Distance between markets
- A study of the distances between the Swedish and United Arab Emirates markets

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Abstract

The globalization has led to more firms internationalizing on the global market. This in turn has led to unclear borders between the home and host market. However, these internationalizing firms face different factor conditions on the global market. In this thesis we will investigate how the institutional and psychic distance factors affect the internationalizing firm.

The theoretical framework of this thesis consists of relevant concepts that discuss the relevant difference in contexts between two markets, i.e. institutional distance and psychic distance. In addition to this we also included liability of foreignness/outsidership, the Uppsala model of internationalization and the Network Model to discuss how this distance can be handled. The theoretical framework will be applied to the chosen market of this study, United Arab Emirates. To fulfil the purpose of this study we have collected empirical data from three companies operating in this chosen market.

Through applying the collected empirical data to the theoretical framework we could establish an empirically verified distance between the Swedish and United Arab Emirates market. In our study we understood that the two societies differ to a great extent, although if we isolate the business aspect of it; they are rather similar. There is though a distance, that we consider our case companies to a great extent has used their knowledge and networks to handle.

Key Words: Institutional Distance, Psychic Distance, United Arab Emirates, Knowledge, Networks
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1. Introduction

This chapter introduces the reader to the subject of this thesis, i.e. to elucidate the possible psychic and institutional distances between the Swedish market and the United Arab Emirates. We will start with a short background and problem discussion, to later present the research questions together with the purpose of this thesis.

1.1 Background

Kabasakal, Dastmalchian, Karacay & Bayraktar (2012) discuss that globalization has had a great effect on the world markets. Vida & Fairhurst (1998) and Czinkota, Ronkainen & Zvobgo (2011) argue that in order for the firm to not lose competitiveness it has to be available on several markets. They further explicate that the internationalization boom of companies has led to unclear borders between these markets.

Rugman & Hoon Oh (2009) argue that a major part of the existing firms are internationalizing due to various reasons. Rugman & Hoon Oh (2009) differentiated between Internal and external triggers for internationalization. They also discussed the antecedents for internationalization, which could be to gain country specific advantages. Due to that different resources will be available in different regions, e.g. cheap labour, human capital and access to technological resources. Additional drivers for internationalization according to Hollensen (2010) are market expansion, economies of scale and differentiation with the objective to control political and financial risk.

Johansson, Blomstermo & Pahlberg (2002) claim that the degree of internationalization differs between companies. They also proclaim that some companies limit their internationalization process to exports, while others establish full-scale production units on the host market. Johansson, Blomstermo & Pahlberg (2002) further explicate that the internationalizing firms have some objectives in common with their internationalization into foreign markets, e.g. new business opportunities and resources that were not available on the
home market. Many Swedish firms have noticed these opportunities and are dependent on their exports; this is reflected in the Swedish GDP, where exports account for about 50% (ekonomifakta.se, 2012).

According to Rugman & Hoon Oh (2009) the opportunities with internationalization have created some questions regarding how the firm should handle their international operations. Rugman & Hoon Oh (2009) clarify that the firms face different regional factors and conditions during their international operations. Gustavsson (2003) argue that distances between different markets have decreased and therefore markets could be viewed as homogenous to a greater extent. However Johansson, Blomsterno & Pahlberg (2002) argue that differences between markets exist and should not be disregarded when internationalizing the firm. Johansson et.al (2002) elucidate that these differences expose the firm to uncertainties because the firm lacks knowledge of the market, which might interfere with the firm operations. Johansson et.al (2002) further elaborate that it is vital for the firm to acquire the knowledge needed for their operations on a specific market.

Kabasakal et.al (2012) point out that to remain competitive on the host market the internationalizing firm need to adapt to the market of entry. Kabasakal et.al (2012) proclaims that it is therefore a necessity that company managers consider the difference between markets for the firm to remain competitive.

1.2 Problem discussion

Johanson & Wiedersheim (1975) discuss upon the differences between the theoretical framework of internationalization applied by researchers and the reality that company managers faced in the market. What was concluded in their research was that managers did not follow the path that was suggested in the theories, i.e. doing a comprehensive research and evaluating different markets before entering a specific market. Instead Johanson & Wiedersheim (1975) claimed that managers based their strategic decisions on sporadic events that occurred. According to Johanson & Wiedersheim (1975) these events made certain markets appeared more attractive to enter, because of the ease of entering these
markets instead of evaluating all markets and then choose the most profitable one.

When internationalizing the company operations we have to keep in mind that all markets are unique with their own characteristics. Lasserre & Schütte (2005) elucidate that different markets differs in different aspects such as method of governing, regulations, infrastructure, culture and religion. According to Scott (1995), Kostova (1997) and Kostova and Zaher (1999) there are different institutions in different countries that will affect the internationalization process of the firm. Scott (1995) argues that disparities exist in business conditions; bureaucratic processes, state regulative frameworks and political instability inhibit the businesses of a firm internationalizing their operations. Kostova & Zaher (1999) describe these attributes of market as institutional profiles. Kostova & Zaher (1999) refer to the differences between the institutional profiles of home and host markets as institutional distance. Hilmersson, Jansson and Sandberg (2012:5) define Institutional distance as “the distance between institutions as perceived by one actor in relation to other actors in market networks and in relation to the institutional environments of the market networks”.

Scott (1995) & Kostova (1997) argue that with an increased institutional distance the firm will be exposed to increased uncertainty during their operations abroad. They further explicate that it will be more difficult for the firm to obtain the necessary information about the institutions on the host market. Scott (1995) & Javernick-Will (2009) proclaim that this leads to decreased performance of the firm on the host market.

Previous research that evaluate the differences between markets are psychic distance theory by Vahlne and Wiedersheim-Paul (1973) and institutional distance theory by Scott (1995) and Kostova (1997) among others. Psychic distance is defined by Johanson & Vahle (1977:24) as “the sum of all factors that together prevent the flow of information between the home and host market”. Javernick-Will (2009) claim in order to reduce the uncertainty caused by psychic and institutional distance both general internationalization knowledge and market specific knowledge about the market has to be acquired.

By using the theories and frameworks of different researches involving psychic and institutional distance, we will be able to comprehensively study the uncertainties and barriers faced by internationalizing Swedish firms. We will also be able to see how these
affect the operations in the foreign market. The theoretical framework that we will apply in this thesis is to our knowledge reliable and widely empirically tested. We are also aware that the main research area of international business has been BRIC countries and less focus has been put on other rapid developing economies (Floyd, 2012). So our reasoning concerning this thesis’s approach was to use a reliable theoretical framework and apply it to a market that, to our knowledge, has not yet been carefully studied with this perspective. Which is the United Arab Emirates (UAE) market. This theoretical framework can be applied to any market, although we have not yet seen it in this context. What we recognized here was a knowledge gap that we will attempt to an extent fill. The aim with this is then to understand how Swedish companies perceive uncertainty in this region; and how they handle it. This understanding is something that we consider can assist Swedish companies that encounter problems in their internationalization process into this region.

We should also keep in mind that Sweden has kept its neutrality during the previous world wars (sakerhetspolitik.se, 2010) and also avoided involvement in Middle Eastern conflicts except for health and medical support when needed (sida.se, 2011). Swedish companies are therefore quite popular compared to their competitors from other countries in the World. Sörensen (2013) stated that Swedish products are viewed as high-quality products on the international market and therefore also on the UAE market. With these upcoming opportunities Swedish firms need to be prepared and well aware of the institutional distance and the perceived psychic distance between Sweden and the entering market, in this case United Arab Emirates (business-sweden.se, 2013).

Due to the reasons mentioned above we are convinced that United Arab Emirates will be a future market for Swedish companies. Therefore there is a need of understanding the institutional and psychic distances between the Swedish market and UAE market.
1.3 Research Questions

Research question 1

- Which institutional and psychic distances do Swedish companies face in the UAE market and how do they perceive them?

Research question 2

- How do Swedish companies handle the institutional and psychic distances faced in the UAE market?

1.4 Purpose of the study

The purpose for this study is to investigate how Swedish companies perceive psychic and institutional distance, and then how the Swedish companies handle these distances.
2. Theoretical framework

*In this chapter we will present the theoretical framework that we have used in our thesis. First, we will present concepts that are all central to answer our research question; psychic distance, liability of foreignness and institutional distance. Then we will also include theories on the internationalization process of firms, namely; the Uppsala model of internationalization and the Network model.*

2.1 Psychic distance

This is a concept that was brought to light by Hornell, Vahlne & Wiedersheim-Paul (1972) and Johanson & Wiedersheim-Paul (1975). They defined psychic distance as the sum of all factors that together prevent the flow of information between the home and host market. It then gained recognition within international business research; when it was presented by Johanson & Vahlne (1977) as a central part of in the Uppsala process model of internationalization.

Psychic distance has been rather vaguely conceptualized in the past, and have been described by Sousa & Bradley (2006) and Brewer (2007); as poorly understood and without defined constructs. Carneiro, Figueiredo, Rocha and Silva (2008) did research to map the conceptual domain and construct of psychic distance, and were able to define four conceptualizations. The distinguished dimensions were physical, cultural, macro-environmental and business distance. Klein and Roth (1990) separate “hard” and “soft” components of psychic distance; physical being a hard factor, and differences in attitudes and perceptions being soft. Hallén and Wiedersheim-Paul (1979) did as well make this separation where they emphasize the importance of the soft factors of psychic distance in international business contexts. This is the approach that we find most suitable, and will therefore not focus on the physical factors; it is though included below to give a full picture of the conceptualization of the psychic distance concept.
First, Carneiro et.al (2008) brings up the physical dimension that is basic as it consists of geographical distance and differences in climatic conditions. Geographical distance was discussed by Johanson & Wiedersheim-Paul (1975) and Brewer (2007); it was concluded that a close proximity could be favorable when it comes to the transfer of information between home and host market. It was although stated that geographical distance should always be considered in relation to other factors, as it is such a basic measurement. In addition to this Sousa and Bradley (2006) proposed the differences in climate conditions to be a variable affecting the psychic distance.

Secondly, Carneiro et.al (2008) emphasizes the cultural dimension of psychic distance. There has been a great deal of discussions concerning the overlapping and even interchangeability of the cultural and psychic distance concepts (Benito and Grisprud, 1992; Barkema, Shenkar, Vermeulen and Bell, 1997; Lee, 1998; Eriksson, Majkgard, and Sharma, 2000). The most common thought is although to consider psychic distance as a wider concept; as explained by Dow and Karunaratna (2006) that consider cultural distance as a component of psychic distance. Factors that Carneiro et.al (2008) suggests to measure this are language, values and religion. These are stressed by Sousa and Bradley (2006) to be considered as factors on a national level, which can be used to understand the psychic distance. Carneiro et.al (2008) sum up the cultural construct as values, religion and language differences. Language and religion are two straightforward factors, values on the other hand has to be further defined. Schwartz (1992) does this and defines tradition, conformity, security, power, achievement, hedonism, stimulation and self-direction as values that are present across cultures. As our study has to do with internationalization and business we find power, tradition and achievement as values that our interviewees would have had most interaction with, as well as those that are most important for our study.

Thirdly, Carneiro et.al (2008) discusses the macro-environmental dimension. That is a wide measurement with a focus on communication, economy, and education; political, legal and social systems on a country level. Altogether these factors are regarded by Carneiro et.al (2008) to contribute to the perceived distance between the home and the host country. To
our research the economic, political and legal systems are of primary importance as we regard them all to interfere to a greater extent on business activities than the others.

Finally, Carneiro et al. (2008) considers the business distance dimension as a part of psychic distance. This dimension is affected by two primary factors, business environment and business practices. This had also been brought up by Evans & Mavondo (2002) who discuss especially business practices impact on psychic distance in foreign markets. Figure 1 is included below to give an overview of the psychic distance concept and its constructs.

![Psychic Distance Diagram](image)

*Figure 1: The conceptual domain of the psychic distance construct* (Carneiro, Figueiredo, Silva and Rocha, 2008:10)

### 2.2 Liability of Foreignness

Johanson & Vahlne (2009) describe that the greater the liability of foreignness the more difficult it will be for the firm the build new relationships in the foreign market. This term was discussed by Zaheer (1995:3) who described it as “*all additional costs a firm operating in a market overseas incur that a local firm would not incur*”. He mentions four sources for these kinds of costs; the first being costs that can be directly associated with the geographical distance between home and host market of the firm. These are costs that would affect the firm in the form of increased coordination, travel and transportation expenses.
THEORETICAL FRAMEWORK

Second, Zaheer (1995) mention that when the firm is not familiar with the local market and its environment, it can because of this face increased costs. Such as if the firm will struggle with the gathering of knowledge and data about the market, because the understanding of the environment is inadequate. Thirdly, Zaheer (1995) claims that the firm will encounter problems to spot opportunities in the market; if they do not have a full understanding of it. Finally, Zaheer (1995) and Zaheer & Mosakowski (1997) also discuss the costs of the firm having lower legitimacy in the host market compared to local firms.

Although, Zaheer (1995) also claims that a firm can have greater legitimacy in a host market because of its foreign origin. In situations when products from the foreign country are regarded as superior to local products. Furthermore he explains that another source of increased costs are faced due to liability of foreignness; is the regulations that can exist in the home or host market. That does not favor the foreign firm when operating in the host market. To counter these costs Zaheer (1995) and Johanson & Vahlne (2009) claimed that the foreign firm must have firm-specific competitive advantages to succeed in the host market.

Johanson & Vahlne (2009) also discuss the increasing effect of liability of outsidership. It is described as the difficulties and uncertainty that are associated with not having a position within relevant networks in the host country. They claim that it is to a great extent within the networks that learning takes place, as well as commitment and relationship-building. Johanson & Vahlne (2009) further describes that if the firm then is not a part of these networks; it loses the chance to learn from the local firms. In addition to this the firm will also be derived the possibility to build trust and commit to relationships with local actors; if it does not have a relevant network position. Johanson, Vahlne and Schweizer (2012) also note that there is often within networks that business opportunities emerge, which increases the importance of having a position within them. They state that the liability of outsidership focus on market specific knowledge concerning business practices, laws, language and social rules; i.e. institutional differences. Johanson & Vahlne (2009) that liability of foreignness can be seen as a primary problem when a firm is expanding to a foreign market; while the liability of outsidership is the main difficulty.
2.3 Institutional distance

Scott (1995) describes this concept of institutional distance as basically deriving from three main pillars. First, the regulative pillar which represents rules and laws. That uses sanctions and punishment as deterrents and feedback mechanics, therefore restricting some kinds of behavior. According to Scott (1995) rewards can also be considered to be included in this construct, as laws and rules can promote certain behavior. Second, Scott (1995) describes the normative one; which focus on social obligations that are morally governed. By following the socially constructed frameworks legitimacy is increased, while breaking them has an opposite effect. Finally, the cultural-cognitive pillar, that Scott (1995) explains reflects how widely shared cognitive elements are interpreted, categorized and noticed by individuals within a nation. This construct therefore creates a framework for how individuals of how people perceive reality and how it is interpreted (Scott, 1995). We included Figure 2 as an illustration of Scott’s (1995) framework to give an overview of his constructs. Furthermore Kostova (1999) explains that these constructs together affect the home and host markets and the firms operating within them. What Kostova (1999) points out is that these constructs embed a market in a specific institutional environment; this leads to that markets with different institutional environments devlop differently.

![Figure 2: Scott’s (1995) three institutional pillars](image)

Kostova & Zaheer (1999) note that institutional distance then appears in practice in the form of business practices. If these practices are consistent with the institutional environment of the country they are accepted, although if they are not; the legitimacy of the institution can
be damaged. They further describe that the greater institutional distance; the harder it is for the firm to establish legitimacy in the host market. Shenkar & Xu (2002) describes that the three pillars presented by Scott (1995) affects different companies to various degrees. Factors that can be taken into account are such as what industry the company is operating in, internal business practices and size of the company. Therefore, according to Shenkar & Xu (2002) the institutional distance can to some extent be firm specific, although a general distance can often be established. Despite of this they claim that it is still be useful for the internationalizing firm to establish what pillar affects it the most, to be able to mitigate the negative effects of it.

Hilmersson, Jansson and Sandberg (2012) describe that researchers in general regard institutional distance to be a suitable complement to psychic distance. The definition that they present is:

*Institutional distance is the distance between institutions as perceived by one actor in relation to other actors in market networks and in relation to the institutional environments of the market networks* (Hilmersson et.al 2012:5)

Hilmersson et.al (2012) therefore regards institutional distance to be a wider concept than psychic distance as it takes the relationships within networks into account. To further develop the ideas of Scott (1995) they present three similar major constructs of institutional distance; thought styles, norms and enforcement mechanisms. As these can be considered comparable to the three original pillars presented by Scott (1995) we will use the original model. Although Hilmersson et.al (2012) contribute with five; by them, empirically verified indicators of institutional distance. These are patience, rationality, distrust, reliability and sanctions. They describe patience as how long time it takes to build relationships and trust with actors in the foreign market compared to the home market. Rationality is based on how budgets, plans and decisions are made. Both these are considered by Hilmersson et.al (2012) to belong to what corresponds to the cultural-cognitive construct. Then they define distrust as an indicator to what extent actors relies on promises and how suspicious they are in the early stages of a relationship. Reliability was mentioned by Hilmersson et.al (2012) as the
fourth indicator and it is based on trust among actors. These two indicators are included in the normative construct. Finally, Hilmersson et.al (2012) brings up the regulative sanctions construct. With a focus on informal punishments among actors, such as making a customer lose face in public. In addition to this; they included the actors tendency to reward their customers and suppliers within this indicator.

2.4 The Uppsala model of Internationalization

This model was introduced by Johanson & Vahlne (1977) to explain the internationalization process of firms. They considered knowledge to be a central part of internationalization, and divided it into two areas; objective and experiential knowledge. Objective knowledge is described by Johanson & Vahlne (1977) as knowledge that to a great extent can be taught and easily transferred. While experiential knowledge has to be experienced and learned by operating in a certain environment. Experiential knowledge is by Johanson & Vahlne (1977) regarded to be crucial because it is hard to generate; also because it is central when it come to opportunity discovery. As the firm has to perceive the opportunity and understand how it can be utilized in present and future operations.

Another separation that Johanson & Vahlne (1977) does in terms of knowledge is that between market specific and general knowledge. They explain that general knowledge concerns methods, skills etc that can be applied to any market or customer. An example that they give is the industry-specific knowledge that can be applied to any industry irrespective of location. They describe market-specific knowledge concerns certain regions or markets; that cannot be generated from operating in any other country. What are central here are the characteristics of the market when it comes to culture, business practices and market environment. Johanson & Vahlne (1977) although highlights characteristics of the individual customer to the firm as the most important market-specific knowledge area.

What was brought to light by Johanson & Vahlne (1977) was companies’ tendency to start by entering markets with a low perceived psychic distance; in relation to the home market of the company. Psychic distance was described as the root of uncertainty, defined by Johanson
& Wiedersheim-Paul (1975:308) as “factors preventing or disturbing the flows of information between firm and market”. Therefore, with a low psychic distance came a low degree of uncertainty. This concept was also regarded by Johanson & Vahlne (1977) to be correlated with the liability of foreignness, the greater the psychic distance; the greater the liability of foreignness.

Johanson & Vahlne (1977) noted a propensity of firms moving gradually through the establishment chain. This advancement was dependant on the company’s commitment to the particular market; as well as on the accumulated experiential knowledge. This is knowledge that Johanson & Vahlne (1977) claimed can only be acquired through experience; therefore it has to be incrementally accumulated by operating in a certain region. This knowledge was then described by Johanson & Vahlne (1977) to contribute to reduced uncertainty; making it more suitable for the firm to commit to the particular market.

This process was described by Johanson & Vahlne (1977) by using two change mechanisms together with two state mechanisms. First, they claim that firms change by gaining experience from their current activities in foreign markets and learning from them. Second, firms are described by the authors to change by the commitment decisions they make to the foreign market. Then the two state aspects are introduced by Johanson & Vahlne (1977): market commitment and market knowledge. The market commitment is affected by the current activities of the firm, the experience gained from these activities in turn increase the market knowledge of the firm. It is a model showing an ongoing process that according to Johanson & Vahlne (1977) will continue for as long as further internationalization is regarded as favorable. They note that the process of learning and commitment building is very time consuming. Which they argue is a reason to why internationalization processes of companies are made incrementally into markets that are more distant in terms of psychic distance.

This model has been very successful and has established itself as a traditional model in international business. Nevertheless, in 2009 Johanson and Vahlne decided to revise the model to take an in their opinion increasingly important factor into account, networks.
Johanson & Vahlne (2009) considered that networks to a great extent affect the knowledge gathering of firms. In their original model from 1977 they focused on knowledge that was gathered through the firm’s experiences and observations. While Johanson & Vahlne (2009) point out that certain knowledge gaps can successfully be compensated by partners within the company’s network. Therefore trust and relationships emerged as new important factors in their revised model as illustrated below in figure 3.

![Figure 3: Johanson & Vahlne (2009:14), the Business Process Internationalization Model](image)

In this revised model Johanson & Vahlne (2009) added knowledge and opportunities recognition as the first state variable as seen in figure 3. They explain that it is because of the increasing importance of having knowledge in order to be able to recognize opportunities in different markets. Johanson and Vahlne (2009) then present their second state variable, which was in the original model labeled “market commitment”; now it is though network position. This because they consider that the firm’s network have a great impact on its internationalization process.

Johanson & Vahlne (2009) then discuss their change variables as seen in figure 3; the first
being *relationships* and *commitment decisions*. The authors explain that these concepts are connected to each other, because they want to focus on how the firm commits to certain relationship or networks. Johanson & Vahlne (2009) claim that this is important as the firm’s internationalization process is affected to a great extent by what relationships and network that it can utilize. Then the last variable in the model was labeled “current activities” but now the focus in changed to the outcome of current activities; which is according to the authors *learning, creating* and *trust-building*. Johanson & Vahlne (2009) explains that these factors are of considerable importance; as the firm needs to develop by learning and gaining knowledge of the market. Then their current activities should result in a trust-building process among local actors on the market to increase the firm’s chances of utilizing their relationships to a greater extent.

### 2.5 Network model

This model was created by Johanson & Mattsson (1988) to give a better understanding of how networks and relations affect an internationalizing firm. A topic that they discuss is the uncertainty-reducing and effect a relationship can have on internationalization. I.e. other actors within the network share information and knowledge about the foreign market to the firm; that would otherwise have been very time- and or cost consuming to obtain. Johanson & Mattsson (1998) therefore claims that relationships can act as a bridging mechanic for a firm and increase the speed if its internationalization.

Johanson & Mattsson (1988) argues that the unit of analysis should move from the firm, towards the networks and the exchanges within them. They describe the importance of the network model especially when observing firms in a rapidly changing environment. As relationships are rather loosely coupled, the firm’s networks structure can alter quickly. Johanson & Mattsson (1988) explains that this chances the network structure; then so does to firm’s position within it. Thereby its access to resources and knowledge changes as well. Johanson & Mattsson (1988) explain that there are also stable networks; these can be favourable to some companies; as they do not need to spend as much resources on building new relationships. The authors therefore stress the important to investigate the firm’s
Mtigwe (2006) also applies this model in an internationalization context where he describes what impact a company’s network can have on the firm’s internationalization process. He emphasizes the importance of both informal and formal relationships in this process. Therefore, Mtigwe (2006) focuses to a great extent on the relationships between market actors; as well as on what opportunities a network can bring to the firm. A phenomenon that has been recognized which Mtigwe (2006) point out is that the firm can be brought to the international arena by its network; without having this intention to begin with. This phenomenon is present especially when a firm works together with a larger and more experienced company; that encourages internationalization and shows the opportunities that comes with it. Furthermore, Mtigwe (2006) emphasize third party relationships, such as governments, agents and local/foreign partners. With the network approach internationalization is never something that is done by the firm alone; instead it is seen as a product of the relationships within a company’s network.

2.6 Theoretical synthesis

In this section we are to give the reader a deeper understanding of our theoretical framework; in order to show how all the theories and concepts synthesize. The focus of this thesis is distance, then how it is perceived and handled by Swedish companies internationalizing into the UAE market. So we identified the main areas that we considered to affect this distance. Networks/relationships and knowledge are two of these major concepts that we identified. These are concepts that are great focuses within the Uppsala model of internationalization, Network model and the liability of foreignness/outsidership concepts. As these discuss how these concepts can be applied when companies internationalize and operate in foreign markets.

What we find important to note is that distance can not be reduced, only handled. If the companies can not handle it, the distance can become a great source of uncertainty. To show this with our theoretical framework we included psychic and institutional distance. As they together can give a clear picture of how distant two countries can be in the eyes of Swedish
companies. Psychic distance is also one of the major concepts introduced in the Uppsala model, where it is connected to liability of foreignness and later in their revised model; also the liability of outsidership. In their revised model the importance of networks is also discussed; that adds to an aspect that was introduced much earlier by Johanson & Mattsson (1988) that we have included as a base on this subject. Psychic distance is a major concept in our thesis; to this we also added a complementary concept that more recently gained attention, institutional distance. To illustrate our reasoning around this synthesis we constructed a model to give the reader an improved understanding of it, as seen below in figure 4.

Figure 4: Major factors affected the perceived distance of the internationalizing firm.
3. Methodology

In this chapter we are going to discuss the methodology that is going to be applied in this study. First, we will present the approach used in this thesis, i.e. a deductive approach. Second, we will discuss the qualitative research strategy that was used in order to gather primary data. Third, we will present our reasoning considering how we conducted the case study. Fourth, how the data was collected will be presented; primary as well as secondary. Fifth, we will discuss the reasons for the selection of companies. Finally in the end of the chapter the reliability and validity of our methodology for this study will be presented.

3.1 Deductive approach

According to Andersen (1998) three main approaches can be followed by the researcher when conducting a study, i.e. the deductive, inductive and abductive approach. Patel & Davidsson (2011) explicate that the deductive approach endorses the theoretical framework to be used as a starting-point when collecting the empirical data through different sources, e.g. literature and interviews. Therefore it is the theory that will decide the relevant information for this study.

Bryman & Bell (2005) explain that established methodology must be used to reach the conclusions of the study; for the result to be viewed logical and reasonable. Erikson & Wiedersheim-Paul (2001) further emphasize this is by stating that conclusions can only be seen as reasonable if the conclusions are based on a contextual and logical study. Patel & Davidsson (2011) claims deductive approach is closely interrelated with finding the connection between cause and effect.

3.1.1 Reflections on the deductive approach

Thurén (2002) describes that through deduction new cognitive knowledge can be attained. However there are some critics to the deductive approach. Some critics argue that the logical line of reasoning might induce the researcher from testing the conclusion, to see whether the
conclusion correspond to the reality or not. Jacobsen (2002) further explain that researchers criticize that the deductive method might impede the objectiveness of the author.

In order to answer the research questions we will emanate from existing theories. With the theories as a base we will collect primary data through interviews and thereafter describe the reality faced by the internationalizing firms. The deductive approach is more applicable to this study as the aim of the study is to apply existing theories to the reality faced by the firms. Despite the critics we regard the deductive approach to be more suitable for the study. However we will keep the criticism in mind when carrying out the study.

3.2 Qualitative research method

Ghauri & Grønhaug (2005) and Patel & Davidsson (2011) distinguish between two research strategies when discussing the collection and analysis of data; qualitative and quantitative research strategies. They describe the main differences between the two approaches to be the way procurement of data is conducted. Ghauri & Grønhaug (2005) argues that quantitative researchers apply measurement while qualitative researchers avoid this. It is further argued by Andersen (1998) that qualitative strategy generally implies words to be used when collecting and analyzing data instead of quantifications as in quantitative strategy. It is further argued by Jacobsen (2002) that the intention of qualitative research is to research upon how people perceive and understand a certain phenomena. Therefore it is the more suitable strategy when conducting research of social phenomenon. Ghauri & Grønhaug (2005) also argues the qualitative method to be more suitable for complex social studies that require more in depth data.

Patel & Davidsson (2011) argues that there are different ways of performing qualitative research. According to them qualitative research can be performed with secondary data collection, or primary data collection through discussions with focus groups, pilot studies or projective procedures. They further explicate that there are also more informal ways of collecting data, such as discussions and interviews with relevant interviewees.

Patel & Davidsson (2011) argue that advantage with a qualitative research strategy is the
detailed data that it provides. Because this gives the reader a clear description of the context and concepts used to perform the research. According to Patel & Davidsson (2011) this will increase the reliability of the study. Holme & Solvang (1997) argue that the qualitative research method also has the advantage of showing a more detailed and comprehensive picture of the reality compared to quantitative data.

3.2.1 Reflections on qualitative research method

We excluded the quantitative method quite early in our study as we regarded the qualitative method was considerably more appropriate for our research questions. As we want to investigate and understand our interviewees experiences and reasoning in this particular process. Furthermore, the qualitative method has a focus on interviews and deep thorough analysis of how or why reality looks in a certain way. Therefore the result will be a soft analysis with a focus on information provided by interviewees and own observations. In comparison to the quantitative research method that displays a situation in numbers and tables. Due to the characteristics of our research topic we consider it difficult to quantify this kind of study.

3.3 Case study

Yin (2009) describes the five most common scientific research strategies as questionnaires, experiment, source analysis, historical study and case study. To aid researchers in their choice of scientific strategy he suggests that two parameters are taken into consideration; time perspective and degree of control. Therefore, we based our choice on these parameters and case study emerged as the most suitable option for our research. Then based on our research question, approach and method case study emerged as the most suitable research strategy.

According to Yin (2009) the main idea of a case study is to investigate a unit of analysis with both practical and scientific interests connected to the study. A case study is then according to Yin (2009) an appropriate strategy to use when investigating a process. Especially if it takes great insight and the research question is of an explanatory character.
Two ways of conducting a case study are presented by Yin (2009); direct observation and interview of individuals that were a part of the process. We have chosen to do interviews, due to the fact that we have not been able to observe the process of our case company. As the process of internationalization of our case companies has started years ago, and we are too far from the center of decision making to observe it. In our interviews we will focus on gathering empiric material in the form of our interviewees’ experiences and observations. In our case study we have chosen to interview one person from each case company with relevant responsibility areas. These interviews offer us a great opportunity to gain a deeper understanding of the process of analysis. In addition to this it gives us the means to answer how and why it looks in a certain way.

3.3.1 Design of case study

After having defined our research strategy and explained the reasons to why it was chosen; we will describe the design we have chosen. Yin (2009) describes two different options; single case and multiple case design. I.e. if one or several case companies respectively should be included in the case study. Yin (2009) explains that after choosing between these two different case designs the researcher must decide whether to analyze a single or several units within the case company. This creates a 2 x 2 matrix with a total of four different case study designs.

Yin (2009) claims that in general; multiple-case studies are regarded to be more compelling and robust in comparison to single-case studies. He further advocates choosing a multiple-case design when resources and time are available to reduce the vulnerability of the study. Also single case studies are relevant when the case is unique, representative or have longitudinal character. As our case study is neither of these we have chosen to do a multiple case design, where we will use three case companies. We considered this suitable for our study as investigating several cases reduces the contingency risk of our results.

The second choice that Yin (2009) presents us with is that between using a single or several units of analysis. As our research question are focused on a specific process that is to a great extent observable by a single function of the company; we have chosen to work with a
single unit of analysis. Hence we will have one interviewee within each case company, who has relevant experience and insight into the companies operations within the UAE.

3.3.2 Reflections on case study

Yin (2009) describes that case study research is often criticized when the results are being generalized. This critique is justified as the sample in case studies are practically exclusively too small to make generalizations from. Yin (2009) also notes that researchers sometimes tend to overemphasize or simplify certain phenomenon in their case studies. That can lead to the establishment of causal relationships; even though correlation does not imply causation. Furthermore Yin (2009) regards that this problem can also be strengthened by the researchers that are selective with the information they choose to include in their study; resulting in a misleading picture of reality.

To reduce the risk to some extent of giving a misleading picture of reality we have done a multiple-case study. Despite of the critique that can be directed towards this research strategy; we find it the most suitable in our case. As we have one unit of analysis in three different companies that all require in depth interviews to utilize. Conclusively regarding this subject we consider that all methods of gathering empiric data have its limitations, but the effect of them can be reduced by researchers acknowledge them.

3.4 Selection of cases and interviewees

Andersen (1998) describe that a selection of cases has to be made when researching on a certain phenomenon. To perform a relevant study primary data has to be collected through reliable sources, i.e. through interviews with relevant interviewees. Otherwise the collected data is of no use considering the initial purpose of the study. Holme & Solvang (1997) explain that when conducting qualitative research the selection ought to be made systematically and with deliberate criteria. We did therefore choose companies that are currently active on the UAE market. In addition to this the managers are well acquainted with the chosen markets, i.e. both the UAE and Swedish market. Furthermore, we have also chosen to make a selection on managers that are ethnic Swedish. Due to the fact that managers with an ethnic background from the UAE or other markets considered closer to
UAE would probably be more familiar with the actual market, and therefore not face the same institutional or psychic distance as an ethnic Swede. Thereby, we consider that it would affect the results of this study.

### 3.4.1 Case companies

**Rapid Granulator AB**

Rapid Granulator AB was founded in 1942 in the little community of Bredaryd in Småland. Since then they have focused on the production and selling of plastic granulating machines to companies within the plastic industry. Today they are active in 150 countries and have about 300 employees that keep the company running. The UAE market is one of the markets they currently operate within (Rapidgranulator.com, 2013).

**FläktWoods AB**

FläktWoods AB is a company merged between the Swedish company Fläkt founded in Jönköping in Småland in 1918 and Woods Air Movement. These two companies then merged in 2002, and by this FläktWoods were established. FläktWoods is organized around three business areas which are Air Climate Solutions, Ventilation Solutions and Industry & infrastructure. FläktWoods customers are operating within different industries. Today it is a globally active company with a strong competitive position within the industry. What should be mentioned is that they also operate on the UAE market (Flaktwoods.se, 2013).

**Uddeholm AB**

Uddeholm AB is a company which history can be traced 350 years back, when smiths in the area joined up under the common name – Uddeholm. In 1950 the steel production plant in Hagfors was built, and today an Uddeholm owned plant is operating in the same spot. Today Uddeholm is supplying the world with high-quality steel products. They are currently active on the UAE market (Uddeholm.se, 2013).

### 3.4.2 Interviewees

Our interviewee at FläktWoods AB was Thomas Nordström. He is the Sales Manager of the UAE region. The second interviewee has been Niels Sörensen at Rapid Granulator, who is the company’s Regional Sales Manager in the Middle East region. Our interviewee at
Uddeholm AB was Pär Emanuelsson; who is the Sales Director and responsible for the UAE region.

3.5 Data collection

Primary data was our main source of empirical data for this thesis. This means that we collected the data ourselves; which gave us raw data that has not been manipulated to work with. Andersen (2012) claims that this assures the quality of the data and therefore increased the legitimacy of the research. We have gathered the primary data by conducting thorough semi-structured interviews with our interviewees, to be able to understand the scenario that they faced and how they handled it. The interviews with Nordström and Sörensen took place at their company sites, while a telephone interview were conducted with Emanuelsson. To ensure that we did not miss any relevant information in the answers provided by the interviewees we recorded the interviews with the interviewees’ permission.

According to Saunders et.al (2009) there are three advantages with non-standardized form of interviews. Firstly, we could collect more detailed data to build our thesis upon. Secondly, the interviewees prefer face-to-face interviews because they feel more confident in sharing sensitive information about their company operations. Thirdly, it is easier for the researcher to gain an understanding of a complex phenomenon. Due to the open-ended questions asked by the interviewer.

Secondary data will also be a part of our thesis as a complement to our own collected data. Andersen (2012) describes this as a data collection method that is suitable for acquiring larger quantities of data. As it focuses on using previously generated data, which could have been collected with a different purpose by other researchers. Therefore, a great deal of data can be generated quickly, but the researcher should always be critical against this information to ensure its validity and reliability.
3.6 Operationalization

We operationalized our theoretical framework to ensure that our empirical data was suited for our study purpose. The theoretical framework was converted to interview questions that would indirectly explain the theoretical framework used in the study, see enclosed appendix. This conversion is described by Patel & Davidsson (2011) as operationalization of the theoretical framework. We had chosen to divide the questions into different sections for a clearer overview of the framework. To show the operationalized interview guide we have included it in the appendix.

With the psychic distance and institutional distance concepts we have focus on trying to receive a clear picture of how great the distance between the two markets are perceived to be. In addition to this we have also focused on how certain factors of it has been handled by the companies. To study the interview guide observe questions 1-8 for psychic distance and for institutional distance see question 20-39. Our other focus in this operationalization has been on what our theoretical framework suggests to handle distance between markets. Concepts that have been of importance are knowledge and relationships/networks; which we have studied in the Uppsala model of internationalization, the Network model and the liability of foreignness/outsidership concept. We have translated the ideas of these theoretical ideas into questions that our interviewees would understand; to receive relevant information. To study the interview guide further we refer to questions 9-19 for liability of foreignness/outsidership, questions 40-58 for the Uppsala model of internationalization and finally questions 59-66 for the Network model.

3.7 Qualitative Content Analysis

According to Hsieh & Shannon (2005) there are three different orientations of qualitative content analysis, i.e. conventional content analysis, directed content analysis and summative content analysis. The aim of this study was to describe and analyse a certain phenomenon so the authors used a conventional content analysis. According to Booth (2003) the aim with a qualitative content analysis is to explain why the authors make a certain claim, e.g. the authors acknowledge the current existing theories of other
researchers, thereafter make a statement based on the collected empirical data. The analysis of this study is therefore based on statements that have been argued by the interviewees from our case companies combined with the established theories of other researchers.

Patton (1990) argue that a qualitative content analysis should be used to identify and categorize the collected empirical data. Denscombe (2004) claims that this enables the researcher to spot occurrence of certain themes in the collected data and the themes could therefore be interrelated. The categories of this thesis are based on the theoretical framework in Chapter 2.

3.8 Validity of the study

Jacobsen (2002) explains that the validity of a study refers to the how well the researcher performs when performing the research, i.e. how well the research corresponds to what was intended with the study. What is measured with a few case companies should be representative for many. Eriksson & Widersheim-Paul (2003) further adds that the validity of a study is high when the research measures what was intended.

Ghauri & Grönhaug (2005) explains that the internal and external validity of the study should be differentiated. Internal validity refers to what extent two variables affect each other. Eriksson & Widersheim-Paul (2003) define it as how well the study corresponds to the definitions and concepts used within the performed research. They then define the external validity as the correspondence between the measurements of the study and the reality, i.e. if the study has high external validity it could be applied on other cases by researchers. They claim that if these researchers reach the same results we could state that external validity exist. Denscombe (2004) points out that to increase the validity of a study one must ensure that relevant and reliable sources are used for data collection. Denscombe (2004) also proclaimed that it is important for the validity of the study that both the researcher and the interviewees should be well prepared before the interviews.
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We had thoroughly read about the concepts, markets and companies used in our research. We thereafter operationalized the framework into questions. The questions were formed in a way that would fulfil the validity criteria’s mentioned above. We then e-mailed the areas and the subject of discussions to the interviewees before the interview, so that they knew what to expect and could prepare subsequently. We did this because we wanted thought out answers that would be thorough enough to answer our research questions. With the aim of fulfilling the criteria of external validity we decided to interview three interviewees from different companies. To further increase the validity of the study we have ensured that our data sources are relevant and reliable for their purpose, i.e. ensuring that the interviewees had experienced both the Swedish and UAE business society.

3.9 Reliability of the Study

Patel & Davidsson (2011) discuss the aspect that is commonly discussed by researchers as the reliability of the study, i.e. measurement instruments with high credibility should be used. Patel & Davidsson (2011) explain that if the study is highly reliable other researchers should be able to perform the study with the same results, also with a different selection of participants, given that the researchers search aims at the same type of generalization. Eriksson & Widersheim-Paul (2003) adds that the requirement of reliability is more difficult to fulfill when the study has an interpretive approach.

To increase the reliability of our study we chose to use an empirically tested theoretical framework. Therefore we consider the theoretical framework to have a high credibility as a measurement instrument. This framework can be applied to any market and we find it highly likely that if other researchers would use the same framework they would reach similar results. We also chose interviewees based on their experience within the chosen topic of discussion. Because of this we consider our study’s reliability to be high. In order to increase the reliability the authors of this study used the same interview questions for all three interviews. To further increase the reliability all three interviews were recorded in order to avoid subjective interpretation of the collected data.
4. Empirical Data

This chapter will consist of the primary data that we collected through interviews with our three case companies; FläktWoods AB, Rapid Granulator and Uddeholm AB. Secondary data will also be included in this chapter.

4.1 Export Activities

Rapid Granulator is a company that has been internationally active since after the second world war; that now have a global coverage and a record of 100,000 installed machines abroad (Rapidgranulator.com, 2013). According to Sörensen Rapid Granulator is a company that has learned by experience in the countries that they have been operating in. Sörensen explained that Rapid Granulator generally get their machines to international customers through direct export. Sörensen further clarified that it is common that the products go to any of their other factories around the world before reaching the customers; that is mainly done to avoid customs. Sörensen stated that since Rapid Granulator then ship the core of the machine from Sweden; the simple components such as the chassis are then assembled on site. Sörensen explicated that the most common way for Rapid Granulator to proactively meet international customers has so far been actively attending fairs for the plastic industry. This has given them an opportunity to extend their network and establish contacts on markets before they actively enter them.

Fläkt have an eminent history such as once being a part of the large engineering group ABB. Woods of Colchester also have an eminent story of their own. This merge has given them a reputation and strong brand recognition within their sector. From its time as a part of ABB FläktWoods has gained access to a base networks on the international markets; that they with time has extended on their own (flaktwoods.com). The organization consists of 26 production units, 13 in Europe, 8 in the US and 4 in Asia. The whole organization consists of 3,500 employees. FläktWoods have local presence in 95 countries with their own sales representatives in 30 countries and 80 agents (flaktwoods.com).
Uddeholm is a world-leading supplier of steel and have established sales offices worldwide. All of Uddeholms products are produced domestically in Sweden and then exported to other markets. In 2007 Uddeholm became a part of Voestalpine AG, which also gives them access to the network of other customers. As Voestalpine AG is a company that is represented worldwide with approximtely 360 production and sales units (Uddeholms.com, 2013).

4.2 United Arab Emirates Operations

Sörensen described that Rapid Granulator has been in contact with the UAE market since the 1970s. According to Sörensen that early the business in this region consisted of a few unsolicited orders from companies in the UAE. Sörensen claimed that these orders were placed on fairs for the plastic industry in Europe at this time. Sörensen argued that the fairs proved to be an excellent way to establish a network of customers on the UAE market. According to Sörensen when oil was discovered in that region, a great deal of companies went into the plastic industry. Sörensen proclaimed that these companies then lacked were high-quality machines; that they went to fairs in Europe to find.

According to Emanuelsson Uddeholm received unsolicited orders during the oil boom from the UAE market and when these orders increased they went into the market and established an office. Emanuelsson mentioned that this led to decreased uncertainty within the UAE market, since they had a stable customer base. Emanuelsson stated that the ten largest customers of Uddeholm AB stand for 90 percent of their orders within the UAE market. According to Emanuelsson the customers of Uddeholm have increased their turnover in UAE and therefore decreased the uncertainty during the entry process of Uddeholm into the UAE market. Emanuelsson argued that the decreased uncertainty was the main reason to why they established an office in UAE. Emanuelsson mentioned that the Dubai office is also used as hub and rendezvous point for many of their surrounding markets in Asia and Africa.

Emanuelsson explicated that they do not consider the UAE market more different than their other markets they operate within. According to Emanuelsson Uddeholm AB entered the
UAE market routine-like as they would do with any other market. Emanuelsson mentioned that the former CEO of Uddeholm had a great deal general knowledge when it comes to market expansion, which made the entry process easier for Uddeholm. Nordström argued that their prior knowledge and international experience has been an asset during their internationalization to the UAE market.

Nordström stated that Fläkt was owned by ABB, and when ABB entered the UAE market during the oil boom during the 1970s Fläkt followed on. Nordström mentioned that during this time Fläkt received orders from Swedish construction companies, such as Skanska. According to Nordström Fläktwoods have often followed their customers abroad, e.g. IKEA, Gulf Pharmaceutical and other large customers. Nordström argued that Fläkt did not really face any uncertainties during their internationalization process, since they also had stable relations with large foreign firms that placed regular orders to complete their own projects.

One of their most unique projects in the UAE market is the ski resort built in one of Dubais most famous shopping centers, Mall of Emirates. FläktWoods have also delivered ventilation solutions for Dubai international financial centre, which is one of middle east’s most famous buildings (Flaktwoods.se, 2013). Nordström mentioned to further expand Fläktwoods business on the UAE market Fläktwoods have utilized a network of European companies. According to Nordström this network was established to further promote business in the UAE region.

The three interviewees argued that as the economy of UAE was thriving on the oil findings; there was a high demand for high quality products from the west. The three interviewees stated that this led to the customers contacting them and started to establish relationships. This customer interaction combined with their experience of unsolicited orders led to that they learned how business was conducted with actors from the UAE market. It was stated by the three interviewees that by applying the general business knowledge that existed within their companies they were able to smoothly enter the UAE market. Even though that this knowledge had been generated primarily from the European and US markets. Nordström further argued that Fläktwoods were able to apply business experience gained during their operations in Kuwait and India. While Sörensen clarified that Rapid Granulator were able to...
apply certain business experience from the market in Egypt, where they had been operating before entering the UAE market. According to Sörensen this experience was able to compensate for not having anyone within the company with previous experience of the UAE market. It was proclaimed by the three interviewees that as they already had customers in the region upon entry, they did not perceive any lack of knowledge during their business operations in the area. Furthermore, they described that more knowledge were acquired during their operations in the UAE market, however they did not come across any crucial knowledge gaps.

According to Sörensen as Rapid Granulator’s network in the UAE exists of primarily customers and their agent; this is from where they are able to generate opportunities in the area. The customers and their agent in their turn have a great deal of contacts within the national plastic industry and in turn they refer projects and potential customers to Rapid Granulator. Sörensen recognized that the UAE government has indirectly favored companies such as Rapid Granulator by investing in the recycling of materials to make the country more environmentally friendly. According to Sörensen this has also affected their local UAE customers; both financially and in their mindset. Today Rapid Granulator have eight larger customers in the area that contribute to about 50% of their turnover, while the other 50% is contributed to by ca 200 customers. About 80% of their products are adapted for the customers, which further emphasize customer relations and good communication.

### 4.3 Distances

As we discussed various areas with our interviewees where distance could be observed we chose to divide this data into a sections; to give the reader a better overview of the collected empirical data.

#### 4.3.1 United Arab Emirates Society

The major part of the inhabitants in UAE society according to Emanuelsson consists of people from India, Bangladesh or other Asian countries. Nordström mentioned that the
managers of their customers are mostly from India or European countries and often well educated. According to the three interviewees these hired foreigners are usually the ones doing all the work, while usually the indigenous Arabic man that owns the company just signs the papers. As the country exists of 19% locals and 81% foreigners (CIA Factbook, 2013), this is the most common division of labor. Sörensen points out the acceptance in the area to be high. Nordström further explicate that in addition to this the language barrier is non-existent in the country. Sörensen explains that the agent that Rapid Granulator has in the area is a local, which knows English as well as Arabic; if they would find themselves in a situation where that is necessary.

According to Nordström UAE is built on elitism where the native inhabitants enjoy and reap benefits given to them by the state. Nordström further explicate that the society is built around status, consumption and the native population has high living standard, due to the wealth created by the oil reserves of the country. Sörensen explains that the locals are favored by the state with such as free healthcare, education and land. The three interviewees argued that only the native inhabitants of UAE are included in the social system. In addition to this they explain that land and property ownership is only allowed to the local population. Nordström also explain that if one wants to start up a subsidiary in the country, it is regulated by the state that a lifelong contract with a local sponsor has to be signed before doing so. Nordström argued that this might lead to some hindrance during the start-up process.

According to Nordström UAE’s endogenous population is well educated, except from some of the old shejks. He further explains that the young pupils are often sent abroad, e.g. to the US for educating purposes. Nordström argued that this has led to decreased misunderstandings in business communication between western managers and the indogenous population. Almost exclusively these families are wealthy and passive owners of companies that are operated by foreign workers. According to all three interviewees it should be noted that only the locals have a citizenship in UAE, while the rest only are allowed to stay because they have an employment.
“Foreigners are in UAE strictly for work, if they lose their employment they are instantly sent back to their homecountry” (T. Nordström, interview, 6th of May 2013)

According to all three interviewees this is reflected within the organizations in UAE, where the power distance is huge.

Our three interviewees explained that the political system is similar to that of a dictatorship. According to Emanuelsson the UAE political system has been influenced by corruption to a certain extent. Sörensen implicated that when in UAE one has to recognize that respect has to be given based on age and wealth, while competence is secondary to these. Sörensen further argued that this is a reflection of the country’s dictator government; where the richest man rules the country. They present ruler of UAE, Khalifa bin Zayed Al Nahyan, is described by Sörensen as modern and very international. It is further clarified by the three interviewees that the country is divided into seven Emirates, where the royal families in UAE rule each one. They further explained that each one of the Emirates has their own leader, i.e. emir. Nordström and Sörensen implied that the emirates are very goal-oriented when it comes to the economic development of their respective Emirate.

4.3.2 United Arab Emirates Culture

When discussing the cultural values and traditions Nordström mentioned that the major part of UAE strictly follow their traditions. Which according to all three interviewees can be seen on the dresscode or the drinking habit followed by the people in UAE, e.g. Alcohol is only available in western adapted regions such as Dubai or Abu Dhabi. Nordström mentioned another adaptation made in these regions; which are the adapted weekends. According to Nordström weekends in UAE normally last from Thursday to Friday. However Nordström explained that there are some exceptions, such as Dubai and Abu Dhabi that has adapted their weekends to the Western world, i.e. kept Thursday as a weekday and instead instated Saturday to their weekend.
When discussing religion Sörensen perceives it as considerably different from our Swedish view on religion. Sörensen explained that it could be tricky; as the other part might be offended if one would discuss matters such as politics and religion.

“Discussions about politics and religion have to be avoided during interaction with the customer.” (N. Sörensen, interview, 6th of May 2013)

However all three interviewees indicated that this is handled fine in the area as it is rather westernized and has more of a focus on business than on personal belief. Sörensen added to this that having these different beliefs is compatible, as long as both parts have mutual respect for each other. Nordström also mentioned that the difference is handled through adaption to these values, i.e. respecting and preserving the values when visiting UAE.

4.3.3 Business Environment

The three interviewees have carried out business in all of the emirates in the UAE, and during this time they have gained a lot of experience of the business situation in UAE. What the three interviewees mentioned was that the business practises does not differ considerably from what is most common in any part of the western world. Since the business relationships are often built with western managers or managers that are well experienced within international business. They further describe that the business environment does not differ considerably from that of the in the western world. It is therefore rather easy to conduct business within UAE. All three interviewees described the UAE as an international society with good infrastructure and communications.

When discussing the cost and issues of gaining legitimacy on the UAE market our interviewees explained that they have not experienced these issues. Sörensen argued that the process of building trust in the UAE is different compared to the western world. Sörensen proclaimed that before doing business with someone; you need to get to know them. According to Sörensen if a supplier start by discussing business before the parties have established a relationship, then the other part might become suspicious. It was argued by
Sörensen that a supplier should not expect to close a deal before having several meetings, after that it would be more appropriate to discuss business.

“It is impossible to make a deal with a potential customer for the first time by phone or e-mail.” (N. Sörensen, interview, 6th of May 2013)

According to Sörensen these meetings are necessary to build trust and to show that the supplier is dedicated and serious about doing business. Once this threshold has been passed Sörensen describe UAE as one of the places in the world were business is done in the “old fashioned way” (N. Sörensen, interview, 6th of May 2013), which includes a great deal of bargaining and discussions. The three interviewees proclaimed that the contract is not necessarily signed directly when agreed upon, but a handshake will have equal weight until the contract has been signed.

All three of the interviewees emphasized on the importance of previous credentials in order to gain the trust of the customer. According to the three interviewees this is something that is valued greatly by companies in the region. All three interviewees mentioned that their companies use previous reference projects to a great extent to gain further trust. Nordström argued that Fläktwoods have noticed the necessity of building trust through previous reference projects. It is mentioned by Nordström that the potential customer would then see how satisfied their previous customers are and thereafter place an order. All three interviewees proclaimed that their companies had prior references from European and US customers before entering the UAE market.

Being originated from Sweden has according to Sörensen been regarded as positive on the UAE market, as the products are considered to be of high quality and the Swedish managers are considered honest. These factors leads to that Sörensen considers that in general Swedish firms have a higher legitimacy in the eyes of the customers, compared to local firms. In addition to this our interviewees explained that Nordic managers are considered to be more ambitious and honest compared to managers from other parts of the world. All three of the interviewees emphasize on honesty when doing business in UAE, if a supplier trick the
customer, the supplier will most certainly be shut out by a large proportion of other potential customers. Our three interviewees explained that the locals trust in references to a great extent, and that word of mouth is of great importance in the region. They describe that their service and after-sales support have been greatly appreciated by the local companies. According to the three interviewees if there is a problem with their products they will send technicians there and fix it as quickly as possible. Sörensen also proclaimed that this is something that the customers in UAE are not used to, so a mistake or problem can be turned to an advantage; if handled correctly.

According to Nordström even if the government in UAE would like the production of products to be domestic, there are no local competitors in the premium segments of the industries. All three interviewees argued that most of the high quality products used within UAE are imported from other countries. According to the three interviewees western products are also considered to have a longer lifetime and to be more expensive. Therefore it was argued by the three interviewees that the western firms often aim to position themselves as a supplier of products with superior quality. Our interviewees explained that local firms often produce lower quality products at a cheaper price and thereby aiming for a different segment of customers. Furthermore, they claimed that western products are seen as symbols for status. The three interviewees explained that as they are the more expensive suppliers, they have to focus on quality, service and after-sales in their offering.

According to Nordström the network of Fläktwoods AB consists of stable and long-term relationships. Emanuelsson also argued that the network of Uddeholm AB is rather stable in the UAE region. However Sörensen described the plastic industry to alter continuously. Sörensen stated that Rapid Granulator AB has been forced to spend more resources on establishing relationships with new actors. It is claimed by Sörensen that this is easy when it is a manager that the company have had relationship with earlier, but just represents a new company. Sörensen however explained that the process will be slightly longer and more resource demanding when they deal with a new manager.
When the three interviewees described the local UAE customers they mentioned that the customers do not plan to a great extent or in a detailed manner. According to the three interviewees this has led to that it is common to extend the deadlines for installation projects in this region. All three interviewees explicated that these matters lead to that more time has to be spent from the supplier’s side to support their UAE customers. Our interviewees explained that the decision making of actors in the UAE market differs from what they are used to in the Swedish market, as it is often based on feeling rather than on rationality. Nordström argued that the reason for the decision of an UAE customer might be based on their current relationships, status of the customer or the perceived brand value. According to the three interviewees the differences were handled by studying their previous interactions with the customers.

The three interviewees also mentioned that there is another clear difference between Sweden and UAE, which is the example of the grey zone between gifts and corruptive act among businessmen.

"It is commonly expected by the UAE managers to receive gifts such as free travel packages with some pocket money to visit for example Europe before placing an order" (T. Nordström, interview, 6th of May 2013)

Nordström explained that this is a part of their culture. All three interviewees mentioned that they face the costs caused by the geographical distance, i.e. transportation costs, travel expenses for managers and other employees. In addition to this Nordström mentioned the costs of gaining knowledge about the market through reports and other relevant data sources.

### 4.3.4 Regulative Aspects

Emanuelsson argued that the bueracratic process affects the company during the start-up of their operations in the UAE market. There are even precepts regarding on what color different contracts has to be signed with, which depends on who the recipient of the contract. After the contract has been signed it is not supposed to be folded, otherwise it might be
declared as invalid and be returned to the sender. Nordström describes the buerucracy regarding obtaining permit visas for employees sent to the UAE market to be a tedious process as well. According to Emanuelsson the employee must also use the same passport for all their arrivals in UAE, which might complicate the process further when the passport has to be renewed. Since it will not have the same passport number. Nordström clarifies that this does not directly affect the business operations of Fläktwoods in UAE, since it is just a minor complication. But it definitely slows down the process of getting the employees into the market, which in turn affects their business. Emanuelsson explicated that Uddeholm AB handle this by acquiring information of how to act and adapt to this bureaucratic process of the UAE.

Apart from the bueracatic processes Nordström regard the legal system in UAE to be excellent. Nordström proclaimed that the citizens of UAE follow the Sharia law, but there are no strict sanctions regarding immigrants misbehaving. The most common sanction is that the immigrants are sent back to their home country. Nordström added to this that the employing company might also get fined for inviting a misbehaving person to UAE.

According to Sörensen the regulative system has also been adapted to stimulate the trade. It is rather easy to conduct business in these areas, for example it is easy to set up offices, employ staff, deal with customs and other interrelated issues. According to Nordström this has led to a decrease in barriers for entry into the UAE market; due to the decrease of administration and rescindment of custom duty. Nordström also claimed that the decrease of entry barriers has made the UAE market an attractive market for international companies.
5. Analysis

In this chapter we will put our theoretical framework in relation to our gathered empiric material; to be able to analyze this information and answer our research questions.

5.1 Distance

Based on our theoretical framework we have observed distance in the sense of psychic and institutional distance. When discussing this with our three interviewees, we got the picture of that they perceive the distance in general does not have a great impact on their operations in the UAE region. Our theoretical framework suggests that distance is created when firms operate within separate markets that embed the companies within them in different institutional context. As the firms then are affected by this difference in context and adapt accordingly; they develop differently.

With our empiric material we can clearly see distance in the contexts between the Swedish and the UAE market. The general culture that exists in the region; with the values and cognitive perceptions that comes with it we consider to be fairly distant. Our interviewees clearly define that important factors in the UAE society are wealth and power. This is included within the power construct of cultural values discussed by Schwartz (1992) as an important aspect of national culture. We consider that this has contributed to the power distance between individuals of different status. We would argue that this reflects in the way to UAE society is constructed, as it is run by the indigenous population that has a wide variety of benefits compared to the foreign workers. Our empiric material also point at that these factors has contributed to that when operating in the UAE, one ought not to criticize those that are considered of higher status. This we consider originates from what is labeled by Schwartz (1992) as the cultural value of power. It is a phenomenon that has developed in this region because of its cultural context, which Swedish companies are not necessarily used to. Our empiric material suggests patience as an important factor, in the sense of relationship-building, specifically how time-consuming and resource-demanding it is. This
is a process that is described by our interviewees as longer than they are used to in Sweden. Patience is a factor pointed out by Hilmersson et al. (2012) as a part of institutional distance that refers to this process exactly. So based on this we confirm the importance of the patience factor when discussing institutional distance.

Although, when we discussed this longer process with our interviewees, especially Sörensen described that this originates in tradition; rather than in distrust. Therefore we would argue that the cultural value of tradition discussed by Schwartz (1992), should be considered a compliment to the distrust against foreign firms that is discussed by Hilmersson et. al (2012); As it in our case were able to explain the longer relationship-building process to a greater extent than the liability of foreignness and the distrust factor.

Our interviewees point out those decisions taken by companies in the UAE are in general not planned and detailed to the same extent as they are used to in Sweden. They explained that this can lead to a more complicated sales and implementation process of the company’s products. Furthermore, the company also sometimes has to take a supportive role in this process, in order to assist its customers. This we can relate to what Scott (1995) labels cultural-cognitive context that exists in the region. Rationality as described by Hilmersson et.al (2012) also discuss that the planning of decisions as a measure of institutional distance. As we can clearly see that the general logics of action in these situations are not structured and planned to the same extent that Swedish companies might be used to; we can confirm these measurement variables.

Another similar factor that Scott (1995) point out is the tendency of companies to base decisions on feelings rather than on rationality. Our interviewees explained that in comparison to decisions made by Swedish companies; companies within the UAE to a greater extent base decisions on feeling. They explained that effects of this can be reduced by studying the customers’ behavior in previous business deals. Such a behavior is though hard to predict in the early stages of a relationship. Our interviewees explained that this has to do with that UAE firm owners often have a surplus of capital, so they are not forced to act rationally to run their companies. We would consider this a factor that Swedish companies must consider when entering this market; as decisions can seem illogical from their point of
view. We agree with Scott (1995) that this is a factor that should be studied by companies. As for Swedish companies entering the UAE; it is has the most impact before customer history has been gathered.

Our interviewees discuss the business environment in connection to the political system of the UAE. They explained that the government is working towards creating an international market that is open to the rest of the world. In addition to this English is also the standard language to use when doing business in the country. The business distance and political system are factors that Carneiro et.al (2008) discusses separately, but both are described to affect the psychic distance. We consider that this synergy between the political actors to improve the business environment of the country has made UAE to a genuinely international market. That they have been able to affect the character of the market to such an extent we can also confirm the importance of them; as discussed in our theoretical framework.

A factor that our interviewees mentioned is corruption, which they consider to be more widely accepted in the UAE than in Sweden. This is related to the business distance that Carneiro et.al (2008) discusses, as well as the culture and norms discussions by Scott (1995). We consider this as a factor that must be accounted for by Swedish companies; that they also must take a standpoint to. Furthermore, there are other certain norms within the business practices that is pointed out by our interviewees; that one has to consider when conducting business in the UAE. They explained that this has to do with the process of how one has to approach and initiate a potential customer-relationship. Sörensen describe that it can be considered as suspicious if a company wants to do business before personal relations has been established between its respective representatives. This we also consider to be connected with what was previously discussed concerning relationship-building and the traditional values that are connected to this process.

Sörensen also mentioned the difference in the negotiation process that is normally considerably longer and includes a great deal of bargaining. This is as well included in Carneiro et.als’ (2008) definition of business distance. As well as Scott’s (1995) cultural cognitive pillar as this is the appropriate logic of action and how it is conducted.
it important for Swedish companies to be aware of these processes when expanding into the UAE. As we can observe a clear distance we would emphasize business practices and its norms as important constructs when measuring psychic and institutional distance. What we consider interesting here is that the processes are both longer, which further emphasize the patience factor when operating in this market.

Religion has an only has a smaller impact on the business practices according to our interviewees. They mentioned the Quran’s view on earning capital through interest rates that sometimes is brought up when doing business in the UAE. They explained that this slightly affects the way companies handle their account receivable and payable. Except from this we could not find any impact that religion has had on the business practices. Dow and Karunaratna (2006) claims that religion does not necessarily act as a psychic distance stimulus in all regions. We regard that religion’s small impact on the psychic distance construct in this case can be an effect of the westernization of the UAE. The ambition of its government for it to have an international character; that our interviewees described, we consider further supports this reasoning. Furthermore, considering that the majority of those conducting business are not indigenous locals, but rather foreign businessmen; we would claim that this has resulted in a genuinely business focused environment. In such an environment we have the picture of business as the primary focus, while religion in this case has been forced aside to a great extent. Therefore, we confirm the theory that religion is not necessarily a central psychic distance stimulus.

When we discussed the regulative and legal aspects as introduced by Scott (1995) that affected a firm when conducting business in the UAE market with our interviewees; we got the picture of a market that had high barriers. Although once they were passed, it becomes a considerably smoother process. Emanuelsson explained that it took them almost one year to set up a bank account when Uddeholm started up a new sales office in the area due to all bureaucracy; although when it had been set up there have been no problems. This is a factor that we can claim must be considered by firms in general when entering this market; as Swedish firms are not used to such a long process for such matters. The informal sanctions that are discussed by Hilmersson et.al (2012) that our interviewees had experience of in the
region were solely the word of mouth factor. While the formal ones were only that a person or company that was not acting according to the regulative framework of the region was sent home. So we consider this legal factor to have been slightly overemphasized in the theory for this particular market except for the bureaucratic process. Although we can imagine that this factor is of greater importance in other markets where court disputes between firms are comparatively common, or when the regulative framework has more of a strict character.

Zaheer (1995) and Zaheer & Mosakowski (1997) have discussions concerning the issue of gaining legitimacy as a foreign firm in a new market. Our interviewees though explained that they have not experienced this phenomenon in this market. Instead we get the picture of that they have benefited from their Swedish origin in this market. This is labeled by Zaheer (1995) as the country of origin effect, which in this case we consider to be positive. Our interviewees describe that Swedish companies operating in this region are commonly regarded as honest and suppliers of high-quality products. This fits well with our case companies as they focus on high-quality products for the market’s premium segments. As they have had a focus that corresponds with the customers’ expectations of Swedish companies; we consider that this has supported the process of gaining legitimacy.

### 5.2 How has distance been handled?

As there is an empirically verified distance between the Swedish home market of our case companies and the UAE market; we will focus on how it has been handled by these companies. Our theoretical framework explains that distance will always be present in a situation such as this; but it can be handled to reduce its effects on the company’s foreign operations. As mentioned in the start of this analysis our interviewees did not consider that this distance was of vital importance for their operations in the UAE. We consider that this is because the distance has been handled to a great extent; therefore it has not been a major issue for these companies.
5.3 Knowledge

In our theoretical framework knowledge is one of the most important and emphasized factors within the frames of internationalization and understanding a foreign market. The difference is made by Johanson & Vahlne (1977) between general internationalization knowledge and specific market knowledge. When we discussed this with our interviewees they explained that they do not consider the UAE market to be particularly different from other markets in that region. The difference they point out is that it is more open to westernization and international business than other neighboring countries. We consider this as something that brings this market closer to Sweden in terms of distance discussed before. All the three companies in our study had prior to entering UAE a great deal of international experience from primarily Europe and the US. Therefore we can safely claim that they all had a solid base of general internationalization knowledge upon entry. Although none had any solid specific market knowledge or experience worth mentioning from UAE in particular. So it is has to our understanding been sufficient for these companies to gain knowledge from other markets, in combination with unsolicited orders from the UAE; to cumulatively acquire enough knowledge for a market entry. We would argue that this has been possible partly because of the UAE’s own strive to be seen as a hub for international business. Therefore they have to an extent adapted to international practices within this field.

Knowledge and relationships are described Johanson & Vahlne (2009) to be two of the important factors when it comes to spot opportunities in a foreign market. Although, when we compared this to our empiric material we have not received the same picture of reality. Instead our interviewees argue that their customers’ needs in the UAE market do not differ in particular from their other customers. Therefore in this case we argue that specific market knowledge has not been needed to that extent that it is emphasized in theory; to understand the customers and spot opportunities. What our interviewees claimed to be their way of opportunity recognition were rather their customers within their network. Because the cooperation with these customers has over time led to new interesting projects and an expansion of their customer network. In addition to this the local staff that they have employed in the market of course as well is investigating about opportunities for the company. So Johanson & Vahlne (1977) has according to us emphasized the market specific
knowledge to a greater extent than the case was in practice for our case companies. When we reason on this subject we consider this to be because of the government of the UAE’s strive to adopt an international character, rather than a market that outsiders have to adapt to. We would argue that the extensive general internationalization knowledge that the companies had generated upon entry assisted them in the early process of entering the UAE market. Later on this knowledge has been complemented and institutionalized within the organizations. This we claim can be a reason to why not much attention is given by our interviewees to the knowledge aspect of the theoretical framework. As they consider this knowledge as something standard and self-evident.

5.4 Networks

Although the focus on relationships and the firm’s network we consider to be the focus of have been discussed equally by Johanson & Vahlne (2009); Johanson & Mattsson (1988) and practitioners in this case. Our interviewees then recognize their customers’ importance when it comes to spreading their reputation and discovering opportunities. The reason to why our interviewees have not considered knowledge to be an equally important factor, in terms of opportunity recognition, we suggest can be because of several factors. First, the products that they sell and the customer that buys them, if these are largely standardized globally; no particular knowledge about a specific market is needed to find opportunities. Second, the international character of the market could make it equal enough to the rest of the companies’ international operations; so that they do not need to adapt to this market in particular. We consider that networks can still be utilized as a source of opportunities even though any or both of these scenarios exist. As we see opportunities in the context for these firms as new customers and interesting projects. An example of such an opportunity we consider FläktWoods project when they delivered and implemented the air conditioning and ventilation to Dubai’s indoor ski resort. Such projects we regard can then be utilized as reference projects for future customers and offers more than just the single deal itself.

Our interviewees inform us that they have local networks that the companies have had access to when entering and establishing themselves on the market. To become an insider of
a local network in a foreign market is described by Johanson & Vahlne (2009) to be the main difficulty of internationalization. They further explain that advantages with such a position are the access of information and to business opportunities that are not given to those that are consider as outsiders. All of our case companies have local representatives on site, and have over time been integrated into the local network of actors within their respective industry. This we regard has made them insiders of this market; which has been a primary factor affecting our case companies’ internationalization process.

When we consider the society of the UAE that has been described to us, we can imagine that when their local companies needs sophisticated products they search for these abroad. Because our interviewees describe that actors in the UAE have the money but not the technology. This we would argue makes it easier for foreign companies to acquire a position that Johanson & Vahlne (2009) labels as an insider of the market. We claim this because as a suitable supplier then has been established, that it is integrated into the local network easier; because it has no local competitor. Furthermore, as the majority of individuals that operate within business in this country are foreign, we consider it to be a very open to integrating foreign companies into the local networks. According to us such a scenario makes the process of becoming an insider within these networks considerably easier for companies such as those included in this study.

Our interviewees explained that they have a few large customers in the UAE that they have worked with for a long time. These companies together contribute to a large proportion of our case companies’ turnover in the region. Such relations are described by Johanson & Mattsson (1998) as stable relationships. They explain that the firm can benefit from them because of the possibilities of co-operations. We consider that as the firms have these strong and stable relationships this has helped them to become insiders of the local network. This because we regard that it is a crucial factor to have close relationships with firms already established on the market; to acquire a network position within that particular network.

It is discussed by Zaheer (1995) and Zaheer & Mosakowski (1997) that a company operating in a foreign market must have a competitive advantage that separates them from the local
companies. They claim this because the companies must handle being geographically distant from the foreign market and having increased cost of gaining knowledge and legitimacy. Our interviewees explained that they have an established position on the market without any competitors in their segment. So what they do to keep this position is to work according to an honest agenda and deliver unmatched high-quality solutions for their customers. As our case companies have rather unique positions in their market segments, we understand the problem with applying these theoretical discussions; as they are designed for markets with a more local competitive company base.

5.5 Summary

Based on our analysis we argue that there is an empirically verified distance; in terms of institutional and psychic distance, between the Swedish and the UAE markets. To handle this distance we regard our case companies to have used knowledge and their networks. Although, our interviewees did not consider knowledge to have had such an impact as it is described in our theoretical framework. We got the impression that despite of this; general internationalization knowledge was though crucial when the companies entered the UAE market. Then over time this knowledge has turned into being self-evident for these companies; this we consider contributed to why our interviewees regarded it to only have had a minor impact.

Furthermore, the discussions regarding networks and their importance had a greater correspondence between our interviewees and our theoretical framework. As these have assisted the companies to establish themselves in the UAE market and become what we regard as insiders of the local network. This has helped the companies to gain access to customers, opportunities and information.
6. Conclusion

In this chapter we have concluded the results of our thesis; by answering our research questions. In addition to this we will give suggestions for future research within our thesis topic. Finally, we will give recommendations to how our case companies can handle the institutional and psychic distance; that exists between their home market and the UAE market.

6.1 Answers to our research questions

In today’s global environment we consider it important to understand the difference between market and how these can affect internationalizing companies. The result of these differences leads to psychic and institutional distances. In our thesis these distances has been our focal point in order for us to be able to point out them specifically; to then be able to investigate how they can be handled. What has been a base throughout this thesis are our research questions; (1) Which institutional and psychic distances does Swedish companies face in the United Arab Emirates market and how do they perceive them? (2) How do Swedish companies handle the institutional and psychic distanced faced in the United Arab Emirates market?

Our first research question focus on which specific factors of institutional and psychic distance Swedish companies experience when operating in the UAE market. In addition to this it also investigates how Swedish companies perceive these factors. Therefore this question focus on what factors they have experienced and how they perceive their impact. When we investigated this we received the impression that the distance was considerable smaller than we had imagined. The reason to why this was the case we would argue is because of the UAE government’s strive to make it an internationally attractive market. From our study we can distinguish that the factors of perceived distance that affects our case companies’ operations are within the cultural values, norms and macro environment. The cultural values and norms we consider affect companies especially in the process when they
are establishing new relationships. As these factors has an impact on the relationship-building process; that differs from the on Swedish companies are used to in their home market.

What we consider interesting to point out is that the societies of these two markets are substantially distant. Although when focusing on factors that are relevant for companies conducting business operations we would claim that the distance is a considerably smaller. This is reflected in how our case companies have perceived the distance; where they have described an international market. We wanted to emphasize the importance of distance in our theoretical synthesis by making it the centre of this model. Then when the distance factors have been established, first then can the companies handle them.

Our second research question focus on how the companies have handled the relevant distance factors that was discovered in the previous question. To answer this question we would argue that the companies’ network position has been the primary factor; when it comes to handling these distances. This because those distance factors that affects the firm’s daily operations we claim can be reduced to a great extent by having access to relevant networks. In terms of institutional and psychic distance the greater the distance, the more uncertainty is generated from it. Therefore we consider it crucial for companies possess the necessary tools to handle such distances. What we consider that networks and relationships has brought to our case companies are access to information, customers and opportunities. For a company to be able to establish itself within the local network, which our case companies has done; we consider to be a huge step towards becoming an insiders of this market. To have these connections with local firms and be considered as one among them, we would claim makes it considerably easier to handle the distance between home and host market.

Another crucial factor that we have discussed is knowledge, where we discovered that a solid base of international experience in combination with established customer relations in the UAE; contributed greatly to the internationalization process of our case companies. A factor that we consider affected this is that the companies had an understanding for the
distance, and that their international experience was to a great extent applicable in this country. To what extent the company and its representatives have an understanding for the distance between the markets we consider to be the foundation of how well they can handle the distance. The distance in this case was as mentioned perceived to be less than we expected; but as our interviewees basically brought up the same factors, we would claim that they are for this report empirically verified. Therefore we would argue that all companies have had an understanding for these distances, and because of that been able to adapt to them; i.e. handle them.

6.2 Limitations to the results of the study
As this thesis empirical data is based on a case study where data has been collected from interviewees at three different companies; we want to emphasize the limitations of our results. We do not consider that this gives us enough material to be able to make generalizations that concerns all Swedish companies operating in the UAE market. Our companies operate from different locations in Sweden which to a certain degree limit the effect of regional differences. Nevertheless, we want make the reader aware of that this is not enough to generalize our results.

Furthermore, as our data collection was done in connection to one interview with one interviewee per company. This has resulted in that the interviewee has given his personal account for a process that stretches over a period of time. What we consider would have given a more reliable result is if this process was followed by the researchers; which would have given a more detailed understanding for the process.

6.3 Suggestions for future research
We recommend that future research can be done based on the theoretical framework and synthesis in this thesis, as we consider that a substantial amount of research left to be done within this topic. If research would be conducted with a greater empirical base than we had access to in this thesis; generalizations could be made to a greater extent. This is something that we would regard to be a useful contribution to practitioners as well as theorists studying
the area. Furthermore, if researchers were to follow the internationalization process of companies entering this market; they would be able to observe the process in more detail. This we consider would give improved and more reliable results.

6.4 Recommendations to the case companies

We would consider knowledge to be of importance when operating in this market, a great deal of which is generated from experience. For the company to be able to handle unpredictable events that would require a replacement of those responsible for the sales in the foreign markets; we would recommend that they create systems to codify this knowledge. By doing this we argue that it would be easier for the company to fill potential knowledge gaps that could exist. If these knowledge gaps exist with people that has the primary contact with the market, it will affect how they can handle the distance in a negative manner. To have a codified knowledge base we also consider to be useful if the companies were to hire new staff within this area. Then this base could be used to give them a good introduction to what they will expect when operating in foreign markets. To implement such a system we consider to be useful for all of the companies markets, so that they can conserve knowledge within the firms.

In addition to this, we recommend the companies to invite their customers’ representatives to visit them in Sweden. Where the customers can be given tours of the factories and how the products are made. This will also give more than just the sales manager responsible for the region the opportunity to establish a relationship with the customers. Therefore, we consider that to be regarded as a security for unpredictable events that would make the company lose its sales managers that handles the relationships with the market. Such securities we find important as personal relationships are of such importance in the UAE. If the company then would lose their sales managers if this is not done; we reckon it could potentially lose parts of his/her customers to competitors. Furthermore, such a loss would shrink the network available to the company, and might threat their network position. So that the companies counter this we regard to be of a crucial importance.
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Appendix

Interview Guide

Psychic distance

- Cultural distance:
  1. How do you handle the difference in language used in the UAE market?
  2. How do you perceive the distance in cultural values differ in UAE from Swedish values? 
    Traditional? 
    Power? 
    Achievement?
  3. How do you handle these differences in cultural values?

- Macro distance
  4. How do you perceive the differences in the macro-environment when it comes to -
    Political system? 
    Economical system? 
    Legal system?
  5. How do you handle these differences?

- Business distance
  6. How do you perceive the differences in business practices in the UAE market compared to the Swedish market?
  7. How do you perceive the difference in business environment in the UAE market compared to the Swedish market?
  8. How do you handle these differences?

Liability of foreignness/outsidership

9. Have you experienced any costs that a local firm would not have to face in order to gain legitimacy in the UAE market? What costs?
10. How have you handled these costs?

11. Have you experienced any costs that a local firm would not have to face in order to gain specific knowledge and understanding about the UAE market? What costs?

12. How have you handled these costs?

13. Have you experienced any costs that a local firm would not have to face in order to handle the geographical distance between the Swedish and UAE market? What costs?

14. How have you handled these costs?

15. Have you used any specific competitive advantage to handle costs?

16. Have you experienced any positive effects because of your Swedish origin?

17. Have you faced any uncertainty due to not being established within a local network?

18. How have you handled these situations?

19. Have you been able to utilize your local customers, suppliers, partners, friends, family, and acquaintances to spot opportunities and/or acquire market specific knowledge?

20. How do you perceive the difference in norms that you come in contact with in the UAE market?

21. How do you perceive the difference in how to act in social situations in the UAE market?

22. How do you perceive the difference in relationship and trust-building with actors in UAE compared to in Sweden?

23. How do you perceive the customers in UAE’s distrust in the beginning of a relationship?

24. Do you have to be more a reliable supplier in UAE than in Sweden?

25. How do you perceive the difference in your customers’ reliability in UAE?

26. How do you handle these differences?

27. Have you experienced any certification or accreditation when meeting new contacts or groups in the UAE market?
28. How have you handled this?

- **Regulative:**

29. How do you perceive the differences in the laws and their sanctions in the UAE market?

30. How do you perceive the UAE court system and how it works in practice?

31. How do you perceive actors on the UAE markets tendency to make customers/suppliers lose face as a punishment?

32. How do you perceive actors tendency to use rewards and punishments to improve motivation among their customers/suppliers?

33. How do you handle these differences?

- **Cognitive-cultural**

34. How do you perceive the difference in common beliefs and logics of actions when certain events take place or common social situations in the UAE?

35. How do you perceive the time it takes to build a relationship in UAE compared to in Sweden?

36. How do you perceive the difference in the requirement of patience in customer and supplier relations?

37. How do you perceive the difference in actors’ tendency to plan and investigate matters in detail in the UAE?

38. How do you perceive the difference in actors’ tendency to base decisions on feeling rather than rationality?

39. How do you handle these differences?

**Uppsala model of internationalization**

40. How have you perceived the level of uncertainty in your internationalization process into the UAE market?

41. How have you handled it?

42. How much of your prior knowledge could you apply on the UAE market?
APPENDIX

43. How much knowledge about the UAE market were you able to generate before entering the market?

44. How much of that knowledge turned out to be relevant for your operations in the market?

45. Did you have anyone within the company that had prior personal experience of the UAE market? If yes, how did this affect the internationalization?

46. How much specific market knowledge have you been able to generate by operating in the UAE market? – Does it differ from market knowledge of other countries?

47. Have you experienced any crucial knowledge gaps in the UAE market?

48. How have you handled these?

49. How much do the customers in UAE differ from their Swedish counterparts?

50. How have you handled this?

51. How much experience does the company have from prior market entries? – What countries and in what order?

52. What modes of operation have the company used in the UAE market? – How has it changed over time?

53. How has your market inflexibility changed over time?

54. How have your financial investments into the market changed over time?

55. Have you focused on relationship building with a specific company/ies or a groups of companies?

56. How much time and resources has been spent on generating knowledge?

57. Have you been able to utilize your networks to gain knowledge of how to understand the UAE market?

58. How have you identified and handled opportunities?

**Network model**

59. How do you perceive your customers/suppliers/business-contacts impact on your internationalization to UAE market?

60. What was their role in this process?
61. How did the idea of expanding to UAE emerge?

62. How has governments, agents and local/foreign partners affected your internationalization process? Helped/Hindered?

63. How many other companies would you perceive that you have a strong and stable relationship with?

64. How many other companies would you perceive that you have a weak and flexible relationship with?

65. Do you perceive that your co-operation partners alter rapidly or are it stable?

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

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