disciplines (Mark et al.2011; Bitektine, 2008; Bryman, 1988, 2011; Yin 1994; Eisenhardt, 1989). However, although qualitative case studies could be used for deductive purposes, it should be noted that despite the fact that many authors have proposed and supported the use for deductive purposes, only a few have been able to offer insights as to how to actually undertake a deductive research. (Mark et al.,

2011; Bitektine, 2008; Pinfield, 1986; Johnston et al., 1999). This implies that since only a few researchers have been able to offer insight in this area of research, the literature for deductive use compared to the inductive use of qualitative case studies may be in need of further development.

If a research should be conducted using one of the research method (deductive / inductive), the following have to be taken into consideration.

Firstly, for inductive theory building studies, academic journals could be of a help in encouraging researchers to follow important directions that have emerged for the use of qualitative case studies for theory building. Secondly, for theory testing purposes, it would be important to make concerted effort in developing a standard, or at least some degree of consensus beyond the thoughts of Yin (1989), whether qualitative case can be used for theory testing, and if so, on what basis and how such case studies should be undertaken.

The extant literature points toward two approaches for using qualitative case studies for theory-testing (Eisenhardt, 1989), based on the overarching form of confirmation of the appropriateness of a theory. Authors could assess the appropriateness of competing theories (Eisenhardt, 1989; Pinfield, 1986; Keil, 1995), or follow an approach based on the collection of longitudinal data (Mark et al, 2011; Bitektine, 2008). Research questions need to be stated clearly and the unit of analysis identified. The logic of deductive mode of inquiry should be presented. Besides that, it should no longer be one that argues exploratory purposes, because the mode is theory testing and not theory building. Applicable existing theory or theories should be discussed. If competing theories, competing sets of hypotheses should be developed. If single theory or complementary theories, a longitudinal study should be planned. According to Mark et al. (2011) researchers need to improve on offering sufficient details in research design, data collection, and data analysis when they engage in qualitative case studies. As a result, this calls for a need to develop methodological protocols for deductive case studies in particular.

The purpose of this academic endeavor is to identify factors that influence entry mode decisions and the precise phenomenon under study is the oligopolistic market situation. Because this market situation is not very common the authors want to get a deeper understanding of the problem being researched. This would require that the authors have the possibility of a deep discussion with potential respondents who have been in such situations. The authors want to be able to get the opinions of respondents and ask follow up questions where necessary. Also, because each market situation and each company is unique and dynamic, the authors think that it's more productive to avoid making statistical generalizations. For these reasons the authors consider that an inductive approach with deductive elements would be more suitable for this work.

3.1.2 Qualitative versus Quantitative

Quantitative research results are assumed to be measurable and presentable in the form of numbers and statistics which aim is to make generalizations based on the processed results of the investigation. It is more formalized, structured, and controlled. Also, few variables are usually studied, but on a large number of entities. (Bryman &Bell 2007: Denzin & Lincoln, 2005: Hussey& Hussey 1997)

Meanwhile in a qualitative study the information is collected and analyzed using argumentation and not statistical procedures (Alan and Emma 2007: Hussey& Hussey 1997). Qualitative research is less formalized, describes complicated situations, strives to gain a deeper and more complete understanding of the studied problem and conclusions are based on opinions, attitudes, beliefs and interpretation (not quantifiable). Also it is not scientific to draw general conclusions from such studies. For a study that aims at collecting and interpreting information which would not be written in a statistical procedure, the qualitative research is preferred (Sharan 1998; Shadish & Campbell, 2002: Hussey& Hussey1997).

   Qualitative methods allow for the researchers to bring their personal-self into the research along with their researcher-self. Biases, values, and interests are acknowledged and included in

the reporting (Merriam, 1988).Qualitative research looks at the research setting from the viewpoint of deep understanding rather than micro-analysis of limited variables. The interest is in the stories and the experiences of people in the natural setting. This goes beyond what the statistics infer to examine the story behind the numbers. This might include a possible outlier, and the one who had a very different experience than most. Instead of trying to prove or disprove a hypothesis, qualitative research looks for themes, theories, and general patterns to emerge from the data. Qualitative research is hypothesis-generating rather than serving to test a hypothesis (Merriam, 1988). The qualitative method was chosen for this study because other methods, such as surveys, would have been inappropriate because of lack of knowledge of the nature of the phenomenon investigated. This work seeks to explore the factors influencing entry mode decisions in an oligopolistic market situation. Such decisions are problematic and complicated by the fact that market situations as well as the organizations seeking entry are dynamic. This makes it difficult to make statistical generalizations. Instead the authors seek to go beyond the generated from many respondents over a few variables and get deeper insight into a single case/respondent. It is for these reasons that we consider qualitative method to be preferable than quantitative.

3.2 Research Design

Researchers should first attempt to observe the core elements of a typical research process without reference to the quantitative and qualitative paradigms (Yin, 2009). Research design per se is largely ignored in methodological texts and training courses, yet its elements are crucial to high-quality research and almost entirely independent of methods of data collection and analysis, paradigms and other schismic constructs (Gorard, 2010).

Research design is said to be a logic that links the data to be collected and the conclusions to be drawn with the initial questions of the specific study. In other word, a logic plan for getting from the questions under study to the conclusions (Yin, 2009). The choice becomes very critical since it will influence a large number of subsequent research activities (Bryman & Bell 2011).

3.2.1 Exploratory Design:

Exploratory research designs are used for fact finding research that normally are carried out at the early stages of a major project to clarify the research problem and research direction. In exploratory research, the unit of analysis could help in defining the boundaries of a theory which in turn may set the limitations in applying the theory (Thomas & Meili, 2011; Meredith 1998; Roth, 2007; Yin, 2009). You can choose some independent variables to determine if it influences a determined variable. This implies that exploratory groups and control groups are needed to make a further comparison before and after the manipulation (Bryman & Bell 2011).

3.2.2 Conclusive Research Design:

This describes a single case such as a specific location, firm, person or event. Conclusive research design could either be descriptive or causal. Descriptive research designs answer who, what, when, where and how questions. Causal designs examine whether one variable causes or determines the value of another variables. Descriptive and causal designs could be

- **Cross-sectional:** which refers to collecting quantitative or quantifiable data by means of questionnaires, interviews, surveys, etc within several cases at a specific point in time, establishing patterns of associations between two or more variables. Later on, comparisons are made to surveys formed in other points in time (Bryman & Bell 2011).
- **Longitudinal:** This looks for specific alterations in contexts, organizations or industries. A sample is surveyed several times during different occasions in order to find the effects of the independent variables within the time period (Bryman & Bell, 2011).

3.2.3 Comparative design:
Analyzes two or more cases which are contrasted using more or less the same methodology.

This paper seeks to study factors influencing entry mode decisions for the purpose of answering the research questions (what, who, where, when and how type questions). In order to analysis these factors, we choose to study a single entity to make a descriptive and subjective interpretation not a comparison between different case studies. . For this reasons the authors choose to use a descriptive research design.

This figure below shows the research approach that authors will follow for this study.
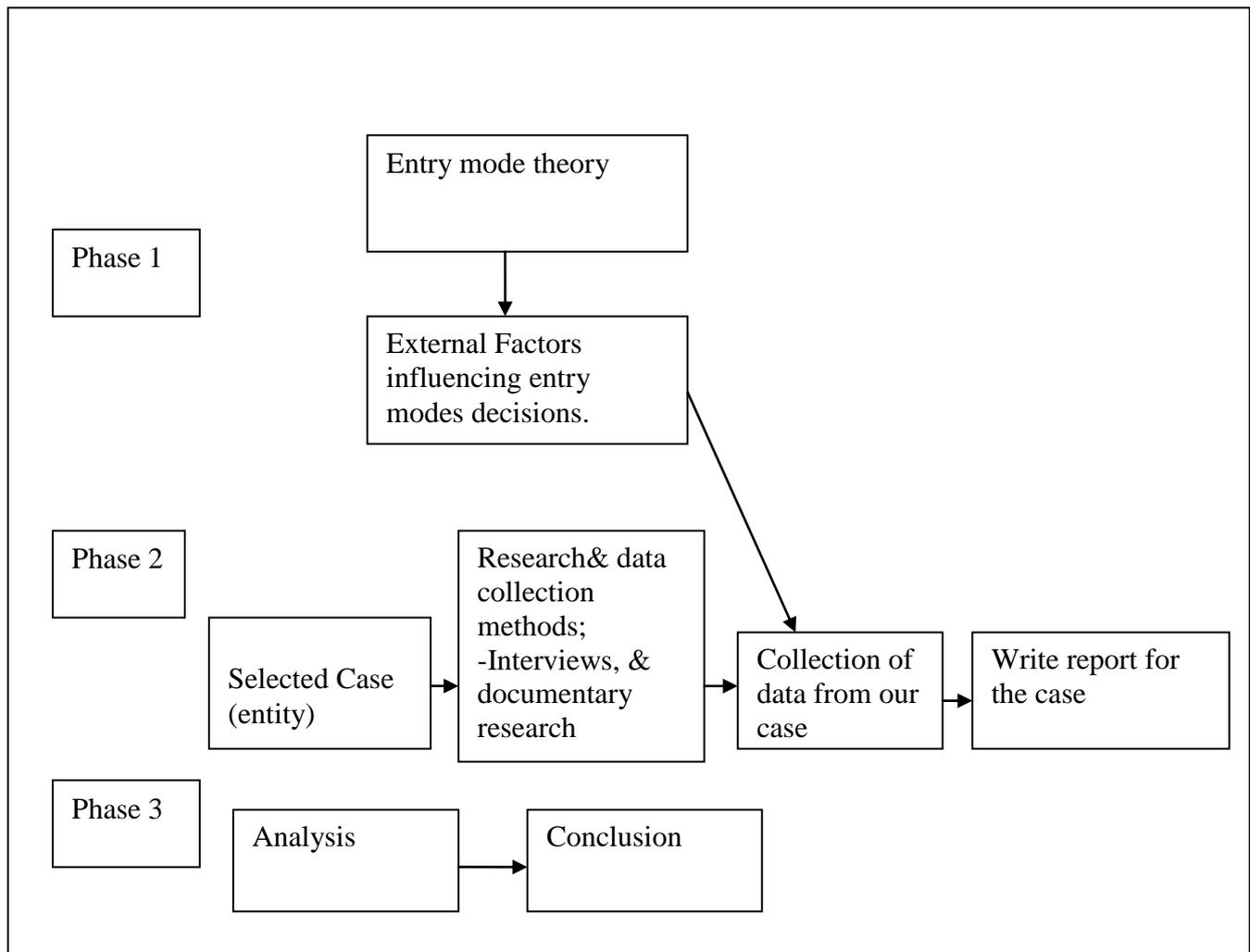
Fig.3) Illustration of authors' research approach plan (Created by authors)

In the first phase, prepositions to be examined by our case study are external factors of the research depending on the entry mode literature. For the second phase, case study is chosen. Methods for research and data collection are selected for our chosen case study. Furthermore, the data for this study will be collected/ gathered, a finding report will be written for the case.

Finally, in phase three the results will be explained, followed with conclusion that will be drawn from our study.

3.3 Data Sources

There are two types of data sources, secondary and primary data. Secondary data is data collected for some purpose other than to help solving the problem at hand. This could be for the purpose of clarifying the problem at hand, providing alternative ways of approaching the problem, provide background information on the problem, alert researchers on potential difficulties to be encountered or even providing some kind of solution to the problem (Bryman & Bell, 2011). However collecting secondary data might not be quite relevant or accurate or available (yin, 2009) Primary data on the other hand is first hand data gathered specifically for the purpose of solving the problem at hand. As such it is more specific and tailored to answer the research problem. It could however be expensive and time consuming to gather and sometimes may not elicit any response from the sources (Bryman & Bell, 2011).

For this work the authors shall use secondary data in the form of documentation and previous research as well as primary data from the respondent. Both sources of data are used because the authors think that the secondary data will provide a framework for understanding the problem in a more general context as well as highlighting possible problem areas. The primary data on the other hand would be instrumental for answering the research questions and solving the actual problem that this paper seeks to resolve.

3.4 Research strategy

The following figure illustrates the different kinds of research strategy available to researchers:

METHOD	FORM OF RESEARCH QUESTION (1)	REQUIRES CONTROL OF BEHAVIORAL (2)	FOCUSES ON CONTEMPORARY EVENTS? (3)
EXPERIMENT	How, why?	Yes	Yes
SURVEY	Who, what, where, how many, how much?	No	Yes
ARCHIVAL ANALYSIS	Who, what, where, how many, how much?	No	Yes/no

HISTORY	How, why?	No	No
CASE STUDY	How, why?	No	Yes

Fig 4 Different Research strategies (source: Yin, 2009: p8)

When attempting to build theory from case studies, researchers should have a clear focus to collect specific data in a systematic manner (Mintzberg, 1979). Our paper focuses on identifying factors affecting entry modes decisions. Our questions seek to explain some present circumstances which require an extensive and in-depth description of some phenomenon and subjective interpretation. These circumstances make a case study more relevant (Yin 2009). As an alternative to survey-based research, some operation management scholars have promoted the use of qualitative case study research (Lewis, 1998; McCutcheon&Meredith, 1993; Meredith et al., 1989; Vosset al., 2002)

A qualitative case study could be defined as an empirical research that primarily uses contextually rich data from bounded real-world settings to investigate a particular phenomenon. (Mark, Thomas & Meili,2011; Benbasat et al., 1987; Bonoma, 1985; Meredith et al., 1989;Meredith, 1998; Roth, 2007; Yin, 1994) A clearly stated unit of analysis can help identify applicable extant literature that can help clarify the phenomenon under investigation. Case study is pertinent when your research addresses a descriptive question and the research involves systematic data collection and analysis procedures. Besides that, case study findings could be generalized to other situations by doing analytic (not statistical) generalization (Yin 2012).

The authors chose to use a case study because it gives a more in depth view of the specified problem. An in-depth account of the situation is important for this study because the analysis will be based upon opinions and a case study could provide the best scenario for detailed data collection. Where the research is limited to a single organisation or entity it is an embedded single case study while if two or more organizations/entities are under study it is a multiple embedded case study (Yin2009). The authors chose a single embedded case study because they seek to do a subjective interpretation of the results within a single organisation/entity. In contrast, we consider that a multi-case study would not be well fitted for our research problem because of time constraints and statistical generalization .A successful description should mediate between trying to describe everything and also being too sparse (Yin 2012)

3.5 Data collection

There are six sources of evidence; physical artifacts, archival records, interviews, documentation, direct observation, and participant-observation, Yin (2009). This paper will make use of two

sources of evidence which is interviews and documentation. For a quantitative data collection, surveys such as questionnaires (width) are most apprioprate for collecting numerical data and applying statistical tests (Hussey J & Hussey R 1997). For qualitative purposes, the more appropriate method of data collection is interviews. The flexibility and interpersonal setting make it easier to probe deep for information about a particular phenomenon (Yin, 2011).

The first type of interview is the in-depth interview usually lasting up to 90minutes. They are the best method for probing beliefs, values and opinions, provide a great depth of information, are very flexible and are useful at uncovering hidden issues. Less-structured, interest in interviewee's point of view as well as rambling is encouraged. The interviewers want rich and detailed answers and interviewee would be interviewed more than once (Yin, 2009; Kinnear & Taylor 1991). However interviews are expensive and time consuming, require good interviewer skills and could be prone to bias (Bryman & Bell, 2011). Unstructured interviews would allow researchers use short list of key words and central issues to be discussed. The semi-structured format includes an interview guide where the researcher presents specific questions related to the topics that the interview would follow and proceed with. Both structured formats are commonly used when constructing a qualitative interview. Important here is that it could have model for how the respondent can answer (Bryman and Bell 2011). Interview data collection will be in the form of taking notes during the interview and writing notes after the interview.

Making questions; authors plan to create certain order on our research topic area so that our questions will be able to cover the area and to present them in such a way that they follow each other in a reasonable order. We also make sure that we used the language that is relevant and understandable to the interviewee.

Documents (personal diaries, official documents derived from sources).

This paper seeks to identify and elucidate factors influencing entry mode decisions in an oligopolistic market situation. The complex nature of such decisions means that the appropriate data collection methods must give the researchers the ability to probe deeply into the motives, opinions and beliefs of respondents. Also, the data collection methods should be able to provide researchers with a great depth of information in a flexible setting where follow up questions could be used to uncover hidden issues. For these reasons the authors choose to use an in depth interview for collecting data for this paper. The flexibility of qualitative instruments is important to obtain findings more than the rigidity of quantitative instruments.

Linnéuniversitetet Kalmar Växjö

Single Case design

Many instruments can be used to carry out a qualitative research for this paper, we have chosen to do this paper research finding through interviews (particularly e-mail and face-face interviews) and documentary research. Both sources of evidences will be suitable to obtain the data for our findings. Interviews would provide us information directly from the company, and documentary research will help authors with indirect information to benefit from development of theoretical proposition to guide data collection and analysis.

3.6.1 Interviews

Through Interviews authors will obtain important information directly from the company for this research. Interviews are the most reliable research source in order to obtain information for the study. As mention earlier the importance of interviews, give us new and unknown information that would be impossible to get through other sources such as books, journals, reports and videos.

Authors have interviewed the senior management of Company 'A' in Sweden and Denmark. For the marketing/sales Manager in Sweden, the interviewed was face-face and for the CEO in Denmark, the interview was done through an email. We had preferred to do so face-face but it wasn't possible because of his schedule and short time. (See appendix) and we have at least two interviews in order to get in-depth data for this study.

E-mail interviews do have some advantages. Physical distances between interviewer and interviewee are eliminated and the interviewee has flexible time to answer an e -mail interview. (Bryman & Bell 2007)

3.6.2 Documentary research

It consists of using text and documents from journals, reports, videos and other research sources (Bryman & Bell 2003). Documentary research also has some advantages and limitations in research. The advantage is that there are many sources which can be used to obtain information. However, it has some limitations such as the data might not be as relevant as direct information from a specific company .We have chosen this data collection method because we considered that documentary sources could provide us relevant background information for our research.

3.6.3. Operationalisation.

This table illustrates the operationalization of this study. Based on the theoretical framework, purpose of the research questions formulated to be used for the interview which is our major source for the collection of empirical data. There is a link between theory with the

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empirical data and the operationalization figure shows /represents how the final analysis would look like /be displayed .

Theoretical concept	Company Interview theme
Business environment	Risks, home market attraction, experience in international markets
Cultural factors	Risk avoidance, Power distance
Competition intensity	Firm concentration, growth opportunities,
Market barriers	Reputation, technological barriers, access to resources,
Entry modes	Acquisition, Wholly owned subsidiaries, Joint venture, Greenfield investment, Licensing,

Fig.5 Created by Authors.

3.7 Sampling

We choose to study only one company (industrial company) due to time constraint (short time). For this paper, authors choose to focus research on Strandmöllen AB. This is because the company entered in the same market situation within a new market. Our preferred choice for interviewees is senior managers of the company and we choose this segment because they are the relevant decision makers at the strategic level of an organization. Interviews with individual participants were conducted through email and face – face.

3.7.1 Sampling frame

There are three main methods of collecting data: face-to-face interviews, mail

and telephone .The sample frame for this paper was selected regarding the nature of the research respondents and the company location. The company selected is an industrial firm. The method chosen for conducting the interview was face-to-face. E-mail data collection was a backup plan in case the schedule of a respondent could not accomodate a face-to-face interview. There was considerable attempt made to find other companies on the internet but no others were found within the preferred geographic region in a business to business setting so authors easily settled on the choice of Strandmöllen AB.

Sample frame

Instruments	Methods of contact
Interviews	- Emails - Face – face

Fig.6, sample frame, created by authors.

3.7   Data analysis method

A basic principle of qualitative research is that data analysis should be conducted simultaneously with data collection (Coffey & Atkinson, 1996). This allows you to progressively focus your interviews and conclusions. The grounded theory is theory which arises from data. (Glaser & strauss 1967: Bryman and Bell 2007).Three types of Strategies for qualitative analysis such as coding and thematic analysis, narrative analysis and individual case studies, memos and displays (Coffey & Atkinson, 1996; Maxwell, 2005). The main categorizing strategy suitable in this qualitative research is coding. This is rather different from coding in quantitative research, which consists of applying a preestablished set of categories to the data according to explicit, unambiguous rules (Maxwell2005; Breakwell, Harmmond & Schaw, 2000; Miles & Huberman 1994). Coding in a qualitative analysis (grounded theory) is a means to organize the data in order to reduce a vast amount of material in into organized categories. Theory in this context means that you are capable of organizing the data systematically and meaningfully (Yin 2009; Bryman and Bell 2011) Authors consider conding to be necessary because of the face-face interview that would be conducted to display the data for this study.

3.9 Quality Criteria

Test	Case study Tactic	Phase of research
Construct validity	- Chain of evidence - Review of draft	-Data collection - Data collection
External Validity	- Use of theory	-Research design
Reliability	- Case study protocol &data base	Data collection.

Fig 7, Yin 2009 p.41

3.9.1 Content Validity

A research is considered valid when what was supposed to be measured is measured, if the research generated the result that was supposed to generate (Louis, Lawrence & Morison 2007; Merriam 1988; Bryman & Bell, 2011). Beacuse we are using a single case study we will not do a comparison as a result of only one interviewed company's opinions which we will be able to find patterns for the research problem. This implies that this paper with seek to better connect the theoretical framework to our collected empirical data. We also considered that the company selected for this research is relevant for our study and will contribute to a higher validity because it is in the exact market situation under study. We believe that if we are able to collect and measure the data as planned for this paper, this paper with hold a high validity.

3.9.2 Construct Validity

This answers the question 'Are we measuring what we think we are measuring?'Through long-term involvement and in depth interviews we will be able to collect rich data for the study. Rich data is data that are detailed and varied enough that they provide a full and revealing picture of what is going on (Cobin & Strauss 2007). Since our study will be done through face- face interview, the data would also require verbatim transcripts of the interviews, not just notes on what we believe, think, consider and feel is significant. Transcribing would help us to ascertain construct validity.

3.9.3 External Validity

It is the extent to which findings of a study can be applied to other situations. Since qualitative researchers rarely select a random sample which may help them generalize to the population from which the sample is selected, one cannot statistically generalize in qualitative research (Merriam 1995). Generalization is too lofty a goal for social science research (Cronbach 1975). Respondent validation is systematically soliciting feedback about one's data and conclusions from the people you are studying (Bryman, 1988)This is an important way of ruling out the possibility of misinterpreting the meaning of what participants say and the perspective they have on what is going on. It is also an important way of helping authors in identifying their own biases and misunderstandings of what data we received. However, participants' feedback would be taken simply as evidence regarding the validity of the specific case under study and would help in identifying patterns. Because our paper will do an analytical generalization, authors strive to generalize a particular result to broader theory. We believe that if we use the theory and research design as planned, our paper will hold a high external validity.

3.9.4 Reliability.

The result should be reliable to make the results credible in the eyes of others and if a study is conducted with high reliability the results would become similar when doing the study again (Bryman & Bell 2007). For this study to be reliable, authors have chosen to make interview within an entity which would be maximum five and minimum three. Our expectation is for the interviewee to give us a relevant data for our area of research. The company will then explain our research questions on what they did and how they succeeded with the methods used and what difficuties they encountered for using certain concepts. From the respondent perspectives in the company situation, we will select relevant key words for our empirical data. This type of method such as individual interviews could greatly affect the study reliability. This is because when doing the interview, behaviour, language , body gestures may affect the respondent, which could lead to biased results. The place where the interview is conducted may also affect the reliability of the study. In the context of a qualitative research ,reliability is usually low (Bryman & Bell, 2007). Bias refers to ways in which data collection or analysis is distorted by the researcher's theory, values, or preconceptions. In qualitative research, the main concern should not be eliminating variance between researchers in the values and expectations that they bring to the study but with understanding how a particular researcher's values influence the conduct and conclusions of the study. (Cobin &Strauss 2007)

This paper focus is on entry modes. Authors seek to identify factors affecting the decision of entry mode in an oligopolistic market situation. In order to analysis these factors, we choose to study a single entity to make a descriptive and subjective interpretation not a comparison between different case studies. We believe that we will achieve a high reliable finding in our thesis from our theoretical sampling, research and case study protocol.

4. **Empirical Findings**

For this chapter, all information presented here is about Strandmöllen AB. Authors will present the available data from findings and the rich data would be use to analyse and conclude our study.

4.1 Background

Strandmöllen AB is a gas producing company located in Denmark,Iceland and ljungby(Sweden). Strandmöllen AB has almost 100 years experience in producing and trading in gas for use in industry, crafts and health care. The company bottles and sells gases such as Oxygen, nitrogen and argon amongst others to organizations in five main business areas: iron & steel, health, laboratories & pharmaceuticals, food and processing & environment. Strandmöllen AB is 100% owned by a Danish trust fund (Christian Nielsen Fund).

In 2006, the company bought Swedish ScanGas AB, which is now called Strandmöllen AB. The acquisition strengthens Strandmöllens and the company started full operations in Sweden since 2009. The office in Sweden employs 30 persons and had a turnover of SEK65Million last year.

In addition to selling gas the company offers the following services:

- Installation of the pipe network for customers

- A servicing contract which involves checking for leakages and worn-out gaskets, valves and pipes.(Strandmöllen AB, 2012)

The company has recently sign a contract with Region Syddanmark that allows them to deliver medical and industrial gases to Kronoberg, kalmar and Blekinge.(News 2012). The company planned to enter the Swedish market in 2003, and in 2006 acquired the Swedish ScanGas AB. Acquisition was therefore an efficient and fast way for Strandmöllen to enter into a new market (Swedish) in 2009.

Strandmöllen AB values are reliability,credibility and consideration. The company focused on meeting small customers with pure gases, high and uniform quality. This has been supported through expert advice and knowledge in direct dialogues with their customers and users.
Today, the company has completed the selection of standard products with a range of highly targeted concept for sectoral needs within the five business areas: Iron and machine industry,Food, Healthcare Sector , Process and environment , The pharmaceutical industry and laboratories. Also, the requirement for high quality service and reliable distribution has prevented the company from outsourcing the maintenance of the Bottle Park, distribution and technical service subcontract. This situation has made the company to be flexible, accommodate special needs and to focus their

quality in the delivery process. (Strandmöllen AB 2012*)*

The following sections will present information from interviews(email and face-face) with CEO in Denmark and the head of sales department at Strandmöllen in Ljungby, Sweden.

4.2 . External factors that influence Strandmöllen AB entry modes decisions

4.2.1 Business environment.

Before Strandmöllen AB decides to enter a new market, a market analysis is done to know the growth possibilities that exist in the target market and to gain market insight. The market analysis is necessary because it helps Strandmöllen to ascertain whether there are growth opportunities in the target market, if the company has the capabilities (resources and competences) to meet the expected market demand and whether the company has the strength to overcome the threat posed by possible competitors. The market analysis investigates the following:

- Customers: who they are, how long they have been in business, and their purchasing behavior. (What the customer want, which group will spend more, whether they are likely to return, what quantity and how often they purchase).
- The potential competitors: Who they are, their strengths and weaknesses and their experience.

The main attractions of the Swedish market for Strandmöllen included the growth opportunity; the Swedish gas market is worth approximately SEK2billion and before Strandmöllen entered the Swedish market, there were just two main suppliers, (AGA and Air Liquide). Also, the tax on businesses in the energy sector in Sweden is about 15% lower than in Denmark. Another attraction is the fact that Sweden and Denmark are neighbouring countries especially given that the gases are transported from Denmark to Swedish plant before bottling and selling.

4.2.2 Cultural Factors

Due to the fact that Sweden and Denmark are neighbouring countries, they have some similarities in terms of business attitudes. For instance, in both countries there is a strong respect for keeping time; also, there is similarity in dress code. However, there exist some differences between the two countries culture, Denmark has a lower power distance (less hierarchy) than Sweden. For example in Sweden, the relationship between the manager and employees is more formal than in Denmark where the power structure is less formally defined. However, in Strandmöllen the reverse seems to be true. The sales manager in Sweden makes reference to an ease of accessibility to the CEO in Denmark which apparently many of the Danish employees do not have.

4.2.3 Competition Intensity

When Strandmöllen AB entered the Swedish market, there were two major suppliers (AGA and Air Liquide). Strandmöllen AB purchased Scan Gas AB, a small gas supplier with only two employees for about three years after buying the company; Strandmöllen operated under the name of ScanGas so as to create a smooth transition and maintain access as well as the relationship with the current customers. Strandmöllen AB strategy at this point was to focus mainly on smaller customers. The reason for this was lack of capacity and infrastructure to supply the needs of the bigger customers. Also, Strandmöllen wanted to avoid retaliation from the bigger competitors. The expected retaliation could take the form of price wars which is not profitable for all parties. Another reason for this strategy was to build a small and firm customer base. The adoption of this strategy resulted in little or no reaction from the big competitors.

However, between 2009 and the current period, Strandmöllen has moved from the smaller to medium size customers and has also won over some customers from the bigger suppliers. This has led to a drop in the general price level of industrial gases on the market as competition intensifies.

With the building of an air separation unit in Ljungby planned for 2014, Strandmöllen expects to be able to meet the demands from the bigger customers.

4.2.3 Market Barriers

Brand Name: Strandmöllen faced alot of difficulties in the first few years of operation in Sweden because they were new actor on the market with no reputation. Originally, they tried to overcome this barrier by operating under the name SCANGAS. By continuing to operate under the name SCANGAS, they were able to maintain contacts and connections with already existing customers of SCANGAS. In 2009, the officially changed the name to Strandmöllen AB and they still continue to face the problem of a small reputation. It is sometimes difficult for potential customers to trust that a company they have never heard of will supply on time and will remain in business in the future.

Language Difficulty: communication between officials working in Sweden and Denmark is made difficult because they don't speak thesame first language. Sometimes communication has to be done in English and the level of mastery of English will vary because it's the second language and this sometimes lead to misunderstandings.

Sales people also face difficulties when they make sales calls at the extreme North or South of Sweden where they're some local dialects that might differ a little bit from regular Swedish and

maybe a little problematic from people not from the region.

Scale and Experience: Strandmöllen does not yet have the capacity or infrastructure to supply to the big customers. But with the planned construction of their own air separation unit in 2014, this barrier can be overcome.

Also, Strandmöllen's sales force of 7 persons faces a huge barrier making sufficient sales calls to both current and potential customers. Some of their competitors' sales force number up to 140 people.

Strandmöllen AB sometimes has to rely on Denmark for technical support because the Danish workers have more experience and technical know how since they've been in the gas industry for more than 50years.

4.3 Entry modes strategy

Strandmöllen is a wholly owned subsidiary. This means that they entered the Swedish market with 100 percent ownership. The choice of entry mode was by acquisition. The company's philosophy is to own everything you use, for full control over costs, efficiency, effectiveness, competence. This is because they have sufficient financial resources. It was very necessary for them to acquire ScanGas for easier, fast penetration and easier access to customers. The entity acquired was an established and well-built firm in the same industry. Strandmöllen used this brand name for a few years before changing the name to Strandmöllen AB. This type of entry mode has made Strandmöllen AB gain a lot of advantages in promoting its own products/services through acquisition. This is because they maintained the name ScanGas for a few years, and made sure that they gained access, contacts and build relationships with the existing customers of the ScanGas before changing the name.

5. Analysis

This section would analyze the findings from this study in order to answer our research questions which will be linked to our literature review sequentially to display the findings as a rich data.

5.1 Factors that influence entry modes decisions.

5.1.1 Business environment

The Swedish gas market could be described as an oligopolistic market because it has few suppliers and many buyers. In order to enter this market, Strandmöllen opted for a slow steady penetration of the market through building a small profitable customer base. This is because the two major suppliers in the market are too powerful to compete against. An aggressive approach to entry would have led to intense price competition and reduced profitability because of similarity in products and services offered as well as a desire by the big suppliers to defend their market share. In order to do this Strandmöllen acquired ScanGas, a small company in the same industry. This is in line with Root (1994), who argues that where products are highly differentiated export entry modes are preferred because the premium charged on the product absorbs transportation cost and import duties still leaving the products profitable. Whereas, if the products are weakly differentiated they have to compete on the price bases and the preferred entry mode will be equity entry modes such as joint venture or wholly owned subsidiary.

5.1.2 Cultural distance

Despite the fact that Sweden and Denmark are neighboring countries, they are culturally distant in some aspects for example, power distance. Sweden has a higher power distance than Denmark. In other words, the relationship between management and subordinates is less formal in Denmark than in Sweden. According to Brouthers and Brouthers (2000), in countries with high power distance the hierarchical organization is more effective and favorable entry modes will include Greenfield investment or acquisition while joint ventures might not be likely to succeed. Following this reasoning the optimal entry mode into the Swedish market would be by greenfield investment or acquisition and the findings in this study seem to confirm this. Strandmöllen's philosophy is to own everything; 100% ownership of the company as well as its logistics for better control, a system of operation that is uncommon in Sweden. The authors think that this philosophy had a substantial influence on the company's decision to enter the Swedish market through acquisition.

5.1.3 Competition Internsity

Despite the fact that strandmöllen had made the decision to enter the swedish market fifteen years ago, it took them about six years to find the right company to acquire. This is because, in an oligopolistic market it is hard to find a satisfactory target to acquire. The established firms are usually too big to acquire and the smaller firms are either unwilling to sell or don't have enough presence on the market to be interesting to the new entrants. This is in line with what Elango and Sambriya (2004), found out in their study of 336 entry decisions into the United States between 1989 and 1994. They concluded that new entrants will avoid acquisations and will instead choose between green field investments or joint ventures. However, Strandmöllen managed to use acquisition by patiently searching for the right targets to acquire and applying a strategy after acquisition that doesn't provoke retaliation. Hill (2007), argues that companies must be aware of the risks of making a dangerous acquisition and as such should choose carefully. Also, Strandmöllen's strategy of focusing on small customers as well as operating under the name of ScanGas affirms Caves and Mehra (1986), who argue that in highly concentrated industries (few suppliers) acquisitions or mergers are preferred under Greenfield investment because Greenfield investment creat new supply which could lead to price wars.

5.1.4 Market barriers

Strandmöllen's biggest barrier in this market is the combination of the presence of two big brand names (AGA and Air Liquide) and unfamiliarity of customers with the Strandmöllen brand. In order to overcome this barrier, Strandmöllen acquired ScanGas. Despite the fact that ScanGas didn't have a huge presence on the market it was perfect for Strandmöllen's strategy of going after smaller customers. This is in line with Chen and Hennart (2002), who argue that for firms seeking to enter a market with already established brands, the preferred mode of entry is by acquisition or joint ventures. Acquisition is made difficult by the fact that in oligopolistic markets the major suppliers might be too big to acquire while the smaller suppliers might not have sufficient market presence or might be too much in debt.

This figure7 below, illustrates external factors that influence entry mode decisions

External Factors	Sweden
- Cultural distance	Yes
- Market barriers	Yes
- Competition intensity	Yes
- Business environment	Yes.

Yes: Means factors that influence their entry mode decisions. (Created by authors)

5.2 Entry modes strategy

Strandmöllen AB is a wholly owned subsidiary of Strandmöllen AS. The entry mode strategy was by acquisition of ScanGas, a small Swedish gas supplier. It was necessary for Strandmöllen AB to acquired ScanGas for fast penetration and easier access to customers and also because the company has a philosophy of complete ownership. This philosophy of ownership is to ensure control over cost, effectiveness and efficiency. This corresponds to Kim (1990) who argues that wholly owned subsidiaries can be characterized by a relatively high level of control. Ownership also gives the company better co-ordination of resources, a better chance to assure quality and a better response rate in case of failure to deliver to customers as promised.

The figure below shows factors that influenced entry modes decision and the type of entry mode suitable.
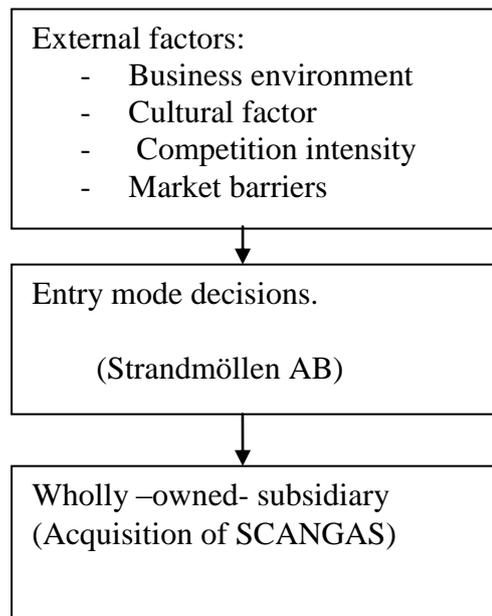
External factors:
- Business environment
- Cultural factor
- Competition intensity
- Market barriers

↓

Entry mode decisions.

(Strandmöllen AB)

↓

Wholly –owned- subsidiary
(Acquisition of SCANGAS)

Fig 8, Created by authors

6. Conclusion

This research was focus on entry modes, and our purpose was to identify factors that may influence entry mode decisions within a new market. We started our findings by looking at some literature review; we selected influential external factors that affect entry mode decision in our conceptual framework. Also, we collected our empirical data from a single case study. Lastly we used theories from our literature review with our findings to finalize with the analysis.

We answered our research questions such as: What factors affect entry mode decisions? As mentioned earlier these factors could be both internal and external, but we concentrated on factors related to external environment within the new market. For this study, External factors that affected Strandmöllen AB's choice of entry modes into the Swedish market are: business environment, cultural distance, market barriers and competition intensity

Our second research question is: Which entry modes can a firm use to enter an oligopolistic market situation? Strandmöllen AB is a wholly owned subsidiary of Strandmöllen AS. The entry mode strategy was by acquisition of ScanGas, a small Swedish gas supplier

The third research question: what barriers commonly exist in oligopolistic market situations? In summary, Strandmöllen's biggest barrier in this market is the combination of the presence of two big brand names (AGA and Air Liquide) and unfamiliarity of customers with the Strandmöllen AB brand.

6.1. Managerial Implication.

This study has highlighted the importance of employing the right strategy when a firm considers entering a foreign market. In the case of Strandmöllen even though the decision had been made to enter the Swedish market the company had to exercise patience until a suitable company was available for acquisition. Managers contemplating entry should also consider employing a strategy that doesn't appear too aggressive to the major suppliers in an oligopolistic market as this could result in price wars but instead build a firm customer base by starting with the smaller customers.

The study also highlighted the fact that company culture might be more important that national culture. Managers contemplating entry should strive to understand the company culture of a company they intend to acquire or go into partnership with because acquiring the wrong company could mean a lot of difficulty in implementing changes or a different method of operation.

6.2 Limitation.

We had planned to do maximum five interviews and minimum three. But due to short time and the tight schedule of the managers at Strandmöllen AB, we were able to have just two interviews.

6.3 Suggestions for further research.

This subject area (oligopolistic) is quite rare. We could not find much material on entry modes in an oligopolistic situation. Authors think that with more resources and more time, this could be an interesting area to expand academic research on.

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Appendix. 1

Email Interview with the Managing director of Strandmöllen AB, Denmark

We are three bachelor students, in International Sales and Marketing programme at Linnaeus University, Växjö (Sweden). Presently, we are writing our thesis about Entry modes strategy and our focus is an oligopolistic market situation. There are some questions we appreciate if you could help us in contributing for our study by given us rich answers.

Thanks very much for given us this great opportunity and contributing for our study.

1) What is the main factor that influenced Strandmöllen's decision to enter the Swedish market? What do you do before entering a new market?

Before Strandmöllen AB decides to enter a new market, they analyse their market in order to satisfy needs and demand from every new market (vertical /horizontal). As a company looking for growth, Strandmöllen decided to diversify/ concentrate in entering the Swedish market.

2) What barriers did Strandmöllen expect to encounter upon entering the Swedish market?

As a new company entering a new market, Strandmöllen expected to faced certain barriers such as language difficulties, cultural differences and conservatives buying behaviours.

3) What reaction did Strandmöllen expect from AGA and Air Liquide (competitors)

The company entering the Swedish market expected defences strategy based on aggressive approach in both markets.This means that they were prepared to respond on stepping up marketing efforts and lower prices on their products/ services within the new market.

4) Did Strandmöllen plan to compete mainly as a lower priced alternative or a better quality supplier

Strandmöllen planned to compete in the Swedish market was focused on both lower price alternatives and better quality supplier.

Appendix 2

Face-Face interview with the manager in Strandmöllen AB, Ljungby, Sweden.

5. Did Strandmöllen use the same entry mode for the Icelandic and Swedish markets? If yes could you give a brief explanation why; if no could you explain what were the main differences in the two situations that led to a different choice?

- Almost the same entry modes. Difference: Monopoly in Iceland! – AGA, Oligopoly in Sweden (AGA and Air Liquide) -more investment in Sweden, much more profit in Iceland, energy tax low in Sweden than Denmark by about 20%. For the Iceland market, AGA noticed their entrance into the market.

6. Why did your company choose wholly-owned-subsidiary (acquisition) into the Swedish market instead of licensing, direct investment and joint venture?

- Strandmöllen policy is to own everything you use, full control over costs, efficiency, effectiveness and competence. This means that they have the potentials to own it all. Absolutely necessary to acquire ScanGas for easier penetration into the market and access to customers.

7. Are there any employees of the acquired company (ScanGas AB) still working with Strandmöllen AB?

- The company Consultant is former co-owner of ScanGas and an administrative girl working with one of the agents/distributors in Stockholm.

8. Did Strandmöllen experience any difficulties in implementing it company philosophy, any clash with the acquired company's philosophy?

- Not really because of few workers in the company when it was bought and they retired shortly after. Differences in way of thinking especially when new workers come in and sometimes difficult to work together.

9. What strategy did Strandmöllen adopt for penetrating this market?

 Market and customer analysis

 Start with smaller customers because;

 - More profitable, insufficient capacity to tackle bigger customers, waiting for separation units in 2014 to attack bigger customers like STENA, VOLVO and Others.

- Avoiding price war and building a small customer base.

10. How would you describe the competition intensity today?

 Three years ago, there was no reaction and price level was high compared to now when price has drop/lower due to competition.

11. Could you describe the market barriers you encountered in this market?

   Some of the barriers they faced in this market situation were;

- Brand name

- Language difficulties

- Competitors have huge muscles (Sales team, capacity)

- Reputation, make a name, trust

- Technical.

12. What plan did you make to over these barriers?

  - Hard work

  - increase market efforts.

13. How are your two competitors reacting in terms of price, service quality and your presence in the market?

- Easier to win against Air Liquid than AGA.

14. What is your experience in this type of market situation?

  - Patience

  - Good communication

  -Cultural differences have a huge impact in doing business more than most people think.

Linnéuniversitetet Kalmar Växjö

Appendix 3

Example of some countries found in Hofstede 5 D model measurement scale.

Countries	PDI	IDV	MAS	UAI	LTO
Denmark	18	74	16	33	46
Sweden	31	71	5	29	20
Germany	35	67	66	65	31
Finland	33	63	26	59	41

Linnéuniversitetet Kalmar Växjö

Linnaeus University – a firm focus on quality and competence

On 1 January 2010 Växjö University and the University of Kalmar merged to form Linnaeus University. This new university is the product of a will to improve the quality, enhance the appeal and boost the development potential of teaching and research, at the same time as it plays a prominent role in working closely together with local society. Linnaeus University offers an attractive knowledge environment characterized by high quality and a competitive portfolio of skills.

Linnaeus University is a modern, international university with the emphasis on the desire for knowledge, creative thinking and practical innovations. For us, the focus is on proximity to our students, but also on the world around us and the future ahead.

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