Business Relationships in the context of De-internationalization
- A Case Study of Swedish SMEs

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Abstract

Every firm in the world in one way or another is touched by the prevailing globalization trend. In order to survive in the 21st century businesses in every industry are taking steps to expand through trade outside their home markets. Thus this global expansion evokes stimulus by firms to internationalize. The internationalization process of firms has been studied extensively among various business scholars with the main focus on the growth or positive development of firms. However, an area which has received fairly limited attention is the de-internationalization process. In this field the role of small and medium sized enterprises (SMEs) under non-crisis conditions, where this phenomenon is seen as a strategic decision of firms or subsequence of internationalization process rather than a market failure, has been underestimated.

This paper aims to contribute to the theoretical understanding of cross-border activities of small firms by looking into business relationships as a new perspective on analyzing de-internationalization motives. This was studied through a qualitative case study of Swedish SMEs operating globally. Interviews with sales and marketing directors of the companies together with secondary data compose the gathered empirical data for analyzing de-internationalization process. The study sheds light on business relationship constructs - dependence, bond, investment, and atmosphere - and their influence on the key factors for internationalization - trust, knowledge and commitment - which in turn determine the strategic decision by firms to reduce their market involvement in foreign markets. It has been found out that these key factors of internationalization were affected by the relationship constructs mostly negatively: the market knowledge in majority of cases was lacking due to the weak bond, the commitment determined by unbalanced dependence and reduced investment has gradually decreased along the time and the level of trust influenced by a negative atmosphere was not sufficient enough which played a decisive role on the reduced level of market involvement by firms. Thus the results of the study indicate that unfortunate business relationships influenced the decision of three case companies to de-internationalize through the key factors of internationalization.

Keywords: Business relationships, de-internationalization, internationalization, SMEs, constructs of business relationships, key factors of internationalization.
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1. Introduction

In this chapter the authors of the paper are going to provide the background information of the main concepts used such as the internationalization and importance of small and medium-sized enterprises (SMEs) in Swedish economy and internationally, deinternationalization, network approach, and the notion of business relationships. Furthermore, it is attempted to discuss and define the research problem leading to the research gap and research question which compiles the overall purpose of the study.

1.1 Background

1.1.1 Internationalization and importance of SMEs

In recent decades globalization, a growing interdependence of countries, facilitated by modern means of communication, transportation and more favorable legal infrastructure as well as political decisions to continuously open new markets to international trade and finance (WTO, GATT and regional trade blocs such as European Union etc.) expedited significantly (Soubbotina & Sheram, 2000). This global expansion trend embraced the efforts by companies to broaden the geographic scope of their products, consolidate the intensity of mutual connections, increase capital and management involvement and thus can be seen as a consequent continuation of internationalization (Gjellerup, 2000).

A widely used definition of internationalization by Johanson and Vahlne (1990, p. 20) describes it as “a process of developing networks of business relationships in other country markets through extension, penetration, and integration”. Similarly, Johanson and Mattsson (1993) contribute to the latter concept by emphasizing the role of relationships and a goal of a company and state that internationalization is rather seen as a continuous process of relationship establishment, development, maintenance and dissolution in order to achieve firms’ objectives. Johanson and Vahlne (2009) see internationalization through three key factors: knowledge, commitment and trust which are prerequisites for successful internationalization. Similarly, business relationships are characterized by specific levels of knowledge, trust, and commitment that may be unevenly distributed among the parties involved and thus they may differ in how they condition successful internationalization (Johanson and Vahlne, 2009).

Today enterprises which own and control their activities outside the boundaries of a country in which they are based, exhibit a degree of internationalization which would
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not be feasible without the facilitating nature of globalization (Coe, 2003). This rapid globalization has created a new competitive business environment encouraging internationalization not only by large, but also by smaller companies which became more frequent players in the global market (Gjellerup, 2000).

According to the statistics, in almost all the countries in Europe SMEs - enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro - are absolutely predominant in the economy, representing more than 99% of all the companies and having substantial influence on obtaining the gross domestic product and the supply of jobs. SMEs are the engine of the European economy as they stimulate entrepreneurship and innovation and therefore are vital for creating competitiveness and employment. SMEs being the backbone of European economy appear to have played a significant role in the recovery from the global economic crisis since 2008. SMEs are perceived as one of the ‘driving forces’ of modern economies because of their contribution to technological upgrades, product innovation as well as export promotion. SMEs are distinguished by their ability to foster innovation which is relevant since it improves not only their own competitiveness, but also the entire industry via linkages and knowledge spill-overs with other firms (Wymenga et al., 2012).

In recent decades SMEs have played a vital role for the economic development of Sweden. According to the survey on Swedish SMEs, they present 99.9% of enterprises in Sweden and constitute about 60% of total value added which makes SMEs a crucial part of the Swedish economy (Swedish Agency for Economic and Regional Growth, 2011a). Additionally, due to tough international competition, rapid technological development and cumulative significance of the service sector it can be stated that the impact of small businesses will remain steady and even increase in the future (Företagarna, 2012).

Although new markets have become ultimate attractions for SMEs to invest since they offer great growth opportunities (Cavusgil et al., 2002) at the same time they present numerous barriers to expand due to highly dissimilar market characteristics (Meyer, 2001). This causes challenges for SMEs which have become more active actors in the global marketplace and want to benefit from the business potentials offered. They are affected and challenged by globalization and divergent business environments to a
greater degree than larger corporations which have already acquired international experience (Cavusgil et al., 2002; Gjellerup, 2000).

Not only the external forces present different hurdles for Swedish SMEs in international operations, but also their distinctive characteristics such as the small corporate size, lack of financial and managerial resources resulting in growing competition from other companies, challenges in attracting external financing, the burden of paying high interest rates on loans in comparison with large enterprises, barriers to grow and, most importantly, difficulties in developing and maintaining stable business relationships with their counterparties (Företagarna, 2012).

1.1.2 The concept of de-internationalization

The early 1990s presented handful of examples of large multinational companies, such as IBM and Digital, restructuring their global operations, a common consequence of which was reduced activity or total withdrawal from foreign activities (Benito and Welch, 1997). Even nowadays this phenomenon is present in business arena both in case of big multinationals and SMEs. One such example of big multinational is recent sell-off of Kodak film business due to the struggle by the company to adapt to changing times with the aim to reorganize under bankruptcy protection (Spector and Mattioli, 2013). Although the number of empirical studies regarding SMEs restructuring their activities by decreasing market commitment or totally exiting foreign markets is relatively scarce, there is some relevant empirical evidence such as the cases on de-internationalization of SMEs discussed by Reiljan (2004), Matthyssens and Pauwels (2000), Crick (2002) etc.

The term “de-internationalization” was first introduced by Welch and Luostarinen (1998, p.37) who argued that there is no inevitability in continuity of internationalization process which is supported by Van den Berghe (2001, p.6) stating that “de-internationalization is an incremental part of the internationalization processes”. Therefore this phenomenon can be regarded as the continuity or reversal of the internationalization process (Drogendijk, 2001; Turcan, 2003). Another underlying definition is provided by Mellahi (2003, p. 151) who describes de-internationalization as “a voluntary process of decreasing involvement in international operations in response to organizational decline at home or abroad or as a means of enhancing corporate profitability under non-crisis conditions”. Although it can be argued that this
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definition does not include every aspect of the de-internationalization, e.g. the role of involuntary factors and economic turbulence, it still captures the main idea which is the willingness or the preferred strategic choice of a firm to decrease its international involvement.

Given this perspective, Benito and Welch (1997) recognized the importance of differentiating the de-internationalization of a firm in terms of degree of de-investment of foreign activities. Thus the de-internationalization process can be divided into partial and full de-internationalization. In the latter case, a firm can either reduce foreign operations in the target market or switch to lower commitment entry modes. A company may reduce its foreign operations by focusing, for instance, on an earlier version of the product, providing services, divesting a brand, re-organizing, or protecting itself while keeping the structures it built in a foreign market (Johnson, 1990).

There are several different reasons why enterprises decide to de-internationalize a number of which is discussed in the literature covering divestments and export withdrawals. The authors covering the field of de-internationalization use different ways to analyze the motives of de-internationalization. The authors from the 1970s (Nees, 1979; Boddewyn, 1979) distinguish mostly economic factors to explain the de-internationalization reasons whereas more recent literature rather focuses on the behavioral patterns. For instance, Pauwels and Matthysens (1999) which studies export withdrawal, applies cognition and behavioral theories to describe the organizational processes related to the strategic decision of reducing involvement in foreign markets. These factors are also discussed to a certain extent by Reiljan (2004, 2009) who stresses the importance of gradual increase in knowledge to analyze the de-internationalization motives. According to this analysis, Reiljan (2004, 2009) clusters the motives into involuntary (forced by the actions of the host country government) and voluntary which includes strategic withdrawals from the foreign market(s). As a matter of fact, by de-internationalizing firms may indeed adjust previously made errors, e.g. having internationalized too quickly, committing immoderate amount of resources etc. Moreover, when a company changes the foreign market servicing mode and/or withdraws from a foreign market and focuses on serving the domestic market only, its involvement in and exposure to the current cross-border activities might actually increase. As a result, it might be argued that despite decreasing the level of internationalization, the overall growth of the firm would be towards an increased level of cross-border activity (Johnson, 1990). Therefore managers’ decision to either reduce
the international involvement or leave foreign market completely should not beforehand be viewed as a failure (Pauwels and Matthyssens, 1999).

1.1.3 Network approach

Firms in business markets do not operate in isolation, but are tied with one another and can undoubtedly be considered within a context of connected network relations (Anderson, Håkansson and Johanson, 1994). According to Blankenburg-Holm et al. (1996), these complex cooperative relationships can be better understood if they are analyzed in the context of a network. The network comprises of the direct and indirect relationships that a firm keeps with its suppliers and customers, as well as with other organizations such as financial institutions, government authorities and development partners. Therefore what one party does in a particular business relationship will also have impact on what happens in its relationships with other counterparts. One also has to emphasize that the network similarly consists of the relationships between firms with which the focal firm has no direct interaction, but which can determine its way of doing business (Ford et al., 2011). Networks of relationships have their own dynamics and each enterprise and its relationships are a part of the pattern of influence and change that flows through them. Therefore the state of a network and the direction of its evolution is the result of the actions and motivations of many different companies, some of them operating on their own and some jointly (Ford et al., 2011). Given this perspective, the tendency of companies to determine their exchange conditions and form new linkages while terminating others gives an impulse to explain the process of reduction of international involvement (Turcan, 2003).

1.1.4 Business relationships

No company is able of developing and implementing its own strategies based on its own resources and capabilities, only taking into consideration its own independent competencies. Each enterprise in the business arena is interdependent with many others. These interdependencies greatly affect strategies, operations and ways of selecting suppliers and other development partners. Existing interdependencies form a basis for the emergence of business relationships where companies expose themselves to a challenge to further adapt, and develop their resources and capabilities towards each other and thus create value for themselves and others (Ford et. al., 2011).
Various definitions of business relationships are present in the literature most of which commonly distinguish such characteristics as “long-term” or “lasting” relationships but sometimes they appear to be the aim of the establishing a relationship while in other cases they are viewed as the outcome of a relationship (Blois, 1998). These relationship attributes are supported by Blankenburg-Holm et al. (1999, p.468) who define business relationships as “extremely important long-lasting exchange relations between two firms doing business with each other”. Other features of business relationships are discussed in Johanson and Mattsson (1987) who distinguish such attributes as dependence, bonds, investment etc., which characterize a business relationship which in turn conditions the interaction among firms.

According to the interaction approach developed by the European International Marketing and Purchasing (IMP) Group, business relationships emerge as a result of interaction between the parties doing business together and form a framework within which these interactions take place (Ford, 1990; Häkansson, 1982). IMP empirical observations demonstrate that the relationship interaction between firms is not only a matter of buying and selling - on the contrary - interaction encompasses complex patterns of information exchange concerning the firms' needs, capabilities and strategies in regards to production, logistics, development, quality etc. (Axelsson and Easton, 1992). Business relationships are quite simply the cornerstone of business enabling the companies to access the resources and capabilities of other parties, save time and costs in producing and delivering, make profit as well as develop and buy the products, services and facilities they need. But at the same time business relationships are also the source of many of the problems that managers face: business relationships take a long time to develop; they require investment and maintenance and mean that a company’s success highly depends not only on its own efforts but also on the efforts and expectations of others (Ford et al., 2011).

Business relationships is a matter of great relevance especially for SMEs due to their distinctive characteristics, e.g. lack of financial and human resources, insufficient specialized management skills etc. As a result, developing and maintaining business relationships requiring considerable investments and time may evoke significant difficulties for SMEs to deal with and may precipitate their decision to exit the target market (Buckley, 1999). For this reason, in order to achieve a good business performance, managers need to control the establishment and development of relationships as well as their termination. It will greatly affect the business actors
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themselves in terms of their future profitability, reputation in the market or ability to handle other relationship dissolution situations in the future (Ford et. al., 2011).

1.2 Problem discussion

Considerable attention in business research has been dedicated to de-internationalization processes in the context of multinational corporations and only insignificant number of studies are conducted on SMEs which calls for more theoretical and empirical evidence. Therefore Swedish SMEs, being of significant importance to country’s economy and accounting for a major part of enterprises as mentioned previously, deserve a deeper look in terms of reducing their involvement into foreign markets.

Apart from common categorization of underlying motives for the companies to reduce their involvement in foreign markets, e.g. external/internal, voluntary/involuntary etc. (Boddewyn, 1979; Reiljan, 2004, 2009)), business relationships as a way to analyze the triggers to de-internationalize under non-crisis conditions, to the best of our knowledge, has not been taken into consideration by business scholars. A new area of research could be to find the linkage between the constructs of business relationships (Johanson and Mattsson, 1987; Wong et al., 2010) to the process of de-internationalization using the key factors of internationalization developed by Johanson and Vahlne (2009) in their revisited Uppsala model.

Although the existence of business relationships and their role between companies have received growing attention and have been a focus of numerous studies in Europe (e.g. Johanson, 1994; Håkansson, 1982; Gadde and Mattsson, 1987; Hallen and Johanson, 1989), their complex structure affecting companies’ interaction and reciprocity in terms of reducing involvement in foreign operations, are not distinctly conceptualized in international business research. Most importantly, business relationships being carefully developed and leveraged by SMEs with foreign, independent intermediaries due to their distinctive characteristics, as mentioned previously, play a critical role in the decision-making process to move into or out of the target market (Kuhlmeier and Knight, 2010). Therefore the deterioration of the relationships or complete termination of them might be a logical reason to withdraw from foreign market operations which requires considerable attention in the context of de-internationalization.
1.3 Problem definition

1.3.1 Research question

Main research question: *How do business relationships influence the decision of Swedish SMEs to de-internationalize?*

1st sub question: *How do the constructs of business relationships affect the key factors of internationalization?*

2nd sub question: *How do the key factors of internationalization influence firms’ decision to de-internationalize?*

In order to answer the main research question the foundation of business relationships affecting SMEs’ interaction with the development partners leading to de-internationalization needs to be defined and discussed. The change in each of the key factors of internationalization influenced by the constructs of business relationships which have led to the strategic decision by the companies to reduce their involvement in foreign operations shall be also explained.

1.3.2 Purpose of the paper

This study aims to examine business relationships as another way to analyze the motives by firms to de-internationalize. This is being achieved by finding a link between business relationships and de-internationalization process looking at the constructs of those business relationships and their effects on the key factors of internationalization. Last but not least, the de-internationalization process is attempted to be described as a result of the combination of these latter key factors of internationalization.

1.3.3 Delimitations

The delimitations of the study have been set mostly due to the limited time, lack of financial resources and geographic location. The main focus in the thesis is dedicated to business relationships which are viewed per se as distinct entities instead of in the context of the network of interdependent relations as suggested by Blankenburg-Holm et al. (1996). Thus, this work does not include studying other existing business relationships in the network that might affect or be affected by the business relationship in question.
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Additionally, as this study puts considerable attention to the business relationships, more precisely, to the constructs of them and their reciprocity leading to firms’ choice to de-internationalize, it excludes the decision making process or strategy changes and alternatives by focal firm to reduce its involvement into foreign market(s). Lastly, the authors of the thesis do not aim at looking into external environment which might determine the effects the different constructs of business relationships produce on the key factors of internationalization and then in turn on the decision by firms to reduce their involvement in the foreign market.
1.4 Thesis outline

**Introduction**

In the first part of the thesis the background description of the main concepts used as well as the purpose and the research question of this paper are presented.

**Methodology**

In the second part the authors describe the chosen method of the study and the validity and credibility issues. The reasoning of the adopted structure and sequence of conducting the research is also provided.

**Theory**

In the 3rd part of the study the main theoretical concepts are presented and defined. For analyzing the empirical data a conceptual model has been developed employing all the main theoretical concepts discussed.

**Empirical Data**

In the part 4 the empirical data from the interviews conducted with three Swedish SMEs is provided for the reader.

**Analysis**

In the 5th part of the study the analysis and discussion has been conducted on the empirical data from the part 4 using the conceptual model developed in the part 3.

**Conclusions**

Finally, the last part of the thesis comprises of conclusions based on the analysis in the part 5 and provides the reader with the answer to the research questions.
2. Methodology

The following chapter consists of a description of the methodology used to answer the research question addressed in the introduction. This will be achieved by explaining the choices made by the authors of this paper which are supported by the theory developed by various scholars (Merriam, 2008; Alvesson and Sköldberg, 2000; Dubois and Gadde, 2002; Yin, 2003 etc.).

2.1 Research approach

Alvesson and Sköldberg (2000) distinguish two different self-excluding ways to make a research - the induction and deduction. The latter authors explain that the inductive approach takes its roots in empirical data and then makes a generality as well as forms proposition from practically analyzed cases. The deductive approach, on the other hand, starts by looking into the theory and uses general rules from this theory to formulate hypotheses and propositions. These hypotheses and propositions are then tested with the help of practical information. This paper has been written following the deductive approach. The choice has been made following the logic of the research question which aims to analyze a single phenomenon, therefore the partiality and subjective perception of the researcher will be reduced since the case study will be analyzed according to a well anchored theory (Alvesson and Sköldberg, 2000). In order to reduce the lack of explanation that the deductive approach may bring, which is argued by Alvesson and skölberg (2000) to border the analysis on the empty, the authors of this paper have chosen to apply some processes of a third research approach called abduction. The process used to increase the depth of the findings and analysis is matching the theory with the reality. This match between theory and reality is explained by Dubois and Gadde (2002) as one of the main characteristic of the abductive approach.

The process used for the theory to fit the reality is called “learning loop” and is explained by Dubois and Gadde (2002) as being a continuous process of direction and redirection between theory and empirical data. The first step of this process has been employed by the authors of this paper who have sharpened the theory according to the preliminary findings collected during the interview. The abductive approach has, however, neither been favored nor used to its full extent in this paper. The main reason for this choice is that the focus of this study (i.e. the de-internationalization of firms) does not fit with the complete definition of this “learning loop”. Since the “learning
loop” is a continuous process of adapting the theoretical framework in accordance to the empirical findings, therefore the change made in the theoretical framework in turn should be directly confronted with the empirical findings and backwards (Dubois and Gadde, 2002). However, as the choice of the authors has been made to study a “still” case as explained further under the research strategy, this process of going back and forth between the theory and empirical data cannot be followed, therefore the abductive approach in this paper will not be applied to its fullest extent.

2.2 Research method

Merriam (1998) explains that every person doing investigation should start its project by defining the orientation of his work. In order to do so one has to decide which of the two different approaches, the qualitative and quantitative studies, he has at his disposal to best answer its research question. Merriam (1998) differentiate them by defining the goal of investigation. Quantitative studies tend to predict, control, and confirm some hypotheses. On the other hand, the qualitative studies focus on the understanding and discovery. Due to the fact that this paper tends to understand the factors influencing the de-internationalization process, the choice has been made to conduct a qualitative study. One of the main characteristics of the qualitative method is its ability to generate assumptions (Merriam, 1998). This is supported by Ghauri and Grønhaug (2005) who explain that qualitative methods are more useful than quantitative studies when analyzing a social process because they offer elaborated details and deep understanding. This characteristic enhances the choice made to use a qualitative study because this report aims at analyzing relationships between actors, therefore a social process, which needs a detailed situation to be understood. Another difference is that qualitative research, as the opposite to quantitative, rather than isolating variables and focusing on specific factors, generally demonstrates a preference for viewing things in a context and stressing how things are related and interdependent with each other (Denscombe, 2003). Thus since this study attempts to exhibit the mutual reciprocity of the constructs of business relationships rather than looking at them as separate units on their own, the qualitative approach has been considered as the most relevant approach to use.

Additionally, according to Denscombe (2003), while large scale studies are more applicable to large numbers and greater quantities in statistics, therefore quantitative approach, qualitative research mainly tends to be associated with small scale studies which goes in accordance to this study delimitations, especially the limited time to
2. Methodology

analyze the empirical data. The last reason to follow a qualitative study in this paper is that, as explained previously, the theory developed has been modified at the same time as the data was being collected. This idea that qualitative study suits better emergent theory is supported by Denscombe (2003) who claims that the theory development is part of an ongoing process when conducting qualitative studies.

2.3 Research strategy

Five different types of research strategies which can be used to conduct research have been identified by Yin (2003) namely: experiment, survey, archival analysis, history and case study. In order to find the most suitable research strategy Yin (2003) offers three different features to differentiate which strategy a study should follow. It starts with the form of the research question. The second point raised by Yin (2003) concerns the need for the researcher to control the behavioral events. The last condition is linked to the time when the analyzed event takes place.

The case study as a research strategy has been favored for investigating the empirical world during this paper. This choice has been made following the three previously mentioned characteristics. Indeed, the research question raised in this paper is formulated with a “How?” Moreover, the authors do not have the control over the behavioral events and finally the focus is on the contemporary set of events. When a study answers these criteria, the most suitable kind of research strategy is the case study (Yin, 2003). The same author ends his argumentation by stating that different research strategies can be suitable to conduct the investigation since these strategies are overlapping with each other, therefore the previously mentioned criteria have to be seen more as a guideline rather than as a rule of thumbs.

One of the advantages of using a case study is raised by Weick (1979, p.37) who states that “findings are unstable over time.” Therefore case studies which analyze a “specific problem at a certain time” are interesting tools for the interpretation of particular case. The specific problem in this study is linked to the de-internationalization whereas the certain time is found in the definition of the de-internationalization which points out that this phenomenon is being analyzed during a period of non-crisis, thus the case study is a proper choice for conducting the research strategy. Another positive point regarding the case study as a research strategy is emphasized by Yin (2003) who argues that there is a direct observation of the event and at the same time there is also an interview of the persons directly involved into this event. This element is particularly relevant in this
study since the field of research is the business relationships which can be interpreted through social science therefore speaking with the actors which were directly involved in the set of events provide the authors with a better and more accurate understanding of the situation.

2.3.1 Case study design

Yin (2003) has designed a method which distinguishes the case study design using two different features. The first characteristic raised is the number of unit of analysis. A case study can either have a single unit of analysis or a multiple units of analysis which can be seen as embedded. An example of embedded case study design is when various subunits are involved in the research. The second characteristic concerns the number of cases used. Once again the differentiation is made in the amount of case studies used and can thus be either a single case study or a multiple case study (Yin, 2003).

The research question that this paper addresses concerns relationships between actors. A relationship can be seen as the connection involving two or more actors. Therefore, in order to have the most accurate picture, the case study design of this paper should include the same number of units of analysis as the number of actors involved, thus having an embedded case study. However, due to the delimitations of this research, especially the limited time, the decision has been made to have only one unit of analysis which will be the de-internationalizing company. Nevertheless, in order to have a more accurate overview of the situation several case studies have been taken into consideration and therefore the design is seen as a multiple case study. The main advantage of multiple case study design is that the evidence found during it is often considered as “more compelling” (Yin, 2003). Therefore Yin (2003) using Herriott & Firestone (1983) argues that the general study on itself offers a more solid grounding when it is based on more than one source.

The multiple case study conducted in this paper is based on the empirical findings obtained from the interviews of three different companies. The choice to analyze three companies has been made due to irrelevance of the findings that a fourth company would have contributed to as well as due to the practical delimitations of the project, mainly the limited time frame.
2. Methodology

2.4 Selection of case companies

The selection of case companies is an important part of the data collection since the suitability of the findings will be directly related to this choice (Yin, 2003). Merriam (1998) explains that in order to select the right case the researcher has to prepare a list of criteria that the case has to fulfill. Scholars suggest different views of the criteria which can be used when selecting the case companies (Yin, 2003; Merriam, 1998 etc.). However, an important point is raised in Merriam (1998) which states that the criteria have to define the unit of analysis and fit the purpose of the paper. In order to fit the aim of this study and go in accordance with the delimitations, the companies selected had to be Swedish SMEs present globally and selling products in a business to business mode. In order to narrow the unit of analysis it has been chosen that these companies had de-internationalized from a foreign market. This reduction of commitment must have taken the form of changing their entry mode from a foreign direct investment (i.e. sales subsidiary) to a non-equity mode (i.e. agent, distributor, etc.). Therefore the business relationship of main focus will not be between a buyer and seller but rather involve a seller and a middleman. Although relationships include two or more parties, the last choice made is to analyze only one due to the previously discussed study delimitations.

2.5 Data collection

In order to build up a convincing and reliable study justification the researcher needs to look into different types of sources (Yin, 2003). According to Yin (2003), the findings and conclusions are seen as being more “convincing” and “accurate” when the research is based on several different sources of information which are built on each other. The data can be clustered in two types: secondary data, or already existing information, and primary data - new knowledge created for the purpose of the study. Yin (2003) offers six different sources of evidence where the data can be found: documentation, archival records, interviews, direct observations, participant-observation and physical artifacts. The two first sources of evidence are often used as a secondary data due to their nature while the last four are likely to be used as a primary data. In order to be as consistent as possible this paper has employed both primary and secondary data. The method used to collect this data will be further discussed in the following sub points.
2. Methodology

2.5.1 Secondary data

Merriam (1998) describes the secondary data as the information which has not been collected directly for the specific purpose of the study. One of the advantages of using secondary data is that the collection of this information has not been affected by the research process and is therefore not affected by the bias linked to the set of mind of the researcher (Merriam, 1998). One downside of using secondary data is the fact that information has not been directly collected for the purpose of the study therefore might not fit the entire need of the secondary user (Merriam, 1998). Moreover, since this secondary data has been collected by different authors, the reliability of the sources can be arguable (Merriam, 1998), therefore the researcher has to be really careful when selecting them.

In this paper secondary data has been mostly used to make a thorough theoretical framework and to broaden the understanding of the authors of this study. Therefore the research by various authors coming from different highly-ranked business marketing journals has been taken into consideration while building the argumentation for the theory chapter (e.g. Johanson and Vahlne, 2009; Blankenburg et al. 1996; Johanson and Mattsson, 1987; Benito and Welch, 1997; Pauwels and Matthyssens, 1999 etc.).

2.5.2 Primary data

The primary concern of the researcher when gathering primary data is to find relevant information to answer the research question of the study (Merriam, 1998). The advantage of collecting primary data is that it usually perfectly suits the research topic since it has been collected to meet its purpose (Merriam, 1998). Yin (2003) points out a disadvantage of using primary data by arguing that the researcher’s interpretation might bias the evidence and influence the direction of the findings and conclusions. In order to reduce this bias Yin (2003) offers a view of the different skills that a good investigator should possess. It starts with the ability of the searcher to ask reasonable questions and to listen carefully to the answers. The investigator must also be well-prepared but at the same time flexible and adaptive. The last point raised by Yin (2003) is that a person should be “unbiased by preconceived notions”. In order to reduce the searcher’s bias previously mentioned skills have been kept in mind while gathering the primary data for this research paper.
2. Methodology

2.5.3 Interviews

As pointed out previously, four different kinds of data can be used as a source of primary data: interviews, direct observations, participant-observation, physical artifacts (Yin, 2003). Due to the purpose of this research which concerns business relationships and the delimitations of this study, mostly the time frame, the authors of this paper have preferred to collect primary data through a social process. Therefore a set of interviews have been conducted in order to collect empirical data. Using interview as a method for collecting data will provide the paper with several advantages. These advantages are present due to the nature of the interview itself. Yin (2003) distinguishes three different kinds of interviews: open ended, focused interview and formal “survey”. Due to the deductive approach chosen by the authors to answer the research question the focused interview has been favored. This is supported by the fact that focused interview serves the purpose of corroborating certain facts (Yin, 2003) which in this study is the conceptual model. Moreover, this focused interview can also be of an “open ended” nature which leaves the respondent to express his/her own point of view and insight on a series of events (Yin, 2003). This element is of relative importance for this study since it aims at examining the business relationships that are considered as a social process where feelings and emotions take place. Therefore the research will greatly benefit from investigating the thoughts of a person who was directly involved in the set of analyzed events. In order to follow the focused interview a guidelines of questions has been drawn (see Appendix 1) which ensures that various facts which needed to be corroborated are answered by the respondent. In addition to that, the interviewers have tried to be as genuinely naive as possible during the interviews so that the respondents have been able to provide a fresh view on the discussed questions. The interviews were conducted in three different companies with the sales managers responsible for the different target markets. More information about the interviews can be found below.
### 2. Methodology

<table>
<thead>
<tr>
<th>Company’s name</th>
<th>Norden Machinery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>Kalmar Sweden</td>
</tr>
<tr>
<td>Field of business</td>
<td>Tube filling systems</td>
</tr>
<tr>
<td>Number of employees</td>
<td>225</td>
</tr>
<tr>
<td>Interviewee’s name</td>
<td>Lars Hammarstedt</td>
</tr>
<tr>
<td>Interviewee’s designation</td>
<td>Sales and Marketing director</td>
</tr>
<tr>
<td>Interview Date</td>
<td>April 19, 2013</td>
</tr>
<tr>
<td>Interview Place</td>
<td>Norden Machinery Head office, Kalmar</td>
</tr>
</tbody>
</table>

Table 1. Norden Machinery

<table>
<thead>
<tr>
<th>Company’s name</th>
<th>SlipNaxos AB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>Västervik, Sweden</td>
</tr>
<tr>
<td>Field of business</td>
<td>Construction – Supplies and fixtures</td>
</tr>
<tr>
<td>Number of employees</td>
<td>189</td>
</tr>
<tr>
<td>Interviewee’s name</td>
<td>Anders Jonsson</td>
</tr>
<tr>
<td>Interviewee’s designation</td>
<td>Marketing Manager</td>
</tr>
<tr>
<td>Interview Date</td>
<td>April 23, 2013</td>
</tr>
<tr>
<td>Interview Place</td>
<td>Head office, Västervik</td>
</tr>
</tbody>
</table>

Table 2. SlipNaxosAB

<table>
<thead>
<tr>
<th>Company’s name</th>
<th>Yaskawa Nordic AB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Location</td>
<td>Kalmar, Sweden</td>
</tr>
<tr>
<td>Field of business</td>
<td>Metal Supply</td>
</tr>
<tr>
<td>Number of employees</td>
<td>175</td>
</tr>
<tr>
<td>Interviewee’s name</td>
<td>Johnny Jarhall</td>
</tr>
<tr>
<td>Interviewee’s designation</td>
<td>Sales and Marketing director</td>
</tr>
<tr>
<td>Interview Date</td>
<td>May 15, 2013</td>
</tr>
<tr>
<td>Interview Place</td>
<td>Sales and Marketing office, Kalmar</td>
</tr>
</tbody>
</table>

Table 3. Yaskawa Nordic AB
2.6 Data analysis

Yin (2009) explains that four different general strategies exist to analyze the data collected during a qualitative study: relying on theoretical propositions, developing a case description, using both qualitative and quantitative data and examining rival explanations. Since this paper is based on theoretical grounding from which the research questions have been formulated, the authors have favored to rely on “theoretical propositions”. Using this method, according to Yin (2003), helps the researcher emphasize the importance of certain data and reduce the extent of secondary information. This has contributed to having a clear and concise focus during the analysis. Moreover, one of the outcomes of analyzing the data according to theoretical propositions is that the findings and conclusion provide us with theoretical implication rather than managerial ones.

Alongside these general strategies Yin (2003) also adds five specific analytic techniques which should provide the researcher with “compelling” case studies. However, Yin (2003, p.116) warns the researcher of the difficulties to use them and suggests starting “modestly” build his/her “own analytic repertoire over time”. For this reason and due to the limited background of the researcher the decision has been made to apply only general strategy of data analysis which ensures a clear general overview of the findings in this paper.

2.7 Research quality

According to Yin (2003), since a research design is supposed to follow a certain guidelines, the quality can also be judged by using certain logical tests. Merriam (1998) describes three tests which can be used to grade the quality of the research: internal validity, external validity and reliability. It is also explained in Merriam (1998) that the reliability and the validity can be evaluated by the study conceptualization and how the data was collected, analyzed and interpreted. The last aspect raised by Merriam (1998) in order to judge the quality of the research is to put special attention to the way the findings are presented.

2.7.1 Internal validity

According to Merriam (1998, p. 201) the internal validity is directly linked to the questioning of “how well the research findings match reality.” In order to enhance the
2. Methodology

internal validity Merriam (1998) offers six different tracks which can be looked into. The research conducted in this paper applies three of them.

The first is the triangulation which means that the researcher is using various sources of data investigators and methods to confirm the validity of the findings. This is supported by Yin (1998) who claims that increasing and combining the amount of sources of evidence will increase the converging lines of inquiry and therefore increase the validity of the findings. The authors of this paper are using the triangulation method due to the key study design. Indeed, instead of using a single case the authors have chosen to increase the number of sources concerning their analysis by conducting a multiple case study. The second method raised is called members check. This method entails the people from whom the data is coming from and asks them if the results are likely to be plausible (Merriam, 1998). In order to follow this method, the authors have provided the findings of their analysis to the three interviewed case companies. The last technique to increase the internal validity argued in Merriam (1998) is to provide the reader with the researcher’s bias which has been achieved by emphasizing the assumed views made by the authors along the paper.

2.7.2 External validity

The external validity as well as internal validity refers to the findings. The external validity is explained by Merriam (1998) as how far the findings made during the study can be applied to other situations.

It is argued by the latter author that the purpose of qualitative study is to choose a precise situation because the ultimate goal of the researcher is rather to understand this particular case in depth than prove a statement which is generally true. Since the nature of qualitative study is opposed to the external validity, most of the scholars (Merriam, 1998; Yin, 2003) agree that the definition of external validity cannot be applied to qualitative studies. For this reason Merriam (1998) proposes the idea that even if there is only a few cases which are similar, one must still be able to link them together. In order to ensure this, it is argued that various elements constituting the research must be described as thorough as possible (Merriam, 1998). For this reason the detailed description of the findings is provided using exact facts, quotations, terminology, dates and set of events.

Another method to increase the external validity is instead of choosing a single case study as sampling the researcher should try to add other similar cases which reproduce
2. Methodology

the same phenomenon. Merriam (1998) here points out that using a similar analytical framework and process for analysis increases the generalizability of findings. This paper applies a multiple case study and seeks to analyze three different sources of evidence with the same constructed conceptual model.

Moreover, the last way to increase the external validity is to make a thorough description of the criteria used to select case companies. This is supported by Merriam (1998) who proposes that narrowing down the choice of case companies will increase the similarity of the sampling and thus enhance the chance of finding similar results between the cases. For this reason various criteria to select the case companies have been formulated in the case selection part.

Due to these three different aforementioned aspects the external validity of the findings made during this study can be regarded as enhanced.

2.7.3 Reliability

In addition to the internal and external validity, a third method to rank the quality of a research paper is reliability. The reliability is a concept which refers to the replicability of the event. In other words, would the study provide the researcher with the same results as if it was repeated (Merriam, 1998). The same author continues argumentation by stating that reliability is seen as problematic in the field of social science because human behavior is never static and one cannot predict it. Furthermore, Merriam (1998, p.206) consolidates her concern by proposing that since the design of qualitative study needs prior control, the “replication of a qualitative study will not yield the same results.” However, this does not affect greatly the overall study results because several interpretations of the same data can be made. Besides, the analyzed findings remain unarguable until directly contradicted by new evidence (Merriam, 1998). In order to increase the reliability Merriam (1998) suggests looking into the consistency as stated in Lincoln and Guba (1985, p.288.) and asking the question “whether the results are consistent with the data collected?” In order to increase the consistency of the results found, this paper has chosen to follow a multiple case study design by interviewing three different companies. Additionally, the data collected and analyzed coming from various sources plays an important role on increasing the consistency of the findings.

Nonetheless, Yin (2003) has a “softer” opinion on reliability and stresses that in order to increase the reliability a different study has to be conducted which would offer the same results as in the first instance. Yin (2003) states that in order to achieve it a study has to
be well-described and documented to increase its replicability. To ensure the reliability of this paper all the processes used during the investigation and analysis have been explained in this chapter. A precise description of how the data was collected is found on a separate section of methodology, furthermore, the standardization of the interviews which were recorded is presented in the appendix.
3. Theory

This chapter provides the reader with an overview of the theoretical concepts used and further presents a framework of what has been found relevant for working on this paper. The theoretical background presented by the authors of this thesis is mainly built on the research done by IMP Group and, most importantly, on the Uppsala revisited model developed by Johanson and Vahlne (2009). The approach presented by mentioned authors here acts as a cornerstone for building argumentation and setting boundaries for the conceptual model where business relationships are seen as critical elements for successful internationalization.

3.1 De-internationalization

So far most of the literature on the internationalization of firms has mainly focused on the positive development of international business operations. Considerable number of studies have investigated various steps companies take from not being involved in international operations at all to becoming big multinationals (Welch and Luostarinen, 1988; Johanson and Vahlne 1977, 1990; Benito and Welch, 1994), the factors affecting companies' choice and change of entry modes in foreign markets (Benito and Welch, 1994; Benito, 1997a, 1997b), the factors that may influence the success of foreign activities (Madsen, 1987). Research on the withdrawal or exit from foreign operations has undoubtedly received far less attention mainly because of the negative and undesirable attributes associated with this issue. Mellahi (2003) justifies this lack of research by three factors; the disgrace of failure leading to businesses eliminating these international activities from their corporate memory, tendency by personnel from these failed operations to move on and the absence of any artifacts to apprise the researchers. These propositions basically explain why past research on de-internationalization has been mostly qualitative (Burt et al., 2002).

The literature on de-internationalization suggests rather limited explanation of the processes that generate it. Nonetheless, a common view within the literature sees de-internationalization as a reflection of managerial adaptations responding to environmental triggers (Welch and Luostarinen, 1988).

Given this perspective, Benito and Welch (1997) put the basis for developing a conceptual framework to explain the process of de-internationalization and proposed the possibility, that terminating international activities decreases as the commitment to
these activities increases. Thus they perceived de-internationalization as advanced internationalization which should be viewed in a broader perspective of the overall strategy of a company.

While aiming to conceptualize this phenomenon one has to emphasize that the concept of de-internationalization to certain extent is dissimilar from divestments and export withdrawals. Nevertheless, as argued by Reiljan (2004, 2009), all of these concepts are composed of common activities which can be: 1) voluntary or involuntary in nature, 2) total withdrawal or reducing involvement in particular market, 3) followed by re-internationalization. However, the critical characteristic of de-internationalization is that it can be analyzed in a few different dimensions such as foreign market servicing mode, target markets, products whereas both export withdrawals and divestments focus solely on the operational mode aspect (Reiljan, 2004, 2009).

De-internationalization has been researched from various perspectives among different fields that contributed to an understanding of the triggers and circumstances of its development. One such contribution regarding de-internationalization actions especially those leading to the divestment of foreign business units is from a strategic management perspective. Here Harrigan (1980) using a product life-cycle approach proposes that reducing involvement can be seen from a strategic point of view as an option for "declining" industries. Similarly, from a corporate portfolio perspective a firm can be defined as a portfolio of assets and activities which require to be continuously reviewed from both financial and strategic viewpoints (Chow and Hamilton, 1993).

The internationalization-management perspective as another important contribution in research on companies' international operations in regards to explanation of some of the triggers helping the company move forward outside its home market borders is also of particular interest (Johanson and Vahlne 1977, 1990; Luostarinen, 1979). Hereof Benito and Welch (1997) argue that learning-by-doing, stressed in the literature on internationalization as one of the keys to understanding the ability of firms to develop continuously, and could also infer that learning from mistakes, failures would consequently result in some reversals over time during the process of international growth. They state that firms indeed learn from mistakes and tailor their strategic behavior; therefore reversals cannot always be viewed as the triggers for de-internationalization (Benito and Welch, 1994). Nevertheless, it is self-evident that under certain conditions reversals are seen as a response to the need to reduce involvement or
in the extreme case to withdraw from international activities completely (Benito and Welch, 1997).

3.1.1 Motives for de-internationalization

Investigating the underlying drivers of why and how SMEs can reduce or even withdraw from international activities may provide the reader with a better understanding of a more holistic internationalization process of the small firm (Pauwels and Matthyssens, 1999).

There are several different classifications of reasons of divestments and export withdrawals. Apart from the broad categorization of motives to de-internationalize, Boddewyn (1979) divides these reasons into seven groups as follows: 1) financial issues, 2) poor pre-investment analysis, 3) unfavorable economic conditions, 4) lack of fit and resources, 5) structural and organizational factors, 6) external pressures and 7) foreignness and national differences. According to Reiljan (2004), these factors can logically be divided into two categories: mistakes in pre-internationalization decisions (voluntary factors) and changes in target market environment (involuntary factors).

The first group of triggers, i.e. poor pre-investment analysis, lack of fit and resources, structural and organizational factors, usually applies to those companies that are inexperienced in international contexts. Absence of careful target market selection process and undervaluation of the significance of comprehensive analysis of the target market might in most of the cases be the cause of a market exit. Poor decisions or lack of knowledge how to collect relevant market information or, under certain circumstances, lack of resources to acquire and analyze this information also constitute the motives to withdraw from foreign operations (Reiljan, 2004).

Apart from poor preparation to enter the target market, managerial abilities to make adjustments according to the market needs have been also considered to have a significant impact on firms’ decision to withdraw (Welch and Wiedersheim-Paul, 1980). Therefore it is of utmost importance to keep the company updated with the changes in target market conditions (Reiljan, 2004).

Empirical evidence suggests that the major reasons to reduce firms’ commitment in foreign markets are internal which could be eliminated by thorough market research and proper planning before involving oneself into commitment in a venture (Luostarinen, 1989). However, it is often believed that the need for detailed market selection and analysis appears only in the case of a poor firm’s performance. Therefore it is often
3. Theory

easier to exit the market than find alternative solutions for improving the performance (Tornedon and Boddewyn, 1974).

Most of the research on de-internationalization motives focuses on negative changes in external conditions such as unfavorable economic conditions, external pressures, foreignness and national differences previously identified by Boddewyn (1979) which belong to the second group of triggers (Reiljan, 2004). Here Vahlne and Nordström (1993) name other external forces such as global standardization of products, economies of scale, and decreasing transportation costs which also favor withdrawals from foreign markets. However, positive external changes may also entail partial or full exit from the foreign markets. One such example could be the growth in domestic market. For instance, Elango’s (1998) research revealed that the growth in domestic market increases the likelihood of withdrawal by firms. Moreover, what has been emphasized in Pauwels and Matthysens study (1999) is the fact that the withdrawal does not necessarily have to be a failure, but can also mean restructuring of foreign operations (Richbell and Watts, 2000) or strategic changes of the company: reallocation or concentration of resources, modification in foreign market servicing modes, and withdrawal from a target market (Benito, 1997a).

3.2 The concept of business relationships

The foundation for discussing complex business interaction, to be precise, business relationships, is primarily built by IMP Group which represents a research tradition of empirically tested studies on how different companies interact and mostly focuses on the business exchange as complex relationships between buying and selling organizations, where what is exchanged is created in interaction (IMP Group, 2013).

Interfirm relationships have attracted some great attention in the business literature by network of IMP Group researchers. Håkansson and Snehota (2002) distinguish two quite different reasons for the increasing attention among scholars. The first one is the wave of various formal cooperative ventures between businesses during the last decades. These latter ventures turned into to diverse forms of inter-company organizational arrangements which have been discussed and analyzed quite extensively. Another reason identified by the mentioned authors is the growing number of research in business-to-business markets on companies that are highly dependent on the exchange with a limited number of business counterparts, i.e. customers and suppliers with whom they develop and maintain close relationships.
The studies on the concept of business relationships have proven their unquestioned existence and significance as well as broadened general understanding of their development processes. The greatest contribution belongs to the early works done by the IMP Group which took the business relationships as a unit of their analysis rather than individual purchase or a single company. This approach was based on the belief that the crucial task of business marketer and purchaser is the management and development of relationships with its business counterparts. The empirical research done by IMP Group has demonstrated that firms in industrial markets establish, develop, and maintain long lasting business relationships with other business partners (Håkansson, 1982). This research has also proven that relationships develop through interaction which drives the parties to build mutual trust and knowledge, and that interaction presents strong commitment to the relationships (Ford, 1979).

Important to mention is that a great deal of research has been done about business relationships as a crucial part of network approach (e.g. Johanson and Mattsson, 1988; Johanson and Vahlne, 1990, 2009). According to Sharma and Johanson (1987), interfirm relationships can be seen as bridges to other networks and can help the firm in getting inside networks in foreign countries. These relationships are connected by networks which develop as a result of the interaction between businesses. The firms are engaged in networks of business relationships consisting of numerous other different firms - customers, competitors, suppliers, distributors, consultants and agents not forgetting public regulatory agencies (Johanson and Vahlne, 1990).

In addition to the network approach, a number of business marketing studies has been written in regards to the potential benefits from developing close business relationships with customers, suppliers and other business partners (e.g. Ring & Van de Ven, 1994) which have shown that these business relationships can be a source of valuable technical know-how, an important factor in developing technical capabilities of a company as well as crucial part for creating a favorable market position (Håkansson and Snehota, 2002). The handful of empirical data available today is fruitful enough to conclude on the relevance of relationships to business enterprises (Håkansson and Snehota, 1995).

### 3.3 The constructs of business relationships

If we are to understand business relationships and manage them, we need a fundamental understanding of what such a relationship consists of.
One important characteristic of the analyzed constructs of relationships the reader needs to take into account is that they cannot be considered alone. Indeed, they are all closely linked and interrelated. The literature concerning the structure of business relationships (Johanson and Mattsson, 1987) provides some interesting indications about what might be called ‘process' features of relationships, to be more precise, about the nature of the interaction processes within the relationships, how they develop and deteriorate, and what effects they have on the parties involved. Johanson and Mattsson (1987) name four features of the business relationship rationale: mutual orientation, investments, bonds and dependence. These factors are also supported by various authors in the literature which are further explained in details. Scholars have also developed many different aspects which could be used as constructs of business relationships. However, for the sake of clarity and in accordance with the results provided by conducted interviews the main focus will be dedicated to the three previously mentioned features raised by Johanson and Mattsson (1987) - dependence, bonds and investments. In addition to these aforementioned constituent elements, the fourth element - the atmosphere (by Wong et al., 2010) - is added in order to help evaluate the level of overall relationship impression and thus have a complete overview of the constructs which might affect the key factors influencing internationalization - knowledge, commitment and trust - discussed by Johanson and Vahlne (2009) as discussed previously.

3.3.1 Dependence

The first aspect raised by Johanson and Mattsson (1987) is the dependence between the actors involved in a business relationship which can be evaluated by the difference between the perceived benefits from the relationships and the trade-off offered by the flexibility. In various other definitions dependence is regarded as a concurrent of successful business relationship. Hereof Kelley and Thibaut (1978) claim that mutual dependence of companies is seen as the strength of balanced and fruitful relationship between the partners. Similarly, the role of power (a contrary of dependence) is developed by Emerson (1962) in his studies on social exchange where he suggests that dependence binding two actors together in an exchange relationship will establish its relative power. This goes in accordance with Anderson and Weitz (1992) who claim that firms bind themselves in the relationship by increasing its dependence incrementally on the other party. These binds are more than simple declarations of
commitments or promises to act in good faith. They are specific action members to a relationship (Anderson and Weitz, 1992).

In this paper, the dependence is perceived according to Andaleeb (1996) which goes in line with Emerson’s (1962) viewpoint of power, as the degree to which a target firm needs the resources provided by the source firm to achieve its goals. This concept of dependence and its contrary (power) are discussed by many scholars as being the focal aspects to explain organizational or interpersonal behaviors (Morgan and Hunt, 1994; Thorelli, 1986), therefore it is crucial to look further into this concept when analyzing business relationships.

Blankenburg, Eriksson and Johanson (1999) explain that through the ongoing interactions that two firms involved in a business relationship have, they signal each other their interest in developing their relationship further. Consequently, these interactions are closely related to the investment that companies are devoting to in order to adapt to the newly created relationship. Therefore this ongoing interaction and increased investment are seen as the increment of dependence that a firm has towards its partner.

### 3.3.2 Bond

The second element characterizing a relationship is the bond linking the companies. As explained in Johanson and Mattsson (1987) the bond is closely related to the degree of interdependence that companies possess during their business relationship. Indeed, the change made by the companies to fit newly created business relationship increases their degree of interdependence towards the particular actor (see supra). Therefore due to this increased dependence the bonds between those two companies are strengthened as well.

Johanson and Mattsson (1987) here distinguish between five kinds of bonds: technical, planning, knowledge, socioeconomic and legal bonds which are respectively exemplified as follows: product and process adjustments, logistical coordination, knowledge about the counterpart personal confidence and liking, special credit agreements, and long term contracts.

This makes a clarification and emphasizes the fact that the bond between actors should not only be seen as an economic and cognitive factor, but also as an emotional factor since human beings are involved.
3.3.3 Investment

The third peculiarity of the relationship is investment. A great deal of literature (e.g. Johanson and Vahlne, 1977; Johanson and Mattsson, 1987) sees it as a measure of the commitment level that actors share. Indeed, increased investment of a company demonstrates to its counterpart higher willingness to pursue the relation further (Johanson and Vahlne, 1977). However, mentioned authors argue that if an investment is made in sealable equipment it may not be perceived as a strong commitment.

These investments, as explained in the study about adaptation in business relationships (Hallen et al., 1991), are usually made due to the change in company’s process and/or organizational routines in order to adapt themselves to the newly created partner’s needs. These adaptations may involve company’s assets in terms of hard currency such as large monetary outlay or soft currency, for instance time taken by the employees to nurture this relationship. Most importantly, when time and other relevant resources a company possesses are limited, likewise the number of relationships a company can develop is limited as well (Chetty and Campbell, 2003). Therefore it is crucial for firms with limited resources such as SMEs to nurture the right relationships.

Furthermore, numerous authors (Klein et al., 1978; Subramani & Venkatraman, 2003; Williamson, 1975) emphasize the role of relationship-specific investments which are defined as investments which are not easily redeployed for any other relationships. This is also discussed by Hallen et al. (1991) who state that inter firm changes necessary for a specific relationship are hardly transferable to any other business relationships since they are rather specific. Therefore the investment this change has occasioned is seen as a deadweight loss when the relationship is dissolved.

Another point concerning investment in business relationships developed in Håkansson and Snehota (1995) is the concept of resource ties. The framework developed by the previously mentioned authors explains how the resources jointly invested by both companies involved in a business relationship create a new resource on itself. For instance, in case of internationalization this newly created resource can be new market knowledge gained and shared by interacting companies.

3.3.4 Atmosphere

In addition to the three already mentioned aspects of relationships, it is important to note what distinctive features of business relationships other scholars have identified.
For instance, Ford, Håkansson and Johanson (1986) add atmosphere to the characteristics of relationships which is perceived as a tension between the actors involved in the relationship. This tension comes from the interaction between the actors and the possibility for the relationships to be either cooperation or a conflict. According to Wong et al. (2010), relationship atmosphere refers to social and cultural bonds which develop among the parties involved in a relationship. It is conceptualized as the context in which interaction between actors occurs and affects the various types of mutual adaptations taking place (Håkansson, 1982). Relationship participants involved in this interaction co-produce relationship’s atmosphere through their intercommunication, feelings and intentions, and this atmosphere reflects firms’ expectations of themselves and their counterparts as well as the overall relationship (Hallén and Sandström, 1991). Thus relationship atmosphere provides the basis for action and interaction in a relation. Over time the outcomes and experience resulting from the interactions taking place affect the way the atmosphere develops. A relationship atmosphere is path dependent meaning that it will reflect the history of the relationship as well as its environment and the characteristics of the actors involved, their aims and the interaction among them (Haimala et al., 2011).

Håkansson (1982) perceives conflict as a co-existing element of business relationship atmosphere which together with other variables shape the environmental characteristics in which business interaction takes place. Conflict is considered to be the dominant form of interaction between parties of a dependent dyad (Pearson, 1973). Conflict, as an opponent-centered behavior, might ultimately degenerate into actions that intentionally aim at destroying another party, in this way being prejudicial not only for the parties involved in a partnership but also for the whole business channel system (Pearson, 1973). Apart from conflicts as one of the negative experiences that highly influence the atmosphere of the business relationship, relationship stress, a concept proposed by Holmlund-Rytkönen and Strandvik (2005), also aims at capturing the effect of negative incidents in business relationships. Mentioned authors perceive relationship stress as “the perceived cumulative effects of negative experiences in the business relationship” (Holmlund-Rytkönen and Strandvik, 2005, p.14). Relationship stress is considered as one type of risk factors determining the strength of the relationship which arises when expectations and goals are not met. In terms of negative experiences, stress can be viewed as tension in the relationship evoking immediate negativities. What makes stress even more significant from a relationship-strength perspective, is the fact that it might
also directly impinge the whole relationship due to the negative information which is stored by the individuals and used in the decision making process concerning the business relationship continuation (Holmlund-Rytkönen and Strandvik, 2005).

3.4 Key factors of internationalization

In their revisited Uppsala model Johanson and Vahlne (2009) state that business relationships offer a potential for learning and for building trust and commitment, both of which are prerequisites for successful internationalization which is characterized by gradually and sequentially increasing learning and commitment with trust being an important lubricant.

According to the same authors, internationalization process is pursued within a network where relationships are defined by specific levels of knowledge, trust, and commitment that may be unevenly distributed among the actors involved, and hence they may differ in how they impact successful internationalization. Nonetheless, if the process is seen as potentially rewarding, a desirable outcome of knowledge, trust and commitment building will be that the focal firm enjoys a partnership and a network position (Johanson and Vahlne, 2009). Likewise, these three above-mentioned factors for successful internationalization need to be taken into account when looking into weakening business relationships as one of the motives to reduce involvement in foreign markets seeing it as a reversal or continuity of internationalization process, as mentioned previously.

3.4.1 Knowledge

The original Uppsala model of Johanson and Vahlne (1977) is based on the assumption that developing knowledge is fundamental to a firm’s internationalization. The authors propose that exchange within a network allows a firm to acquire knowledge about its relationship partners, including their resources, needs, capabilities, strategies, and other relationships. Thus relationship partners are indirectly a source of relevant business information about their own partners. Given this perspective, the same authors present the concept of relationship-specific knowledge, which is developed through interaction between the two actors and includes knowledge about each other’s heterogeneous resources and capabilities (Johanson and Vahlne, 2009).

Another type of knowledge discussed by Johanson and Vahlne (1977, 2009) is market knowledge referring to the information about markets and operations in those markets.
which is somehow stored in the minds of individuals, computer memories and in written documents. Firm’s knowledge of a market and that body of knowledge influences decisions concerning the level of commitment and the activities that subsequently grow out of them which may lead to the next level of commitment (Johanson and Vahlne, 1977).

As a matter of fact, an increased level of market knowledge may have not only a positive but also a negative impact on building trust and commitment: it may cause either the focal firm or its partner to become dissatisfied with the business relationship which can result in either decreasing firms’ commitment or even ending the overall relationship. These processes might occur on the both sides of a mutual relationship and at all points in the network in which the focal firm is a member (Johanson and Vahlne, 2009). These findings are supported by Eriksson et al. (1997) stating that improvements in knowledge, however, do not always lead to increasing commitment and thus the firms eliminate those business units that either generate negative outputs in comparison with the rest of the network or whose positive influence for the company’s network is irrelevant.

Similarly, the lack of knowledge regarding, for instance, language and culture, due to differences between countries is an important obstacle to decision making connected with the development of international operations. Lack of business market knowledge is related to a firm’s business environment that, according to the business network view, consists of the firms with which it is doing business and the relationships between firms in this environment (Johanson and Vahlne, 2009). Moreover, Eriksson et al. (1997) found that lack of institutional market knowledge, that is, lack of knowledge about language, laws and rules, and lack of business knowledge require different amounts of resources to overcome, and have dissimilar effects on the costs of internationalization. A lack of institutional market knowledge is closely related to psychic distance and to the liability of foreignness which might hinder smooth development of business relationships (Johanson and Vahlne, 2009).

Companies’ executives lacking international experience are quite often overconfident about the knowledge they possess or they underestimate the differences between countries and, as a result, pre-internationalization analysis and decisions may often be superficial and insufficient. In addition, not paying enough attention to the foreign market and the tendency by managers to underestimate the value of sufficient
information and previous knowledge can greatly affect overall companies’ performance and development of business relationships (Reiljan, 2004).

Lastly, the “knowledge based view” developed by Kogut and Zander (1992) proposed that knowledge has a central role in the analysis of the theory of the firm. Hereby the knowledge transfer is crucial since it is main element defining a firm: “Firms are social communities which use their relational structure and shared coding systems to enhance the transfer and communication of new skills and capabilities” (Kogut and Zander, 1995, p.76). Therefore the interaction between the source (a firm that transfers the knowledge) and recipient (receiving firm) plays an essential role in knowledge transfer. The success of such a transfer is greatly dependent on the nature of relationships between the source and the recipient because it may facilitate the compatibility between knowledge and recipient’s organizational context (Inkpen and Dinur, 1998).

3.4.2 Commitment

The notion of commitment developed in the first release of Johanson and Vahlne (1977) Uppsala model is directly linked to the size of the investment that a company commits to its relationship. This commitment is seen by other scholars as a more social aspect. For instance, Morgan and Hunt (1994) and Kumar et al. (1994) imply in their respective literature that the commitment can be perceived as the intention of a company to pursue the relationship further. This intention is driven by the fact that the partners “like” this relationship. Anderson and Weitz (1992) provide a track to explain this desire of pursuing the relationship by stating that this relationship enhances the mutual profitability of the actors. In the same article it is also suggested that this desire to develop a stable relationship can be found in the willingness to make short term sacrifices. These short term sacrifices can be seen as the previously named investments. In order to evaluate the level of commitment of the different actors Andaleed (1996) in accordance with Morgan and Hunt (1994) uses a four-item scale.

- Strength of the relationship
- Length of term involvement
- Desire to dissolve the relationship
- Desire to partner’s change

This four-item scale can be regarded as a suitable indicator to evaluate the commitment due to the previously defined concept of business relationships (i.e. “extremely
3. Theory

important long lasting exchange relations between two firms doing business with each other”). Indeed, the time notion (“long lasting”) provided by this definition reveals the purpose of this statement which aims at demonstrating the desire of the actors to continue the mutually beneficial relationship further and might inter-alia lead them to make bigger investments.

3.4.3 Trust

Trust established between firms, and between firms and consumers, is one of the fundamental resources that firms can make use of in order to control complexity. On a broader perspective trust is described as a business resource, since it concerns both relationships with suppliers and partners as well as relationships with customers (Raimondo, 2000). According to the authors of the Uppsala model, a sense of trust refers to an ability to predict another party’s behavior. Trust also implies that human behavior is characterized by high ethical standards (Johanson and Vahlne, 2009). It appears to be defined by two constituting elements: predictability of the behavior of the organization in whom trust is placed and the certainty that the concerned party will not behave opportunistically and that its actions will be intended to achieve mutual benefits (Raimondo, 2000). Therefore trust can be characterized as the willingness of one party to be vulnerable to the actions of another party (Raimondo, 2000). This definition is very similarly supported by Gambetta (1988) who emphasizes the critical element of vulnerability. Making oneself vulnerable means assuming risks, but referring to Mayer et al. (1995) trust does not represent the real perception of the risk, but rather it is the willingness to take it.

Trust can stem from successful cooperation experiences among the firms, i.e. satisfying with each other. As a logical consequence of these collaborations, the counterparts develop mutual understanding and goodwill towards each other over time, that is - the stronger form of trust which basically means that process-based trust starts to replace the initial characteristic-based trust (Zucker, 1986).

Important to note is that trust may turn into commitment if there is willingness and positive mutual intentions (Johanson and Vahlne, 2009). Thus trust is a prerequisite for commitment – a conclusion that goes well along with the study results by Morgan and Hunt (1994). If trust leads to commitment, it means that there is a mutual desire to continue with the relationship further, aspiration to invest in it, and even recognition of
the need to make short-term sacrifices which would benefit another party for long-term interests for oneself (Johanson and Vahlne, 2009).

### 3.5 Conceptual model

Different concepts have been discussed previously which are essential bricks for this thesis and will be used in developing the conceptual model. Several authors explain the de-internationalization process as continuity or the reversal of the internationalization process (Drogendijk, 2001; Turcan, 2003), therefore most of the theoretical frameworks used to explain it, e.g. the network approach primarily used in the mid 1970’s in Uppsala university and further developed by Ford, Håkansson & Johanson (1986), Håkansson (1987); Johansson and Vahlne (1977, 2009) etc. can be also applied to analyze the reduction of commitment into foreign activities. This is supported by Pauwels and Matthysens (2001) who state that internationalization theories have the potential for accommodating the phenomenon of international withdrawal. Given this perspective, the key factors influencing successful internationalization (knowledge, commitment, trust) can similarly be analyzed in terms of the reversal process - de-internationalization.

A company can gain trust, commitment and knowledge based on the varying constructs forming the structure of business relationships. Indeed, the components of a relationship may influence the collection of knowledge, commitment and trust between the actors. Therefore various constructs of business relationships are taken into account together and connected to the key factors influencing internationalization to see their mutual interdependence.

Moreover, one has to emphasize that not only the constructs of business relationships are interrelated with each other but even the boundaries between them are really thin which also applies to the key factors of internationalization. Another important characteristic of the constructs used in this framework is that due to their close reciprocity it is difficult to distinguish precisely which and how the constructs of the business relationships affect the different key factors of internationalization or vice versa. Therefore it is crucial for the analysis to look at all the constructs one by one in parallel with the key factors in order to see their mutual interaction/interdependence leading to the decision by firms to reduce their foreign market commitment.

Four different constructs characterizing business relationships between the actors have been previously discussed in detail in order to build a foundation for the conceptual
model. Alongside to those business relationships constructs, three key factors influencing internationalization and residing in the network approach are added to the four characteristics of relationships in order to have a stronger theoretical grounding. Thus the conceptual model developed by the authors of this thesis has to be followed from left to right seeing that different constructs of business relationships affect the key factors of internationalization and in turn, these latter factors influence the decision to de-internationalize.

![Conceptual Model](image)

Fig.1. Conceptual Model
4. Empirical data

In this chapter we will provide the reader with short background information of the Swedish SMEs which were interviewed by the authors of this thesis. An explanation of the field of expertise of the companies as well as their foreign activities in the target foreign market will be presented.

4.1. Norden Machinery AB

Norden Machinery is the world’s leading supplier of high-performance tube filling systems operating in five segments – cosmetics, pharma, toothpaste, food and industrial - and is part of COESIA, a group of innovation-based industrial solutions companies operating globally and headquartered in Bologna, Italy. The company is established in Kalmar, Sweden and is present worldwide with 97% of all the machines being exported for around 1400 active customers. It is characterized not only by advanced top-quality products but also by a top-class service. The company has supplied more than 8,000 machines worldwide and there are more than 5,000 machines in operation at the customers’ sites today (Norden, n.d.).

What helps the company maintain its solid position is extensive research and development, innovation and advanced technology in connection with high-level workmanship. Its tube filling machines are designed for all capacities with a high level of customization to satisfy specific customer needs. Thus Norden’s expertise in tube filling machinery distinguishes the company among its competitors. Norden Machinery corporate values go hand in hand with the Swedish culture as they carefully listen to the voice of the customer and try to respond to it to the maximum. The company dedicates considerable attention to close partnerships via close cooperation concerning not even its customers, but also various business counterparts – suppliers, agents etc. as they believe it enables the company to react quickly to customer needs. Both the global scope of company’s activities and local presence empowers Norden Machinery to provide highest service level and rapid responsiveness (Norden, n.d.).

4.1.1 Russian market

Norden Machinery is present in more than 80 countries worldwide and in most of them the firm operates via agents. At the moment company has agents in 64 different
countries Russian market being one of them. The milestones in Russia date back to 1940s when Norden Machinery initially entered the market using an agent. According to Hammarstedt (2013), 20 – 30 years ago Russian market was extremely unique mostly due to the fact that everything was controlled by the government. The government placed orders, purchased Norden equipment which later enabled the company to gain good market coverage in Russia – most of the companies previously owned by the government had Norden machines. This meant that Norden Machinery did not have to sell any new equipment because all the old machines (around 700) needed spare parts and upgrades, i.e. after sales service. Therefore the first agent with which Norden Machinery started to operate in Russia basically got paid the commissions without doing anything – without even looking for new potential customers, which consequently led the company to the decision to terminate his contract.

Since the company at that moment no longer had an agent, it was decided by the group to employ a person from a French sister company in order to avoid paying the commissions. Nevertheless, after conflict of interests between Norden and French sister company the decision to set up own sales subsidiary in Russian market was made. The division manager at that time got the responsibility to find the organization to set up and start to run a business. After struggling for some time, they managed to find one person to start with. It was a Russian employee who was previously working for a car industry selling French car components to the Russian market. According to Hammarstedt (2013), from the very beginning it was seen to be a great failure for Norden although the company continued with this subsidiary for almost two years. As pointed out by the interviewee, he was just simply not the right person for this kind of position. One of the reasons why this salesman was a wrong choice was simply the fact that he had neither both the right skills, market and product knowledge, relevant business experience nor the network of contacts. In the very start phase of this subsidiary in Russia, he could not spend the time to sell the machines since he had to focus on getting all the permissions regarding the taxes, licenses, documentation therefore the sales for Norden dropped dramatically. As a matter of fact, the salesman sold only one tube filling machine during two years. Additionally, one has to emphasize that Moscow is one of the most expensive countries in the world to run the business and to have an office there. Thus Hammarstedt (2013) admits the fact that it would have been quite challenging for anyone to succeed in Russian market with all the
4. Empirical data

bureaucracy, market trends and cost level at that time. The entire business decision was a problem to go there because one cannot have a subsidiary with one person starting from zero in Moscow.

But even though, it took a lot of resources, time and efforts for Norden to coach and train him. Hammarstedt (2013) acknowledged that too much time was wasted for non-selling activities, e.g. it took considerable amount of time for the Russian salesman even to buy the papers with the right stamps and required continuous support from Norden for inessential things which was expensive for the company and not very efficient. Simply speaking, this person did not have a skill to prioritize and focus on important things. As Hammarstedt (2013) pointed out:

“*He was frustrated; he did not know how to plan his time. He needed a lot of support as he did not know neither the packaging business nor the product. I had to do a lot of work together with him without really getting anywhere. He was more focused on which company car he should get and if it has the right equipment level.* “

Nevertheless, it was neither his personality, nor individual peculiarities, but more his incongruity for this kind of job, as a matter of fact, Hammarstedt was even a referee for this Russian employee for other job positions after terminating the sales subsidiary. Hammarstedt and Russian salesman were in contact daily via phone calls. Apart from that, Norden visited Russia quite often - 6 or 7 times a year. In turn, the Russian employee came to Sweden for several-week training. Although the level of English this subsidiary person had was quite poor, it was not the main issue, therefore, surprisingly enough, communication level was quite smooth as emphasized by Hammarstedt (2013). Furthermore, though the communication was quite satisfying, Hammarstedt took most of the decisions instead of this sales subsidiary person because he most of the time asked for everything. As pointed out by interviewee, the right person should find the right answers about the customers by himself, for instance what discounts to offer etc. Most importantly, the sales person did not spend enough of time with the customers to find out these things himself and Hammarstedt felt that the only times this Russian employee was visiting customers was when he came to Moscow.

As the most important reason for the failure of the subsidiary interviewee pointed out the absence of the right mindset which is crucial for Norden Machinery:
4. Empirical data

“You cannot be trained to become a successful salesperson. It’s all about selling. Either you are a sales manager or you are not. It takes half an hour or one hour discussion to realize if this person will become a successful salesperson. The person needs to have the right drivers, the right passion to do whatever it takes to sell. You need to have a talent for it. He did not have it. He was not the right person - he was not an entrepreneur”. (Hammarstedt, 2013)

Finally, it was a financial decision for Norden Machinery to discontinue with the sales subsidiary since the costs were not justified by the sales volumes. After almost a year, the company found a new agent who was really dedicated not only to Norden Machinery, but also to the customers which sales subsidiary person lacked and could not accept. The new agent met the company’s expectations and, most importantly, had the right mindset and followed the strategy of Norden:

“Be fair to the customers, be reasonable and take good care of them”. (Hammarstedt, 2013)

4.2 YASKAWA Nordic AB

Yaskawa Nordic AB is a part of Japanese Group Yaskawa Electric Corporation. The Nordic headquarters is located in Torsås, Sweden which is responsible for manufacturing robot controllers and standard components for the European market. Yaskawa delivers a wide range of robotic solutions for virtually every industrial application where customers demand lower production costs, improved quality or need to address labor issues. This wide range of products is the result of their genuine knowledge and intense development. As such the company produces highly innovative products and represents the latest trends in robot automation technology. Yaskawa is present in most of the countries worldwide via mix of fully owned daughter companies and distributors some of which work only with Yaskawa products.

Yaskawa Nordic AB is working with new and advanced technology to create solutions for robotic automation where the MOTOMAN robot is an essential part. Robot cells are designed both to increase productivity and to create a better working environment (Motoman, 2013).

YASKAWA Nordic AB has the market responsibility for Nordic countries (Sweden, Norway, Denmark, Finland), Baltic States, Russia, Hungary and South Africa with 3 production units in Sweden, Germany and Slovenia. Currently, Yaskawa Nordic AB
employs approximately 200 people and only deals with robotic division which represents one third of The Yaskawa Electric Corporation. Germany so far is considered to be the biggest market in terms of sales volumes which accounts for 50% of Yaskawa Nordic AB sales. This is mainly due to the large automotive industry with car manufacturers being the main customers of the company.

4.2.1 Danish market

Initially Yaskawa Nordic AB started to operate in Danish market via distributor where they so far have around 20% of the market share. In the course of time this distributor was acquired by the mother company and started to operate as a wholly-owned subsidiary of Yaskawa Nordic AB. And only one and a half years ago the company came up with a decision to switch back to the distributor. Yaskawa employed 14 people in its Danish subsidiary 8 of which continued to work even after the structural change to a distributor.

According to Jarhall (2013), sales and marketing director of Yaskawa Nordic AB, there were several reasons along the way to come up with the decision to reduce the commitment in the Danish market. First of all, as pointed out by the interviewee, Denmark was quite small market for robots, besides, it did not have any automotive customers as compared to Germany, and therefore sales volumes were relatively low and not satisfying. In order to get the profit Yaskawa obviously needed way bigger sales volumes. Considering the fact that administration costs to run the subsidiary in Denmark were quite high and not justified by low sales volumes, the company experienced a loss which required certain action plan. And this plan was to switch back to a distributor keeping the same staff employed and trying to lower the administration costs as well as provide the independent distributor with more freedom and decision making rights.

Jarhall (2013) pointed out quite a few advantages of having distributor instead of own subsidiary one of which was not only the lower costs, but also no necessity to report financially to the mother company.

Additionally, the distributor has the freedom, independence from Yaskawa Nordic AB and decision right while in the subsidiary it is not easy to make independent decisions since a lot of things need to be discussed and agreed on with the mother company. Jarhall (2013) illustrated this with the example of the subsidiary proposing to set lower prices for one specific customer expecting to sell ten more robots in the long-term.
perspective, though, however, the mother company did not agree on that mostly because of the high administration costs which needed to be covered by the sales revenue. But at the same time, the Danish subsidiary during its time of operation provided the company with valuable market knowledge and network of contacts due to the fact that people employed in Denmark previously worked in the distributor organization for Yaskawa. The communication between parties was smooth: contact with the staff from subsidiary was kept daily via email, phone as well as regular meetings. Continuous support and necessary resources were provided at any time and most of the business deals were under control of Yaskawa Nordic AB. Although the company realized the risks included in disposing the decision making rights, freedom and independence to a distributor, it was believed to be the right decision looking at the market situation, i.e. profit levels etc. Additionally, Yaskawa Nordic AB had an intention to unbind itself from the subsidiary in order to save costs and increase the profit.

“The distributor now can place an order, he has the equipment and the only thing that headquarters is supposed to do is just to send the bill for that.” (Jarhall, 2013)

Another advantage of having a distributor, as emphasized by Jarhall (2013), is that the smaller organization enables to approach customers and deal with them directly without the need to contact and inform the headquarters about each strategic step. This own responsibility, saved time on negotiating with colleagues from headquarters empowers to respond to customer needs more rapidly. Furthermore, Jarhall (2013) emphasized the “soft” side of having a smaller company (a distributor) which is the proximity between the members of organization, working closer to each other and for each other, fostering close social relationships which eases and accelerates the decision making process.

Nonetheless, when working as a part of big corporation (as a wholly-owned subsidiary), the employees feel secure about monthly payments, continuous support from the mother company which in turn has both negative and positive effects on their performance.

4.3 SlipNaxos AB

SlipNaxos was established in 1895 in Västervik, Sweden and is one of Europe’s leading abrasive-tool producers. The company possesses the largest and most modern single production unit for hot pressed grinding wheels in the world employing 190 people. In 1999, the company merged with Winterthur jointly forming the Winterthur Technology Group with production facilities in Austria, Germany and Sweden serving 70 country
markets. Recently, in 2011, the Winterthur Technology Group has been acquired by and integrated into American multinational conglomerate corporation 3M. Within 3m the main market segments the firm serves include the steel-, automotive-, bearing-, tool making- and glass industries. Roughly 62% of its 220 mln SEK overall sales are realized within Europe where the Nordic countries account for ca. 34%. Asian markets account for 27% and other markets stand for 11% of overall sales. Within the Nordic countries the company is a full range supplier whereas in overseas markets they only serve certain niche segments (SlipNaxos, n.d.).

4.3.1 Indonesian market

The Indonesian market has long been considered as having big sales potential for SlipNaxos. According to Jonsson (2013), this is due to the high number of steel factories present in the territory. SlipNaxos for a long time has been selling products with the help of an agent in Indonesia. In 2005, the entry of SKF and some other previous SlipNaxos customers in the country has lead the company to reconsider their entry mode. It was decided to increase the commitment and thus to open their own sales office in Indonesia. This entry mode was kept until 2011 when the sales office was closed and the company once again asked for the help of the agent to market their products in Indonesia.

Since the Indonesian market was considered to present high potential for SlipNaxos everything was made for the sales office to work well. No expenses, neither the expenses for the office nor the time spent by supporting crew in Sweden for the training, were spared. These costs were justified, according to Jonsson (2013), by the good input they received from the market situation and especially from the former customers present in the country such as SKF and Pyrolite.

Unfortunately, although the market was potentially good, the results made by the sales office were not really satisfying. Jonsson (2013) points out that the sales office started very well with promising results but unfortunately after a couple of months the sales figures decreased.

One reason emphasized by Jonsson (2013) to explain the lack of sales generated in Indonesia is the divergence between Europe and Asia in the decision making process. Western countries tend to leave a room for the technicians to give their comprehension and feedback on the product they prefer, thus a premium product which offers higher quality standard is often chosen to a cheaper product. In Asia, the decision about the
4. Empirical data

product is made by the managers who are trying to cut the costs as much as they can and therefore only look for the cheapest product possible. Since SlipNaxos is selling long lasting and high quality product the skills needed to sell their product must be in accordance.

The sales office was run by three employees coming from Jakarta. All of them had a background of the abrasive and grinding wheels since they were former employees of SlipNaxos competitors. However, the range of product they used to sell was slightly different than the range of products sold by SlipNaxos. For this reason Jonsson (2013) explains that their competence looked really appealing on the paper but unfortunately they did not have the proper knowledge about SlipNaxos products and therefore the customer network knowledge was different as well. Since specific skills were needed to sell SlipNaxos products, the training for the employees and the communication with the mother company were regular. E-mails and phone calls were the common mean of communication used to support this sales office. Additionally, even after the termination of this sales subsidiary in Indonesia, Jonsson still kept in contact with few Indonesian employees via social network.

A visit was scheduled approximately once a year in order to foster the social contact and thus strengthen the relationship. Moreover, the employees from the sales office had regular meetings in Europe in order take part in the seminars and training on the product updates and innovations. The marketing material and quotations used by the sales office was mostly coming from the mother company.

No particular incidents happened during the period that SlipNaxos had its sales office in Indonesia, however, in order to perform better Jonsson thought that putting a person from the group at the heart of the sales office in Jakarta might have increased the sales. Indeed, although the mother company continuously supported the sales office in a “very very good way” (Jonsson, 2013), the distance was sometimes considered as being a problem.

Finally, Jonsson (2013) explains that this reduction of commitment can also be linked to various factors which are intimately linked. The first point already raised is the competition which appears to be really fierce in the country. This highly competitive environment leads the company to differentiate themselves according to the price of their products. The prices in Indonesia were considered by Jonsson (2013) as being sometimes “difficult to understand”. A track for the explanation is found on the business mores of the country which is perceived by Jonsson (2013) as “a bit corrupt”.

5. Analysis

In this chapter the authors of the paper will analyze the empirical findings using the conceptual model developed in the previous chapter. The analysis will be conducted on the three case companies regarding business relationships based on the constructs and key factors of internationalization. The analysis of empirical data will also make it possible to describe how different business relationship constructs affect the key factors of internationalization which in turn influence the decision by the firms to de-internationalize. In order to answer main research questions, each of the constructs of business relationships as well as key factors of internationalization will be looked into separately and evaluated according to their importance to the three case companies.

5.1 Dependence

According to Johanson and Mattsson (1987) the dependence between business actors can be defined by the difference between benefits from the relationships and trade-off offered by the flexibility. This definition goes hand in hand with Emerson’s viewpoint (1962) who perceives dependence as the extent to which a target firm needs the resources provided by the source firm. Although the important expenditures were incurred during the period that Norden had its own office in Russia, the level of sales never really increased and was close to zero. On the other hand, due to these important expenses Norden was bound to their chosen entry mode. Not only important expenses were dedicated to this sales subsidiary, but also continuous support and guidance by Hammarstedt was provided constantly.

In SlipNaxos case, the people employed in the sales office were formerly working for a competitor of SlipNaxos therefore their resumes looked really well on the paper. However, as pointed out by Jonsson (2013), the products of SlipNaxos were slightly dissimilar to the ones produced by their competitors and thus the customer network knowledge carried by these Indonesian employees was not valuable enough for SlipNaxos.

The employees working in Yaskawa’s sales office in Denmark remained the same for a relatively long period of time - since when the company established their first distributor organization there. Their network of contacts and market knowledge for this reason are seen by Jarhall (2013) as important and valuable to the company. Moreover,
5. Analysis

although the Danish market is seen as small compared to other European countries for Yaskawa, the sales were still expected to be satisfactory. According to the authors, the benefits perceived in the different cases are assumed to be lower than the trade-off offered by the flexibility. Indeed, Norden case revealed that sales were close to zero, SlipNaxos employees’ knowledge and capacity were inadequate and for Yaskawa the revenue was lower than their costs. Moreover, in SlipNaxos and Yaskawa cases the markets were not of a high importance in sales volumes for the mother companies which can be explained by the fact that both companies are present in more than 60 countries and the resources provided by the sales offices are considered to be rather low. Therefore the foreign sales subsidiaries can be considered has being dependent on the mother companies whereas the mother companies were in a position of power.

5.2 Bond

The bond is classified by Johanson and Mattsson (1987) as being not only an economic but also as an emotional factor and is defined as the perception that a party has towards its business relation.

In Norden case it was decided by the global division to open a common sales subsidiary in Russia for Norden and its sister company. For this reason, Norden did not choose the partner and had to comply with the decision made by the division manager. According to Hammarstedt (2013), there were no particular problems with the personality of the employee working in their sales office in Russia but rather with its attitude towards the job. Hammarstedt (2013) had the impression that this sales subsidiary person was more attracted by the company car rather than engaged in making any sales. However, interviewee himself was later on a referee for this employee. None of the people who worked in SlipNaxos sales subsidiary were coming from Sweden. Rather, SlipNaxos decided to employ local people to take care of the sales in Indonesia. In addition to that, as pointed out by Jonsson (2013), the decision making process in Indonesia highly differed from Sweden as well as prevailing corruption was an important issue when dealing with Indonesians. Nevertheless, the contact with Indonesian employees even after termination of the sales subsidiary still lasts via social network. As for Yaskawa Nordic AB, the company has been working with the same employees for a couple of decades before they offered them to join their company and to be their sales subsidiary.
5. Analysis

Even though some negative factors were affecting the bonds i.e. geographic/cultural barriers in SlipNaxos case or the choice making which did not belong to the company in Norden case, the bonds between the actors were existent. Moreover, in SlipNaxos and Norden cases there is some evidence of emotional factors affecting the different parties (i.e. help to refer the employee in Norden case and “friendship” through social network in SlipNaxos case). The bonds in Yaskawa Nordic AB can be perceived as relatively strong mostly due to the low level of employees’ turnover in the Danish market.

5.3 Investment

The investment is seen by some authors (Johanson and Vahlne, 1977; Johanson and Mattsson 1987) as an instrument to measure the commitment shared by the actors. This investment can be expressed in terms of hard currency such as a large monetary outlays or soft currency such as the time invested by the actors in their relations. Hallen et al. (1991) raise another characteristic and state that due to their specific nature, the investments made during business relationship are hardly transferable to other relationships.

The three cases demonstrate clear evidence of investments in both hard and soft currencies. The offices in the targeted country, administrative costs, travel costs account for a large part of the hard currency invested, whereas the time taken by the mother company to communicate as well as train the employees presents a great share of the soft currency.

The authors of this paper assume that this investment can be seen as fairly considerable since it involves a great deal of different costs which they would not have needed to commit if they had chosen a lower involvement mode to enter the market. Moreover, the amount of money and time invested in those relationships can be perceived as lost since in most of the cases they no longer deal with the same persons but have completely switched to other partners.

5.4 Atmosphere

The atmosphere is perceived by Ford, Håkansson and Johanson (1986) as a tension coming from the interaction between the actors where conflict and relationship stress arise when expectations and goals are not met. Wong et al. (2010) add another aspect to the atmosphere - social and cultural bonds - which develop among the actors involved in a relationship. These aspects go in line with Hallén and Sandström (1991) perception
of atmosphere where actors involved in the interaction co-produce relationship’s atmosphere through their intercommunication, feelings and intentions, and this atmosphere reflects firms’ expectations of themselves and their counterparts and the relationship overall.

All three cases demonstrated negative experiences in the partnership or conflict of interests. An example of such disagreements is found in Yaskawa Nordic AB case where it was proposed by the subsidiary to lower the prices which was contradicted by the mother company or the inability to generate any sales in Russia evoked by inadequate attitudes by the Russian salesman as in the case of Norden Machinery. In SlipNaxos case, Jonsson (2013) emphasized unsatisfactory level of sales generated by three local people in Indonesia though the Indonesian market has long been considered as offering big sales potential for SlipNaxos.

Norden Machinery did not suffer from any great difficulties concerning cultural differences between Sweden and Russia mainly because of countless years being present in the market and relevant cultural knowledge which Hammarstedt possesses. Whereas Yaskawa employed the same people in its Danish distributor and later on in its own subsidiary therefore intercommunication was not an issue. For SlipNaxos the situation regarding multicultural issues could have been improved by having an employee from Sweden controlling all the activities and helping the company deal with large geographical distance and cultural incompatibility between Sweden and Indonesia as pointed out by Jonsson (2013).

The negative experiences and conflict of interests described in the three cases are assumed to have led to the gradually growing tension in the interaction between parties where the expectations from the mother companies towards the foreign party were not fulfilled. In all of the cases the social bonds were rather tenuous due to the mentioned negative experiences among parties while the lack of cultural bonds was only relevant in SlipNaxos case where the company preferred to have someone with the similar cultural and professional background from inside the company. Therefore taking into consideration the increasing tension during the interaction as well as social and cultural bonds it can be stated that the atmosphere in all of three cases was not favorable enough and there was some room for improvement.
5.5 Knowledge

As discussed in the theory chapter, Johanson and Vahlne (1977, 2009) separate between relationship-specific knowledge and market knowledge where the latter type of knowledge is related to a firm’s business environment and refers to the information about markets and operations in those markets. While relationship-specific knowledge concerns the understanding about each other’s distinctive resources and capabilities and is developed through interaction between the two parties. This interaction between the business entities plays an essential role in knowledge transfer (Prevot, 2007).

Two case companies proved to have gained the relationship-specific knowledge about their partners. The situation of Norden Machinery revealed that the attitudes of the Russian salesperson were not suitable for the company’s strategy due to the fact that he was previously working for a French car company selling car components to Russian market. Whereas SlipNaxos’ employees working in Indonesia appeared to have held a slightly different professional background than Swedish employees. In the third case of Yaskawa, the knowledge about relationship partner, in this instance, the Danish subsidiary, was already present because of the previously mentioned fact that the staff who worked before for the distributor of the company continued to work also for the subsidiary.

In the cases of SlipNaxos and Norden Machinery the market knowledge was hardly existent. During the time while Norden had its own subsidiary in the Russian market, they were able to sell only one tube filling machine due to the lack of relevant skills and inadequate attitudes of the Russian salesperson. Similarly, SlipNaxos employees in Indonesia held slightly dissimilar competence therefore the customer network knowledge was different, too. Yaskawa’s employees in the Danish subsidiary having stayed within the company for decades already gained the relevant market knowledge for Yaskawa Nordic AB.

It can be concluded that the level of relationship-specific knowledge in two cases, i.e. SlipNaxos and Norden Machinery, was increasing during the time when focal companies learned some negative aspects about their business partners which impeded the companies from opportunities to gain and explore relevant market knowledge. Although the level of relationship-specific knowledge increased, market knowledge gained from the sales subsidiary of two latter companies was insufficient due to previously mentioned facts. Whereas in the third case of Yaskawa the level of
relationship-specific knowledge always remained stable due to the low level of employee turnover in the Danish subsidiary. Likewise this enabled the company to gain relevant market information mainly because of loyal and committed staff.

5.6 Commitment

Morgan and Hunt (1994) in their study imply that the commitment is perceived as the intention of a company to pursue the relationship further. This intention as suggested by Anderson and Weitz (1992) is a desire to develop a stable relationship when there is willingness of a company to make short-term sacrifices. The same authors also argue that these short-term sacrifices can be, inter-alia, seen as the time and money that a company invests in the relationship.

All the case companies under consideration commonly have shown “red figures” when looking into their sales revenue. Moreover, each company has decided not to invest further in those sales subsidiaries which resulted in closing them down.

Since no will was shown to make any short-term sacrifices and to dedicate more investments into the foreign sales offices due to the poor performance, the commitment by the mother companies towards its foreign organizations is seen to have weakened during the period of partnerships.

5.7 Trust

Trust has been previously explained as the willingness to be vulnerable to the actions of another party or the ability to predict another party’s behavior (Raimondo, 2000). Likewise Mayer et al. (1995) supplements this perception by stating that trust is rather related to willingness to take risks.

In the case of Norden Machinery, Hammarstedt (2013) pointed out the fact that decision to hire Russian salesman was not under his responsibility whereas in SlipNaxos situation previously discussed employees in Jakarta, as stressed by Jonsson (2013), should have been supervised by an employee from Sweden. Nevertheless, the case of Yaskawa proved to be different from the two latter ones since there was no change in the staff employed from the beginning of company operations in the Danish market. Therefore, we identified the similarity between SlipNaxos and Norden Machinery both of which appeared to have only a poor level of trust towards their foreign partners due to aforementioned facts. Yaskawa maintained the usual trust level into its Danish
partner which has remained the same over time whereas in case of any employee turnover in Denmark most likely this level would have slightly decreased.
6. Conclusions

In this chapter the main results of the study will be presented in pursuance to answer the research questions. First of all, the linkage between business relationships constructs and key factors of internationalization is identified followed by the conclusions how the latter key factors determine the decision to de-internationalize. Finally, the main research question is being answered by connecting business relationship constructs with the voluntary process by firms to reduce their market involvement.

6.1 Sub question 1: How do the constructs of business relationships affect the key factors of internationalization?

In majority of cases the key factors of internationalization were affected by the relationship constructs mostly negatively, although positive impact is also perceived to exist. The following paragraphs will present each construct of business relationships and describe how they determine one or more key factors of internationalization in the analyzed cases.

6.1.1 Dependence

In all of the analyzed cases the mother company had a power position against the daughter company in the target market. Since this business relationship was unbalanced, the focal company had no valid reasons to make other short-term sacrifices for the relationship to work. As a result, this unbalanced relationship related to unequally distributed dependence between the actors may have played a crucial role on reducing the level of commitment in the relationship by the mother company.

![Fig. 2 Key factor(s) affected by Dependence](image)

6.1.2 Bond

According to the presented theory about bond linking the relationship actors, it has been perceived as the degree of interdependence that companies possess during their business relationship. This interdependence can be of different sort such as technical,
knowledge, social, etc. It is believed that in the three analyzed cases the bond can be logically connected to knowledge since the companies were tied up with each other due to the knowledge, both relationship-specific and market knowledge, they shared and developed during their business relationship.

Even though the bonds have been previously assumed to exist between the actors with some evidence of even emotional connections affecting the different parties in each of the cases, they are not perceived as being relatively strong in most of the cases. Therefore it can be argued that a stronger bond between the partners most likely would have raised the level of trust due to the fact that a closer relationship enhances the reliability.

Fig. 3 Key factor(s) affected by Bond
6. Conclusions

6.1.3 Investment

The investment into the relationships in the different cases was estimated to be considerably high, accordingly it can be implied that return on investment in the form of relevant market knowledge was highly expected by the companies in the long-term perspective. However, in most of the cases desired market knowledge was not gained therefore it can be concluded that only weak connection exists between investment and knowledge.

Once again, due to the investment committed by the case companies to their business relationships with foreign subsidiaries and referring to the previously mentioned definition of investment (the willingness to pursue the relation further by Johanson and Vahlne (1977)), the authors presume that the commitment level in the beginning of business relationships was rather high and greatly influenced the amount of time that the companies were willing to dedicate, thus to pursue their relationships further. This can be explained that a loss would have been generated if they had decided to make an early change of entry mode since this investment was hardly transferable. Therefore taking all this into account a link can be drawn between the importance of the investment and the length of the commitment.

Fig. 4 Key factor(s) affected by Investment

6.1.4 Atmosphere

As it was stated before, the interaction between relationship partners has a decisive impact on the success of knowledge transfer which is greatly dependent on the nature of relationships. Due to the existing tensions in the atmosphere of discussed cases generated by the negative experiences or conflict of interests the smooth transfer of relevant market information and the quality of that knowledge could have been affected negatively. Given these reasons, the authors of this paper propose that relationship atmosphere has a direct influence on the success of market knowledge transfer.
Moreover, negative experiences which appeared to affect the relationship atmosphere might also condition the willingness by the mother companies to be vulnerable to the actions of their foreign counterparts (definition of trust by Raimondo, 2000). Thus one can infer that the level of trust in majority of the cases was greatly affected by these tensions, therefore by the relationship atmosphere itself.

![Fig. 5 Key factor(s) affected by Atmosphere](image)

### 6.2 Sub question 2: How do the key factors of internationalization influence firms’ decision to reduce commitment in foreign markets?

According to the analysis, all key factors are perceived as being rather negatively affected by the relationship constructs. The market knowledge in majority of cases was lacking, the commitment has decreased along the time and the level of trust was not sufficient enough. Johanson and Vahlne (2009) claim that the increment in knowledge, trust and commitment stimulate companies to internationalize. Since in majority of cases the key factors of internationalization were negatively affected, it is believed that these key factors have played a crucial role in the de-internationalization process. A more thorough description of the link between the key factors of internationalization and the decision to reduce market involvement is provided in the following paragraphs.

#### 6.2.1 Knowledge

The relationship-specific knowledge led companies to obtain a broader and clearer picture of the situation in the target market. In most of the cases this cumulative knowledge about their business partners contributed to deeper awareness of the ineffectiveness of their sales offices. These inefficiencies have taken different forms such as their inability to increase the sales in the target market or their lack of market knowledge. Indeed, two cases demonstrate insufficient gain of market knowledge which, according to the theory, is considered as being one of the obstacles to decision making regarding the increase of market involvement level. Due to the dissatisfaction linked to the gain of partner knowledge as well as the lack of market information the
case companies encountered a clearly negative picture of the foreign market which has lead them to reduce their involvement.

6.2.2 Commitment

The commitment previously presented as the intention by companies to pursue the relationship further embraces the notion of making short term sacrifices. According to the empirical findings, none of the companies made any profit in their target markets. Thus the unsatisfactory sales volumes can be seen as the short-term sacrifices that the companies should have made by continuing with their sales offices. Nonetheless, due to these insufficient sales figures the companies were not willing to continue their relationships further which can be logically linked to the strategic decision to reduce their commitment in foreign markets.

6.2.3 Trust

The analysis of the empirical findings provides some evidence of the lack of trust in the majority of the cases. Trust, according to the theory, is supposed to stimulate the cooperation and the long term relationships rather than short-term benefits by maintaining existing relationships. This lack of trust is therefore assumed to have led the companies to be short-term oriented. Because of this short term orientation influenced by the lack of trust and, most importantly, unsatisfactory volumes of sales the companies were impelled to reduce their commitment in the foreign market. Therefore it can be implied that the lack of trust is directly linked to the de-internationalization process.

Fig. 6 Relation between key factors of internationalization and de-internationalization
6. Conclusions

6.3 Main RQ: “How do business relationships influence the decision of Swedish SMEs to de-internationalize?”

The answer of the first sub-question is drawing a direct link between the different constructs of the business relationships and the key factors of internationalization and seeks to explain how they are affecting each other. Subsequently, the second sub-question explains how different key factors of internationalization affect the decision of the companies to de-internationalize. Since the constructs of the business relationships influence the key factors which in turn affect the decision by companies to de-internationalize, thus it is reckoned that the business relationships impact the decision of the three case companies to de-internationalize through the key factors of internationalization meaning that business relationships influence the decision to reduce market involvement indirectly.

Last but not least, analysis of different constructs of relationships made under the first sub-question revealed that in most of the cases the business relationships were unfortunate which brought them to the de-internationalization decision. Since a link between these business relationships and de-internationalization has been drawn it can be concluded that the designed conceptual model can be used to analyze different motives of de-internationalization.

![Fig. 7 Relation(s) between business relationships constructs and de-internationalization](image)

6.4 Implications for theory

Based on the concluding findings made earlier in this chapter some implications for the theory can be introduced. First and foremost, by applying theories related to internationalization process in a different context - de-internationalization, this thesis consolidates the understanding that de-internationalization can be seen as a continuity or reversal process of internationalization. Secondly, according to the answer provided in the first sub-question the constructs of business relationships can be linked to the key factors of internationalization which might add another dimension to the Uppsala model where the key factors stem from.
6. Conclusions

Finally, since the analysis is made using de-internationalization as a voluntary process made by companies to increase corporate profitability, the findings obtained during this study support the theory that de-internationalization should rather be seen as a managerial/strategic decision than an involuntary action influenced by external environment factors.

6.5 Limitations

As pointed out previously, using an embedded case study to conduct the empirical research would have provided this paper with a deeper view on the relationships. Indeed, relationships concern at least two or more parties involved, therefore an interview of both ends of the relationship in question would have provided the authors with a less biased view of the situation. However, the assumption has been made that the information received during the interviews was objective and impartial. Moreover, the constructs of business relationships and the key factors of internationalization take their roots in the network view of internationalization. The network view implies that the decision made by a company regarding its commitment does not only affect the company itself but also all the other companies which have a direct or indirect link with it and form its network. Since this paper only analyzes one company by case, it is believed that some findings might have been missed and that using different network actors as different sources of information would have provided the research with more accurate information.

6.6 Future research

The analysis of three different case studies has shown the presence of a link between business relationships and de-internationalization process. Since the goal of this paper was to demonstrate a potential connection between two different patterns, the cases have been selected to fit the purpose of the study. Future research could therefore focus on a larger sample which would provide more reliable results. Moreover, doing a quantitative study would provide the researcher with a different angle which may lead to exact implications which of the constructs has the greatest influence on particular key factors. Another way to use this research as a basis would be to increase the number of constructs to analyze their impact on the key factors. Indeed, since some constructs have been disregarded by the authors of this paper, new research could include more in order to have a more thorough view on the subject. For instance, one could add such
constructs as satisfaction, experience, etc. Additionally, research on external factors influencing different constructs of business relationships, for instance critical events, psychic distance, geographical distance, risks, uncertainties, etc. would provide the study with a broader analysis.

Furthermore, the decision style of the decision-maker himself, i.e. the focal company, and the specific properties of the various decision situations to de-internationalize have not been taken into consideration while conducting this research, therefore it would be worth looking further in order to have a complete picture of de-internationalization process, starting from underlying triggers and ending with the decision making process of the focal company. Besides, analyzing various settings of overall business relationship at different time periods would enable future researcher to compare the situation in the various stages of relationship and would add an extra dimension to the analysis of a social process - business relationships.

The last suggestion for the future research is to widen the scope of the study. Instead of focusing on SMEs, future research could also look into multinational companies or choose a different level of involvement from the mother company in the target market (e.g. joint ventures, export, franchising, management contracts etc.)
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Inteviews


Appendix

Interview guidelines

1. Delimitation of the field of study

- Who are your main partners in this country market? (Customers / suppliers / consultants / government authorities etc.)
- When did you enter the target market?
- How did you enter the market (what was the chosen entry mode?)
- How did you get to know these different partners? Did this partner contact you or you initiated the contact?
- What were the main motives for your company to enter this particular market? (Why? What expectations did you have/future goals in the target market?)
- How long was the contract with this partner?

2. Communication

- What means of communication did/do you use to contact this/these partner(s)?
- How often did you contact your partner?
- Was the communication smooth?

3. Characteristics of the partner

- Can you provide us with a quick description of this partner?
- How would you describe the different skills of your partner?
  o Commercial skills:
    ▪ Customers usually make punctual payments
    ▪ Marketing people are generally high in commercial competence
    ▪ Necessary commercial information is readily available
    ▪ It is often unclear to what extent salesmen have the authority to agree on Different sales conditions:
      ▪ The commercial information supplied by the company is often inadequate
      ▪ We have considerable difficulty in getting information from the customer
  o Technical skill:
    ▪ Marketing people generally have a high technical competence
    ▪ Products are characterized by consistent quality
    ▪ Buyers generally offer detailed technical information on their needs
    ▪ Necessary technical information is readily available from the customer

4. De-internationalization

- Why did you choose this entry mode?
- What is the current entry mode you have?
- Why did the company decide to change it?
- When did you start thinking about reducing the level of commitment in the target country market?
- When did the final decision to reduce the commitment in the country market take place?
- Were you the initiator or the partner?
- How did you lower the commitment you had with the trade partner? -> Did you reduce the amount of financial resources or by relocating people/firing people?

5. Constructs of the business relationship

5.1 Ability to exploit network access
- Could you say that this partnership enabled the company to gain an access to the target market and exploit the partner’s network?
- Did/does your partner help you get in contact with other development partners in that particular market (e.g. potential customers/suppliers etc.)?

5.2 Investment (Resource ties; hard/soft currency)
- What have you invested in the country market?
- What have you invested in your relationship?
  o Hard currency: Money / buildings / machinery
  o Soft currency: Time / Knowledge / HR
- Did the resources you provided your partner with (database; intangible resources - skills and knowledge; human resources) created some valuable outcome? (What for example?)

5.3 Dependence (Power)
- Buyer’s alternate sources of product supply are limited. - Did you have various alternatives to choose from the agents when entering the market?
- Buyer can easily switch from seller to other suppliers if it wants to. - Was it easy for you to switch from an agent/distributor to another one (other entry mode) in this particular country market?
- Find a replacement for seller should be very difficult. - Did your agent have various alternatives to do business with other partners?
- Maintaining seller’s product in its product line is critical to buyer’s profitability. - Was it of critical importance for your partner’s profitability to sell your product line?

5.4 Bond (Actor bonds)
- How did you perceive your partner - more as a “close friend” or as a “stranger”?

5.5 Atmosphere
- What changes have you and your counterpart implemented due to this partnership? (In the structure/organizational process of the firm etc.)
- **Conflict**
  - Have you had any conflicts of interests with your partner/agent/distributor?
  - What were your and your partner’s initial expectations toward the partnership?
  - Did your partner exceed/fulfill or not fulfill your expectations?
- **Relationship stress**
  - Did you have any negative experiences in the business relationship?

6. Key success factors:

6.1 Commitment

- Strength of the relationship - Would external factors such as critical incidents (e.g. newly imposed taxes by the government, additional requirements for foreign investors etc.) have made you to reconsider the continuity of your partnership in the target market?
- Length of term involvement - You told us previously that your contract with this partner was for a XXXX time period. Do you think that this term was long enough? (Why?)
- - Do you think you should have terminated the partnership with this (agent/partner) completely (instead of changing an entry mode)?
- - Did you consider switching to another partner in the target market?

6.2 Knowledge

- Did your partner provide you with valuable information about the market / Products / industry?
- Would you say that thanks to your partner your overview of the target country market has increased?
- Did the deterioration of your relationship play an important role on the information transferred?

6.3 Trust

- Do you think you should have been more cautious when dealing with this partner?
- Would you say that your partner was taking too much time to make decisions when it was based on your recommendations? (Can you give us an example?)
- - One such as newly imposed taxes by the government, additional requirements for foreign investors etc.)