Swedish Companies in Singapore

- What brought them there and what are the prospects for more of them?

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Summary

This master thesis concerns the factors behind internationalization of Swedish and Swedish related companies to Singapore and the prospects for other Swedish and Swedish related firms to establish in Singapore. The globalization and trade internationalization have changed firms’ internationalization paths. The distance factor are today of less importance than market size and industrial networks are often more important than statistical analyses and market researches. At the same time as Singapore and other market-oriented countries in Southeast Asia are showing robust growth, emerging markets like Malaysia and Indonesia are exhibiting signs of economic awakening and this affects practically all firms in the Singaporean market. Since Singapore is a small country, it is highly dependent on foreign trade and export. Many Swedish and Swedish related firms that establish in Singapore do so primarily to get access to the whole region rather than to get access solely to the Singaporean market. The Singaporean legislation is experienced as transparent and company friendly and the workforce is generally well-educated and diligent. There are no import quotas in Singapore and the custom duties are low. The country offers tax incentives to firms that operate in so called key industries but I have found that these inducements are rarely applied. There are also managerial, sociological and perceptual and resource barriers that firms must confront when entering the Singaporean market; firms that establish in Singapore must for instance regard cultural differences. Also the competitive position of Singapore as a nation is discussed in this thesis. It has been shown that Singapore’s competitiveness is strengthened by domestic rivalry. An implication is that Swedish and Swedish related firms in Singapore in the future will have to take part in the formation of cross-border industrial clusters in order to be competitive on a global front. Advantages for Swedish and Swedish related manufacturing firms in Singapore include lower production and wage costs and lower taxes. Retailers can generally enjoy the same advantages as manufacturing firms but the lower wage level must be regarded as a disadvantage for retailers. In the choice between globalization and localization; relationships and proximity to customers has turned out to be a determining factor. Swedish and Swedish related companies that establish in Singapore can enjoy various competitive advantages associated with global competition. Firms that choose to compete on international basis must however think globally and prepare to compete on a global level or they will face strategic disadvantages. Although many lines of business in the Singaporean market are growing steadily, it is also important to always prepare for counterattacks. This master thesis is summed up with a number of recommendations to Swedish and Swedish related firms that aspire to establish in Singapore. Two of these concern the need to conduct statistical analyses before the establishment and the importance of implementing a strong corporate culture based on an understanding of what motivates and encourages employees.

Keywords

Singapore, Business Climate, Factors behind Internationalization, Entry barriers, Global competition
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1. Introduction

1.1 Background

The global business environment has been growing dramatically in recent times. Many firms involve in the process of internationalization and engage their operations outside the boundaries of their home countries. This step involves new challenges, greater complexity and probably an increased level of uncertainty.¹ A firm that chooses to establish itself internationally will however not just face the advantages of competing internationally; there will also be difficulties and trade barriers that the company will have to deal with in order to survive in the more competitive marketplace.

There are several different expansion strategies that companies can choose from when they establish internationally. Most firms develop in the domestic market first and then internationalize as a consequence of a series of incremental decisions but there are also firms that establish abroad before establishing in the domestic market. Besides, sometimes foreigners who work abroad see business opportunities and establish only in the foreign market. To lower the uncertainty and to reduce the obstacles associated with the expansion, firms seek knowledge about the new market as well as about the surrounding region.² The significance of knowing the area well is so high that companies often choose to form joint venture companies and franchising or license agreements to get access to important information needed for the establishment.³

In the mid 20th century, there was a great debate concerning foreign capital and the impact this would bring about in ownership relations within individual countries. Large barriers were put up to prevent foreign direct investments as well as international trade. There are still significant differences in the ways different countries respond to direct investments from foreign companies but there is generally a rapid progression towards a global market. The barriers put up by some countries have however created an imbalance in the development of the world trade.⁴

The corporate culture and the relations between companies have also changed lately. The ever changing environments have made organizations more adaptive to changes. Adaptive cultures are those that facilitate learning and value innovation and, according to Jones (2004), organizations with adaptive cultures are more likely to survive in changing environments. The organizational culture affects nearly all factors in the company’s planning process and they should therefore be considered in the internationalization process.⁵

¹ Elf, Ulf & Johansson, Ulf (2001)
² Johanson, Jan & Widersheim-Paul, Finn (2001)
³ Jones, Gareth R. (2004), p. 76 & 87
⁴ Hill, Charles W. L. (2005)
The economics of expanding into a new market rests on some fundamental market forces that are operating whenever entry occurs. If these market forces work perfectly, no entry decision can ever yield an above-average return in the economist’s sense. According to Porter (1980), this startling statement is the key to analyzing the economics of entry because the point is to find industry situations that are not working perfectly. To survive in such a competitive environment, it is vital to have the strategic capability to recognize critical change factors and to react rapidly.

The companies’ focus on cost minimization is also an important aspect in the decision making process. Labour and material constitute substantial costs that should ultimately be minimized while quality is simultaneously maintained. The hunt for lower costs helps companies to compete in all parts of the refinement chain and to concentrate their activities when needed. Besides, the cost structures of many Western companies have changed and human and fixed capital is nowadays often moved between countries within less time than before.

A foreign market which it is fairly common that Swedish and Swedish related companies establish in is the Singaporean market. Singapore is a small but well-developed country. The population consists of over four million people with different heritages and ethnic backgrounds. The country has gone from being underdeveloped and poor to being well developed and prospering in an incredibly short time. The country’s fascinating history has contributed to the international atmosphere and the cultural diversity that Singapore has today. Singapore is strategically located in the middle of Southeast Asia and is one of the leading financial and commercial centres in Asia. The country has got one of the biggest ports in the world and about 7000 multinational corporations use Singapore as a base for business operations.

There are around 175 Swedish and Swedish related companies in Singapore and many of these are active not only in the country, but in the whole region. During my exchange year in Singapore I came in contact with several of these companies and I got interested in making research into what the prospects for Swedish companies to establish in the Singaporean market are.

1.2 Problem Discussion

The globalization and the increased international trade have increased the complexity of trade and international competition. In order to survive in the international market, firms need to choose between expanding to foreign markets and focusing on one domestic market. Such competitive environments are usually industry specific and to be successful in a given industry, firms must react quickly to changes and threats.

Many firms start their internationalization processes when they are relatively small and gradually develop their operations abroad. Studies at the University of Uppsala have shown

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7 Ellis, John & Davis, Williams (1995), p. 47
8 Hill, Charles W. L. (2005)
9 Embassy of Sweden (2006b)
10 Embassy of Sweden (2006b)
that gradual internationalization, rather than large, spectacular foreign investments are characteristic of the internationalization processes of most Swedish firms.\textsuperscript{12}

A common reason for expanding into new markets has traditionally been to be able to derive advantage from cheap labour or raw materials.\textsuperscript{13} This reason holds best when companies move production or other functions to developing countries such as China or India. The reasons for expanding to prospering countries like Singapore tend to be somewhat different. By expanding to the Singaporean market, companies get access to many countries in Asia through one of the world’s largest communication hubs and a large number of multinational corporations.

Because of the trade barriers and many other political, economic, sociological, managerial and technological factors, internationalization is not always a straightforward process. Most trade barriers work on the same principle: the imposition of some sort of cost on trade that raises the price of the traded products. Economists generally agree that trade barriers are detrimental and decrease overall economic efficiency. The barriers are however disappearing one by one and free trade is becoming an increasingly common phenomenon in today’s business world. For many firms, the removal of entry barriers leads to a search for ways to establish in new markets in order to serve new customers and explore new possibilities.

Singapore is a country with relatively few entry barriers. By offering good economic conditions and tax relieves for newcomers, the local government has enticed several multinational firms to invest in the country. The investors have brought capital, access to foreign markets and knowledge that have been valuable also for the native population in Singapore and for local Singaporean companies.\textsuperscript{14}

It is interesting to examine why Swedish firms choose to establish in the Singaporean market because Singapore is not considered a low-cost country. What attracts firms to invest in Singapore is probably not cost-savings or advantages of cheap inputs. It is likely that the decisions on establishment have got more to do with the country’s strategic location in the region and with other related factors. By investigating why Swedish and Swedish related companies choose to establish in Singapore, inferences can be drawn regarding the prospects for other Swedish and Swedish related firms to establish in the Singaporean market. It is also interesting to investigate how Swedish and Swedish related companies precede with their establishment processes as the strategic choices that different companies make affect the outcome as well as the experienced difficulties and benefits. Lastly, it is interesting to study which barriers that were experienced as difficult to overcome and which barriers that were not regarded as challenging whatsoever. This provides us with further information about what possibilities there are to establish Swedish firms in the Singaporean market as well as what factors potential establishers should look out for in the establishment process.

I have not found any existing research on the above mentioned questions. There is however research on Swedish firms that expand to other foreign markets than the Singaporean and I will bring up some articles on this subject in this master thesis. At last, I hope that by examining my research questions, I will make at least a small contribution to the already existing research and literature.

\textsuperscript{12} Johanson, Jan & Widersheim-Paul, Finn (2001)
\textsuperscript{13} Ellis, John & Davis, Williams (1995), p. 72
\textsuperscript{14} Landguiden (2002)
1.3 Purpose

The purpose of this master thesis is to examine what prospects there are for Swedish and Swedish related companies to establish in Singapore and to study the factors that influence, trigger and suppress the establishment of Swedish and Swedish related companies in the Singaporean market.

1.4 Research Questions

- What factors influence Swedish and Swedish related firms to establish in Singapore?
- What are the prospects for Swedish and Swedish related firms to establish in Singapore?

1.5 Delimitations

As mentioned above, there are around 175 Swedish and Swedish related companies present in Singapore. It is therefore necessary to make certain delimitations in order to be able to conclude the thesis within the given timeframe.

This thesis is limited to include no more than five case companies and consequently, the vast majority of Swedish and Swedish related companies in Singapore are excluded from this study. It will therefore not be possible to draw inferences about all Swedish and Swedish related companies in Singapore from this study. I have also excluded complex organizations such as MNCs15, commercial banks and large corporations where I assume that there are so many people involved in the internationalization process that it might be hard to get access to accurate and complete information.

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15 A multinational corporation (MNC) is a corporation that manages production establishments or delivers services in at least two countries
1.6 Outline

This master thesis consists of seven chapters which were written in sequential order. The outline of the thesis is as follows:

Chapter 2

The next following chapter, methodology, aims to explain the research approach, the scientific method used, the research strategy and the data collection process. Also the criticism of the sources, the criteria for good measurement and the course of action in this study is described and discussed. I will moreover discuss the strengths and weaknesses with the method used and describe how the study was practically performed.

Chapter 3

In the third chapter, theory, I will give a thorough description of the theoretic frame of reference which this thesis is based upon. I will open the chapter by describing some factors that affect the business climate in Singapore. I will then describe the basics of internationalization theory in order to explain why firms choose to expand their businesses abroad. I will also explain the internationalization process and internal and external triggers to internationalization. Thereafter, I will describe some of the more practical theories about establishment in foreign markets. Many of the theories are well-known and commonly used in business research. The most central theories are collected from work by Michael Porter. In the end of the chapter, a brief description of the corporate culture and its effects on strategic decision making is given. The chapter is concluded with a summary of the theoretical framework. All theories are later referred to in the analysis in chapter 5.

Chapter 4

In the fourth chapter, empirical studies, I will first give a thorough description of the business climate in Singapore. I will then present the five case companies and their operations and establishments in Singapore. The case companies are presented in the same order as the interviews were conducted in. Thereafter follows a review of an interview with a Swedish lawyer who has been working with company establishments in Singapore. The chapter is concluded with a discussion about similarities and differences regarding the five case companies’ establishments in Singapore.

Chapter 5

The fifth chapter in the thesis, the analysis, is composed of the linkages between the theoretical framework and the empirical studies that I have found. I will present the analysis
in the same sequence as the theory chapter in order to make it easy for the reader to follow the author’s reasoning. I will analyse some essential differences between the firms, some driving forces and influential factors behind internationalization to Singapore and the business climate in the country. I will then explain how and why the firms have entered the market in different stages. Lastly, I will discuss the corporate culture in an internationalization context.

Chapter 6

In the sixth chapter, conclusions, I will sum up the analysis and illuminate the most important points. The conclusions refer to the research purpose.

Chapter 7

In the last chapter of this master thesis, closing discussion, I will sum up the thesis in totality and state the general impression from a comprehensive point of view. I will discuss the case companies’ establishments and operations in Singapore and the prospects for other Swedish and Swedish related firms to establish in Singapore. The main focus in the chapter is on my recommendations to Swedish and Swedish related firms that consider establishing in Singapore. I will also try to assess this thesis’ contribution to existing literature about internationalization and establishments abroad and give some directions for further research on the research area. The chapter is concluded with a critical review of the thesis.
2. Methodology

This chapter is aimed at giving the reader an understanding of the scientific method used in the study, the data collection, the criticism of the sources and some criteria for good measurement. I will also explain how the study was practically performed. In the end of the chapter I will discuss some strengths and weaknesses with the selected method.

2.1 Research Approach

All research involves use of theory. The theory may or may not be explicit in the design of the research. The extent to which the researcher is clear about the theory at the beginning of the research raises the question concerning the research design of the project. This is whether the researcher should use a deductive approach, where a theory and one or a few hypothesis are developed and then tested, or an inductive approach, where data is collected and a theory is developed as a result of the analysis of the data.\(^{16}\) I will elaborate on the differences between the two approaches below.

2.1.1 Deduction

The deductive approach owes much to what is called scientific research. It involves the development of a theory as well as a thorough test of that theory. There are several important characteristics of the deductive approach.

Firstly, there is the search to explain causal relationships between variables. The researcher develops a hypothesis which states something and then he or she tests the hypothesis by using primary data. The researcher should use a highly structured methodology to facilitate replication to ensure reliability. Secondly, in science, the researcher should always be independent of what is being observed. This is to make the research as objective as possible. Thirdly, since deduction emphasizes collection of quantitative data, the facts need to be operationalized in order to measure the concepts quantitatively. The final characteristic of the deductive approach is generalization. To be able to generalize about regularities in human behaviour it is necessary to select sufficient samples.\(^{17}\) It would be incorrect to draw inferences about all Swedish related companies in Singapore from this study since only five case companies have been selected.

\(^{16}\) Saunders, Mark; Lewis, Philip and Thornhill, Adrian (2000), p. 87
\(^{17}\) Saunders, Mark; Lewis, Philip and Thornhill, Adrian (2000), p. 87f
2.1.2 Induction

The inductive approach origins from the natural science and the aim with this approach are to recognize what is going on and to understand the nature of the identified problem. The result of the analysis then becomes the formulation of a theory. Consequently, in inductive researches theory follows data and not vice versa as in the deductive approach. Followers of the deductive approach have criticised the inductive approach because of its rigid methodology that does not allow alternative explanations.\textsuperscript{18}

Research using the inductive approach is particularly concerned with the context in which events take place. Therefore, it may be more appropriate to use smaller samples of subjects. Researchers in this tradition are more likely to work with qualitative data and to use a variety of methods to collect these data in order to allow different views of the phenomena. Compared to researchers working in the deductive tradition, inductive researchers are less concerned with the need to generalize.\textsuperscript{19} According to Easterby-Smith et al. (1991), an inductive approach is more appropriate than a deductive approach when the researcher is interested in understanding why something is happening rather than to merely describe what is happening.\textsuperscript{20} Flick et al. (2004) however argue that induction only leads to new versions of what is already known.\textsuperscript{21}

2.1.3 Abduction

Flick et al. suggest a third type of data processing: abduction. This approach can be seen as a hybrid of deduction and induction. Abduction involves assembling or discovering, on the basis of interpretation of collected data, such combinations of features for which there is no appropriate explanation or rule of knowledge that already exists. Since no suitable explanation can be found, a new one must be invented or discovered through a mental process and the thought process should be little hampered by logical rules. Abduction is the process of creating a new combination of features that have not earlier been associated with each other and the outcome is a new creative idea.\textsuperscript{22}

Abduction, just as induction, has its starting point in empirical data, but it does not reject theoretical pre-consumptions and is therefore closer to deduction. In most research processes, there is an alternation between induction and deduction and between theory and empiricism and according to Alvesson & Sköldberg (2000), abduction is more realistic than both deduction and induction.\textsuperscript{23}

I have used abduction in this thesis and there are two main reasons for this. The first one is that I believe that using both approaches will make my thesis a more reliable and general. The second reason is that I have found no existing literature about Swedish related companies operating on the Singaporean market. There is however plenty of literature and theories about internationalization and establishments in new markets and I have used some of this. Further, my belief is that studying existing theories and creating a deep understanding is important for

\textsuperscript{18} Saunders, Mark; Lewis, Philip and Thornhill, Adrian (2000), p. 88f
\textsuperscript{19} Saunders, Mark; Lewis, Philip and Thornhill, Adrian (2000), p. 88f
\textsuperscript{20} Easterby-Smith, Mark; Thorpe, Richard and Lowe, Andy (1991), p. 21
\textsuperscript{21} Flick, Owe; von Kardorff, Ernst and Steinke, Ines (2004), p. 161
\textsuperscript{22} Flick, Owe; von Kardorff, Ernst and Steinke, Ines (2004)
\textsuperscript{23} Alvesson, Mats and Sköldberg, Kaj (2000)
the validity and the result of my thesis. Consequently, I will alternate theory and empirical data throughout the thesis.

2.2 Qualitative and Quantitative Method

There are mainly two methods that are relevant when collecting and analysing information and data. These are the qualitative method and the quantitative method, and the major difference between them is the use of numerical data and statistics which are of more importance in the latter.

2.2.1 Qualitative Method

Qualitative method is characterized by flexibility and closeness to the test object. The method searches for connection and structure. As opposite to the quantitative method, the qualitative method tries to attain more and deeper information from the research subjects and there is often a fewer number of participants. The research is generally characterized by unstructured and informal ways of gathering information and it is recommended that the researcher becomes a part of the research environment. When the researcher becomes a member, the relation can be described as an I-you relation. Many qualitative methods are just devices whereby the researcher, once close to organizational members, can gain insights and information about people and situations. An important advantage with qualitative methods is that the researcher gets a comprehensive understanding of the research problem. A consequence of using the qualitative method is that no general conclusions can be drawn.

Three techniques for data collection primarily associated with qualitative methods are interviews, observation and diary methods. The most fundamental of all qualitative method is in-depth interviewing which I will describe more in detail under section 2.5.4.

2.2.2 Quantitative Method

The distinction between qualitative and quantitative data is not always clear. Some techniques, such as interviews, can for example be used both in qualitative and in quantitative studies. An important feature of quantitative studies is however that the process of data collection is distinct from the analysis. When using the quantitative method, the researcher generally strives for systemisation and simplification of gathered data and what he or she is primarily interested in is the average and the representative. To get as little spreading of the data as possible, the researcher often uses numerical information or questionnaires with fixed alternatives. The quantitative method also demands dissociation from the information source. The researcher thus strives for a so called I-it relation. Statistical measures are of great importance when quantitative data is analyzed and researchers who use quantitative method usually strive for general conclusions.

24 Easterby-Smith, Mark; Thorpe, Richard and Lowe, Andy (1991), p. 71
26 Easterby-Smith, Mark; Thorpe, Richard and Lowe, Andy (1991), p. 71
27 Saunders, Mark; Lewis, Philip and Thornhill, Adrian (2000), p. 85
Four techniques of gathering quantitative data are interviews, questionnaires, tests and observation. Information can however also be gathered from data banks although that kind of data is already in existence and does not have to be collected by the researcher.

I have decided that the best approach for my problem formulation is to use a qualitative method that gives explanations and reason to certain phenomena. A qualitative approach also increases the validity and the reliability. I will describe the concepts of validity and reliability in section 2.7 below. Another reason why I have chosen to use qualitative method is because I am primarily striving for deeper understanding and insight into my formulated problem. Furthermore, I will use qualitative theories and I feel that it is natural to use the same approach in the empirical study. A consequence of using qualitative method instead of quantitative method is that I will not be able to generalize my results.

2.3 Research Philosophy

All research is affected by the way the researcher thinks about the development of knowledge. Three different two views on the research process that dominate the literature are positivism, phenomenology and hermeneutics. These represent exclusive views on how knowledge is developed and I will describe all three of them below.

2.3.1 Positivism

The positivism had its peak in the 1920ies when a group of philosophers and other cultivated people founded the so called Vienna Circle. The members of the Vienna Circle had common attitudes towards philosophy.28

The Vienna Circle is characterized by two main features. Firstly, experience is the only source of knowledge. Secondly, logical analysis performed with the help of symbolic logic is the preferred method for solving philosophical problems. Positivists also seek to clearly distinguish science from metaphysics as they believe that the latter is nothing but unrealistic speculations.29 Researchers who reflect on the principles of positivism are likely to adopt the philosophical stance of a natural scientist. Furthermore, the positivistic researcher prefers working with observable social realities. The end products of his or her research are often laws and generalizations that are similar to those produced by natural scientists. In order to facilitate replication, the emphasis is on a highly structured methodology. A central assumption within the positivism is that the researcher is independent of and neither affects nor is affected by the subject of the research.30 In order to accept something as new knowledge, a positivist must to be able to verify it and knowledge that can not be verified is regarded either as false or as cognitively meaningless knowledge.31 Hence many philosophical problems are rejected as pseudo-problems which arise from logical mistakes, while others are re-interpreted as empirical statements and thus become the subject of scientific inquiries. The positivist further strives for unified science. Consequently, there is

30 Saunders, Mark; Lewis, Philip and Thornhill, Adrian (2000), p. 85
31 Gilje, Nils och Grimen, Harald (1992), p. 60
only one science and generalizations of knowledge are regarded as non-verifiable and meaningless. The point is that no general conclusions can be drawn since there is no complete knowledge obtainable as the researchers can only do a limited number of observations.  

Researchers who are critical of the positivist tradition argue that rich insights into this complex world are lost if such complexity is reduced entirely to a series of law-like generalizations. Researchers who take this standpoint are more likely to reflect on the principles of phenomenology.  

2.3.2 Phenomenology

Phenomenology is a current in philosophy which takes the intuitive experience of a phenomenon as starting point and then tries to extract from it the essential features of experiences and the essence of what we experience. The phenomenology stems from the School of Brentano and was developed during the 20th century.  

The phenomenologist researcher argues that the social world of business is far too complex to be treated in the same way as physical science and that general laws therefore cannot be produced. All social situations are functions of particular sets of circumstances and individuals and this raises the question of the generalizability of research with the purpose of capturing the rich complexity of social situations. The phenomenologist however argues that since the world constantly changes, generalizability is not an important issue. Furthermore, since all organisations or unique, there is no point of striving for generalizations. Another argument for the phenomenology is that it is necessary to understand the details about a situation in order to be able to understand the reality. Researchers have however criticized phenomenology on the basis that its explicitly first-person approach is incompatible with the scientific third-person approach. The phenomenology has given influence and inspiration to several other philosophical currents and one of these is the hermeneutics which I will describe in the next following section.

2.3.4 Hermeneutics

Hermeneutics is a branch of philosophy concerned with the understanding and interpretation of texts. It may be described as a theory of interpretation and understanding of a text through empirical means, particularly through the nature of the text itself. The concept of texts has recently been extended beyond written documents to include such things as speeches, performances, works of art and events.

Understanding and interpretation of human and organizational behaviour are depending upon who is asked and on that person’s background. A basic principle within the hermeneutics is that we never meet the world unbiased but that how we understand and interpret things is depending upon our backgrounds and assumptions. The assumptions are denominated pre-comprehension and biases and these affect the directions of our actions. The pre-

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32 Gilje, Nils och Grimen, Harald (1992), p. 68
33 Saunders, Mark; Lewis, Philip and Thornhill, Adrian (2000), p. 86
34 Wikipedia (2006)
35 Saunders, Mark; Lewis, Philip and Thornhill, Adrian (2000), p. 86
comprehension and the biases are not always made explicit and they are also revisable. The pre-comprehension consists of several different elements. Some of these are language, apprehensions, conceptions and personal experiences. The point of the element “language” is that we see the world on basis of the words and concepts that we are already familiar with. Accordingly, different people can have different views on the same phenomenon. Apprehensions and conceptions are especially important as these determine what a person can accept as reasons for and against a standpoint. Also what things different people experience as problems are determined by their apprehensions and conceptions. Furthermore, personal experiences differ widely because they are constantly affected by peoples’ childhoods and backgrounds. Subsequently, different people interpret the world differently owing to that they have different experiences and different backgrounds.

Hermeneutics as a process includes two additional main elements: understanding and explanation. Understanding is the way in which we present our thoughts and the insight that people get as they come up with solutions to problems. The hermeneutic understanding is deeper than the positivistic understanding and it affects and changes peoples’ lifestyles and existences. Within the hermeneutics, explanations are not as concerned with regularities and causalities as they are within the natural science. They are rather humanities or teleological explanations which originate from different events and phenomena.

An important feature of the hermeneutics is that meaningful phenomena can only be understood when they are analysed in the situation or in the context in which they are naturally present. It is thus the situation that gives a phenomenon its distinct meaning and in order to understand the different parts of a phenomenon, the totality must also be understood and vice versa. Humanistic researchers thus swing between the totality and the individual parts. This is usually illustrated in the hermeneutic circle or the hermeneutic spiral.

The hermeneutics has been criticized by positivists and by other scientists who believe in the supremacy. By calling scientism into question, hermeneutics is arguing for the legitimacy of aesthetic, literary, spiritual, and philosophical knowledge, alongside the natural scientific knowledge. Not surprisingly, this critique of scientism has won hermeneutics some enemies within the natural science.

My research philosophy has got more in common with phenomenology and hermeneutics than with positivism. I will use an interpreting and understanding approach in the analysis. The primary reason for this is that I aim to reach a deep understanding of my research problem rather than to merely describe it.

2.4 Research Strategies

Researchers often distinguish between three types of research: explorative, descriptive and explanatory. The most common of these in business-related studies are exploratory studies.

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39 Gustavsson, Bengt (2004), p. 74ff
41 Wikipedia (2006)
The research strategy indicates what a researcher aims to investigate, what he or she wishes to achieve with the research, how deep he or she intends to dig and what use other researchers may have of the research.

2.4.1 Explorative Studies

Exploratory studies are useful when a researcher wants to find out what is happening, seek new insights, ask questions and assess phenomena in new lights. Explanatory studies are especially helpful for researchers who wish to clarify their understanding of a problem. Researchers who conduct explorative research ought to be flexible and adaptable to change and they must be willing to change direction when new data appears and when new insights occur. Common methods within explorative studies are expert interviews, literature and case studies.\(^{43}\)

2.4.2 Descriptive Studies

The object of descriptive studies is to demonstrate accurate profiles of persons, events or situations. Descriptive research can be an extension of, or a predecessor to exploratory research. Since descriptive studies must be precise, it is important that the researcher has got a clear picture of the problem prior to the collection of data. According to Saunders et al, descriptive studies should be seen as a means to an end rather than as an end in itself.\(^{44}\)

2.4.3 Explanatory Studies

Explanatory studies are studies that aim to establish causal relationships between two or more variables. The emphasis is to study a situation or a problem in order to explain the relationships between the variables. Explanatory studies can be facilitated by statistical tests such as correlation tests.\(^{45}\)

Since the objective of my study is to bring out and explore how Swedish related companies can establish and operate on the Singaporean market, the aim of my thesis has got more in common with exploratory research strategy than with any of the other two strategies. The thesis will however also include descriptive elements.

2.5 Data Collection

I will make use of both primary and secondary data in order to accomplishing this study. The difference between the two types of data is that the researcher registers and collects the primary data him- or herself whereas the secondary data is data which has already been registered by other researchers.

\(^{43}\) Saunders, Mark; Lewis, Philip and Thornhill, Adrian (2000), p. 97  
\(^{44}\) Saunders, Mark; Lewis, Philip and Thornhill, Adrian (2000), p. 97  
\(^{45}\) Saunders, Mark; Lewis, Philip and Thornhill, Adrian (2000), p. 98
2.5.1 Collection of Primary Data

The collection of primary data has been made through personal interviews with the five selected case companies. The realization of this work is thoroughly explained in section 2.8 below.

2.5.2 Collection of Secondary Data

I have used secondary data to improve my knowledge about the area of research, to facilitate the research and to learn about earlier experiences within the area. I have collected my secondary from literature, articles and internet. As in most work regarding thesis, a lot of literature was studied but not all was used in the study.

My secondary data mainly consists of literature found at Hon Sui Sen Memorial Library at National University of Singapore and of various articles. Also course literature from Stockholm University has been used in the study. I have mostly used internet to find articles and related research. Most electronic articles and research have been collected from the data base Business Source Premier. I have primarily used original sources when collecting secondary data about my case companies in order to avoid incorrect information and other peoples’ interpretations.

2.5.3 Case Study

A case study is a particular method of qualitative research. Rather than using large samples and following a rigid protocol to examine a limited number of variables, case study methods involve in-depth examinations of single instances or events.\footnote{Wikipedia (2006)}

The use of the case study for research purposes is becoming increasingly widespread in business management and a wide range of information-gathering techniques can be used in case studies. A thorough analysis of a particular process requires use of the researchers’ personal observations that result from their presence, participation and sometimes intervention in the examined process. Participant observation constitutes the core of anthropology and ethnography and participation with active intervention is also denominated action research.\footnote{Gummesson, Evert (2000), p. 83}

Case studies vary in character but there are two types that are of particular interest. The first one aims at deriving general conclusions from a limited number of cases. The second type seeks to draw specific conclusions regarding a single case because the researcher is particularly interested in that specific case.\footnote{Gummesson, Evert (2000), p.84}

The data collection methods employed in case study research are various. They may include questionnaires, interviews, observation and documentary analysis. According to Saunders et al (2000), a simple, well-constructed case study can enable the researcher to challenge an existing theory and also provide a source of new hypothesis.\footnote{Saunders, Mark; Lewis, Philip and Thornhill, Adrian (2000), p. 94}
An important advantage with case study research is the opportunity for a holistic view of a process. Holism can be seen as the opposite of reductionism. Reductionism consists of breaking down the object of study into small, well-defined parts. This leads to a large number of fragmented, well-defined studies of parts that ultimately can be fitted together. Contrarily, in the holistic view the whole is not equal to the sum of its parts. Consequently, the whole can be understood only by treating it as a central object of study. In this context, case study research seeks to obtain holistic views of the phenomena.\textsuperscript{50}

A common criticism to case study research is that the method is inferior to methods based on random statistical samples of large number of observations. In natural science, case studies are considered to have limited scientific value. According to Gummesson (2000), the criticism of case studies as a scientific method can be summarized under the following three headings; case studies lack statistical reliability and validity, case studies can be used to generate hypothesis but not to test them, generalizations cannot be made on the basis of case studies. According to Gummesson (2000), there seems, however, to be a trend towards more case study research.\textsuperscript{51}

2.5.4 Interview Design

An interview is a purposeful discussion between two or more people. The use of interviews can help the researcher to gather valid and reliable data that are relevant to the research question and the objectives.\textsuperscript{52}

There are several types of interviews and it is important that the nature of the interview is consistent with the research questions and objectives, the purpose of the research and the research strategy. Interviews may be highly formalised and structured, using standardised questions, or they may be informal and unstructured conversations. There are however intermediate positions in between. A commonly used typology categorises interviews into structured interviews, semi-structured interviews and unstructured interviews.\textsuperscript{53}

Structured interviews use questionnaires based on pre-determined and standardised sets of questions.\textsuperscript{54} While there is some social interaction between the researcher and the respondent, the intention is to try to preserve the interview in its original form without any form of editing or commenting. The interviewer may make rapid notes or use shorthand.\textsuperscript{55}

Semi-structured and unstructured interviews are non-standardised. In semi-structured interviews, the researcher usually has a list of themes and questions to be covered although these may vary from interview to interview. The sequence of the questions may also be varied depending on the flow of the conversation and some questions may be added or deleted during the interview.\textsuperscript{56}

\textsuperscript{50} Gummesson, Evert (2000), p. 85
\textsuperscript{51} Gummesson, Evert (2000), p. 87f
\textsuperscript{52} Saunders, Mark; Lewis, Philip and Thornhill, Adrian (2000), p. 242
\textsuperscript{53} Saunders, Mark; Lewis, Philip and Thornhill, Adrian (2000), p. 243
\textsuperscript{54} Saunders, Mark; Lewis, Philip and Thornhill, Adrian (2000), p. 243
\textsuperscript{55} Gummesson, Evert (2000), p. 128
\textsuperscript{56} Saunders, Mark; Lewis, Philip and Thornhill, Adrian (2000), p. 243f
Unstructured interviews are informal and commonly used when a researcher wants to explore in-depth a general area in which he or she is interested. There is no predetermined list of questions to work through in unstructured interviews but the researcher must have a clear picture of the area and the aspects he or she wants to explore. The interviewee is given the opportunity to talk freely about events, behaviours and beliefs.\textsuperscript{57} Easterby-Smith et al. (1991), however warns against assuming that non-directive interviews, where the interviewee talks freely without interruption or intervention, are better ways to achieve clear pictures about the interviewees perspective. They argue that they are more likely to produce un-clear pictures because the interviewees may not automatically talk about questions that the interviewer is interested in.\textsuperscript{58}

The object of this thesis is to answer the complex research questions what factors influence Swedish and Swedish related firms to establish in Singapore what the prospects for Swedish and Swedish related firms to establish in Singapore are. This question requires a holistic view rather than numerous in-depth studies of small parts of the problem. I have therefore chosen to conduct semi-structured interviews. My motive is that I need to get some specific questions answered while I simultaneously want my interviewees to talk freely and deeply about issues that they find especially important. I will use a list of questions but I will also let the interviewees talk freely. This design also collaborates with my abductive research approach which has its starting-point in empirical data. My list of questions will be slightly different for the different interview occasions.

2.5.5 Selection of Case Companies

As discussed in the introduction chapter, I have chosen to base my master thesis on case studies. I will focus on how Swedish related companies have established and how they operate in the Singaporean market. One of the reasons why I have chosen to conduct case studies is that I do not have enough time at my disposal to do profound interviews with all Swedish related companies in Singapore. Regardless of this limitation, I want to do a relevant study and capture what seem to be important factors to consider for organizations that operate or aim at establishing in Singapore. Therefore, the selection of case companies is crucial for the result of my thesis.

Different sampling techniques are used to reduce the amount of data needed to conduct relevant research and to enable the researcher to collect data from a sub-group rather than from all possible elements. The sampling techniques can be divided into two main types: probability sampling and non-probability sampling.\textsuperscript{59}

With probability samples, the probability of each case being selected from the population is known and is usually equal for all cases. This method enables the researcher to estimate statistically the characteristics of the population from a specific sample. Accordingly, probability sampling is often associated with surveys rather than with experiments.\textsuperscript{60}

For non-probability samples, the probability of each case being selected from the total population is not known and it is impossible to answer research questions that require the

\textsuperscript{57} Saunders, Mark; Lewis, Philip and Thornhill, Adrian (2000), p. 244
\textsuperscript{58} Easterby-Smith, Mark; Thorpe, Richard and Lowe, Andy (1991), p. 75
\textsuperscript{59} Saunders, Mark; Lewis, Philip and Thornhill, Adrian (2000), p. 151f
\textsuperscript{60} Saunders, Mark; Lewis, Philip and Thornhill, Adrian (2000), p. 152
researcher to make statistical inferences about the characteristics of the whole population. It is possible to generalize from non-probability samples, but not on statistical grounds. For this reason, non-probability sampling is more frequently used for case study research.\textsuperscript{61}

The selection of case companies was conducted using non-probability sampling. I got a list of all Swedish and Swedish related companies in Singapore from the Swedish Embassy and I chose the ten companies I found particularly interesting and. I sent e-mails to each of these ten firms and I immediately got positive response from four firms. These companies were Ikea, Tetra Pak, Viking Engineering and Bookbinders Design. About four weeks later, I sent another five e-mails and I then got positive response from just one company, namely Ascade.

Two factors that I considered important when I decided on what companies to contact were the size of the company and how long the company had been established in Singapore. I excluded companies with only one or two employees as well as large and complex organizations because I assumed that it would be harder to get relevant information from these companies. I also excluded companies that had been established in Singapore for a long time because I believe that the conditions have changed significantly since the time of their establishments. Furthermore, I assumed that the people who worked at these companies when they first established are no longer with the firms. When selecting my case companies, I also had in mind that the companies should not be too similar. By studying five companies that are significantly different from each other, I feel enabled to make broad and accurate descriptions and explorations of the more general factors that are important to consider for Swedish and Swedish related companies that operate or wish to establish in the Singaporean market.

2.6 Criticism of the Sources

The criticism of the sources deals with problems regarding the degree of truth in the information that the researcher meets when her or she conducts studies. All problems regarding credibility are however not problems concerning criticism of the sources. The criticism of the sources is limited to problems regarding human behaviours and with that natural science is excluded from the areas that the criticism of the sources deals with. Neither complex nor universal questions, such as causes of wars, can be answered using methods of criticism of the sources.\textsuperscript{62} According to Thurén (1997), there are mainly four criteria that the researcher should consider when dealing with criticism of the sources. These are\textsuperscript{63}:

- \textit{Realness}. The source should be what it gives itself out as.

- \textit{Period of time}. The longer time that passes between an incident and the telling about it, the more the researcher should question the source.

- \textit{Independency}. The source should not be a copy or an abstract from another source.

- \textit{Freedom of tendency}. The researcher should not have a reason to suspect that the source provides a false picture of the reality because someone else has got political, economical or other interests in distorting the picture that is given.

\textsuperscript{61} Saunders, Mark; Lewis, Philip and Thornhill, Adrian (2000), p. 152
\textsuperscript{62} Thurén, Torsten (1997), p. 7
\textsuperscript{63} Thurén, Torsten (1997), p. 7
Besides, the researcher must be critical of the selection of facts, interpretation of contents and probability of the information that he or she receives.\textsuperscript{64}

Theoretically, criticism of the sources can give the impression to be quite straightforward, but in practice, the criteria above can be difficult to apply. If can for instance be difficult to tell the difference between a real and a falsified source. It is also possible that a person who experiences many things in a short period of time remembers less of an event than a person who experiences fewer things in the same period of time does.\textsuperscript{65} Regarding the criteria of independency, the principal rule is that primary sources are more reliable than secondary sources. But since people often forget things or idealizes themselves, secondary sources can sometimes be more reliable than primary sources.\textsuperscript{66}

Concerning the criteria of freedom of tendency, the criticism of the sources is often cynical and suspects that everybody who is able to lie does so. This is naturally not always true. Besides, it can be difficult for the researcher to be impartial and to distinguish what is probable from his or hers own sympathies.\textsuperscript{67}

Researchers who collect material from the internet must be especially critical of the source of information. Even though many sources can be traced, the criticism of the sources is complicated by the open structure of the internet.\textsuperscript{68} At last, how a researcher interprets events and meanings depends on his or hers earlier experiences and background and therefore, hermeneutics and pre-comprehensions are also important regarding criticism of sources.\textsuperscript{69}

### 2.7 Criteria for Good Measurement

Since attitudes and theoretical conceptions must be operationalized before they can be measured, the empirical measures rarely reflect exactly what the researcher intends to measure. Besides, measures may contain random or systematic biases.\textsuperscript{70} There are two major criteria for evaluating research: reliability and validity.

#### 2.7.1 Reliability

The reliability of a research is the degree to which measures are free from errors and therefore yield consistent results. When the outcome of a measuring process is reproducible, the process is reliable. Imperfections in the measuring process that affect the outcome in different ways each time a measure is taken, such as a respondent who misunderstands a question, are causes of low reliability. The outcome can also be affected by such things as the respondent’s mood, whim or the context of surrounding questions. Measures affected by such factors will not be

\begin{footnotesize}
\begin{enumerate}
\item\textsuperscript{64} Thurén, Torsten (1997), p. 7
\item\textsuperscript{65} Thurén, Torsten (1997), p. 26ff
\item\textsuperscript{66} Thurén, Torsten (1997), p. 26ff
\item\textsuperscript{67} Thurén, Torsten (1997), p. 63f
\item\textsuperscript{68} Gustavsson, Bengt (2004), p.261
\item\textsuperscript{69} Thurén, Torsten (1997), p. 98
\item\textsuperscript{70} Gustavsson, Bengt (2004), p.52
\end{enumerate}
\end{footnotesize}
free from errors or stable over time. There are two dimensions that underlie the concept of reliability: repeatability and internal consistency.\footnote{Zikmund, William G. (1997), p. 340}

The first dimension, repeatability, can be tested using the test-retest method which involves administering the same scale or measure to the same respondent at two separate times to test for stability. If the measure is stable over time, the test should obtain similar results provided that it is administered under similar conditions. The high stability of correlation between the two measures indicates a high degree of reliability.\footnote{Zikmund, William G. (1997), p. 340f}

The second dimension of reliability, internal consistency, concerns the homogeneity of the measure. A researcher who wants to find out about a respondent’s attitude towards something might have to ask several similar questions. The research is high in internal consistency if the answers are consistent. There are two major methods a researcher can use when he or she wants to test the internal consistency: the split-half method and the equivalent-form method. In the split-half method, the researcher takes the result obtained from one-half of the items and checks them against the results from the other half of the items. In the equivalent-form method, two alternative instruments are designed to be as equivalent as possible and if there is a correlation between the two instruments, then the researcher concludes that the scale is reliable.\footnote{Zikmund, William G. (1997), p. 341}

High reliability is a necessary condition for high validity, but since a reliable but invalid instrument will yield consistent but inaccurate results, a reliable instrument may not be valid.\footnote{Zikmund, William G. (1997), p. 341f} I will describe the concept of validity which is the other major criteria for evaluating research in the next following section.

2.7.2 Validity

The purpose of measurement is naturally to measure what it is intended to measure. But this is not always as trouble-free as it sounds. The validity of a research is the ability of a scale or measuring instrument to measure what it is intended to measure. There are three major approaches to dealing with the issue of validity: face validity, criterion validity and construct validity.\footnote{Zikmund, William G. (1997), p. 342}

Face validity or content validity refers to the subjective agreement among professionals that a scale logically appears to accurately reflect it is supposed to measure. The content of the scale appears to be adequate. When it appears evident to researchers that the measure provides adequate coverage of the concept, a measure has got face validity.\footnote{Zikmund, William G. (1997), p. 343}

Criterion validity is the ability of some measure to correlate with other measures of the same construct. It is an attempt by researchers so answer the question: does my measure correlate with other measures of the same construct? If the measure correlates with other, comparable measures, then the measure is high in criterion validity.\footnote{Zikmund, William G. (1997), p. 343}
Construct validity is established by the degree to which a measure confirms a network of related hypotheses generated from a theory based on the concepts. Establishing construct validity thus occurs during statistical analysis of data. In construct validity, the empirical evidence is consistent with the theoretical logic about the concepts. In its simplest way, if a measure behaves the way it is supposed to, there is evidence for construct validity.\textsuperscript{78}

According to Saunders et al, it is important to be knowledgeable about the organizational and situational context because it helps the interviewer to demonstrate credibility and thereby encourages the interviewee to offer more detailed descriptions about the topic. Saunders et al. further argue that credibility may be promoted through the supply of relevant information before the interview and that appropriate behaviour by the researcher reduces the scope for bias during the interview.\textsuperscript{79}

I have been trying to overcome the kinds of biases that are associated with reliability and validity by preparing well for the interviews, providing the interviewees with a list of the interview themes before the events, phrasing my questions clearly and trying to act as neutral as possible during the interviews.

2.8 Course of Action

The work with this master thesis started in the beginning of February 2006, as soon as I got the green light from the person in charge of thesis work at Stockholm University School of Business.

During February 2006, secondary data was collected from libraries and from the internet. The base for the theory was also formed and the initial contact with four case companies was established. Two interviews were also conducted in this month; the first one with Tom Huzell at Ikea and the second one with Tan LiangPheng at Tetra Pak.

In March, I focused on writing the methodology chapter. This was however a busy month because I was working on group projects at NUS simultaneously. I also contacted a few more companies and began the search for relevant theories.

April was, despite the examination period a NUS, a rather productive month. I completed the theory chapter and conducted three interviews during this month. The persons I interviewed were Martin Jansson at Ascade, Bo Johansson at Viking Engineering and Berndt Söderbom at Bookbinders Design.

During May, I primarily focused on the analysis but I also conducted an expert interview with a Swedish lawyer. I also sorted out some theories that I was not able to make use of in the analysis. The analysis led to the conclusion of the study and the conclusion led to the closing discussion and to a number of recommendations. The thesis was summed up and finalized in the beginning of June.

\textsuperscript{78} Zikmund, William G. (1997), p. 344
\textsuperscript{79} Saunders, Mark; Lewis, Philip and Thornhill, Adrian (2000), p. 251ff
2.9 Discussion

In order to ensure reliability of this study I have used a critical approach to what has been observed. I have also tried to be as objective and rational as possible throughout the process and I have been especially careful when selecting my sources. The formulated method is not uncontroversial but it converges with my scientific beliefs. I also believe that the chosen method will facilitate the reader’s understanding of the selected research area and that the thesis thereby will contribute to existing literature about internationalization and establishments of Swedish and Swedish related firms abroad. Since I have chosen a hermeneutic research approach, the analysis and reflections later in this thesis will inescapably be influenced by my own pre-comprehension and background. The social context which I have started from has involved both restrictions and prerequisites for this study.

The selected method is also dependent on the given timeframe. It would have been interesting to conduct a deeper and more detailed study of the chosen area of research. It would also have been interesting to include more case-companies in order to be able to generalize the results or create a model for establishments of Swedish and Swedish related firms in Singapore. To conclude this chapter, I believe that the selected methodology is suitable for the empirical study and for the timeframe and I hope that it will facilitate the understanding of my research.
3. Theory

The purpose of the theory chapter is to generate basic understanding of internationalization theory and to explain some theories that affect companies’ establishment processes both on the macro- and micro-environmental levels. The focus in the chapter is on global competition but other useful theories and frameworks will also be presented. In the end of the chapter, the corporate culture and its effects on strategic decisions will be described. The chapter describes the theoretical framework that constitutes the base of the research. All theories will be referred to in the analysis. The chapter is concluded with a discussion about the selected theories.

3.1 The Internationalization Process

The widespread interest in firms’ internationalization processes has given rise to many articles and books on various aspects of the international strategies of firms. An article which I find particularly interesting in the context of this thesis was written by Jan Johanson and Finn Wiedersheim-Paul. The authors describe and analyse the internationalization of four Swedish firms, namely Sandvik, Atlas Copco, Facit and Volvo. The researchers distinguish between four different stages in the internationalization process and they expect a stepwise expansion of operations. The four steps are:

1. No regular export activities
2. Export via independent representatives
3. Sales subsidiary
4. Production/manufacturing

These four stages mean successively larger resource commitments for the firm. The authors denominate the sequence of stages above the establishment chain. The authors expected to find a negative relationship between physical distance and the establishments. The physical distance is defined in terms of differences in language, culture and political systems between

80 Johanson, Jan & Wiedersheim-Paul, Finn (2001)
81 Johanson, Jan & Wiedersheim-Paul, Finn (2001)
82 Johanson, Jan & Wiedersheim-Paul, Finn (2001)
countries. The establishments followed this course to a certain extent but there were obvious differences between the firms. The distance factor seemed to have influenced two firms’ establishments whereas the other two were correlated with the market size. The establishment chain seemed to be a fairly correct description of the sequence of the development of operations; in all firms there had been periods of agency establishments, sales subsidiary and, in two cases, of manufacturing establishments.

3.1.1 The Product Life Cycle

The product life cycle can help companies to predict the competition they are about to face. This theory was first articulated by Professor Raymond Vernon in 1966 and it was developed to explain the locational tendencies for each phase of the product cycle. A new product that is brought out into the market faces different stages. In the beginning of the cycle, the production facilities usually take place in the home country with high income and labour costs and the products are exported to overseas markets. To increase the competitiveness and reduce the production costs, firms then move the production activities to other developed markets. In the last stage, within the intense competition in standardized products, firms are forced to move their production facilities to exploit relatively cheap labour in the developing countries. To this extent, the developed countries become net importers whereas the developing countries become net exporters. Some authors and even Vernon himself have however begun to suspect that the model is losing some of its relevance as the explanation of international investment. In a complex and uncertain global environment, it is unwise to assume an evolutionary sequence from home country to foreign country because the initial source of innovation and production may just as well come from any point in the global network of the firm. Besides, it fails to explain the fact that much international investment occur between advanced industrial countries. The equalisation of labour costs and income among the developed countries has however not entirely altered the power of the product cycle theory to explain the location of companies and the theory therefore still has got significant power for explanation of internationalization processes of firms. In the next following section, I will describe an important complement to classical theories which was developed in a Nordic context.

3.1.2 The Network Perspective

The Uppsala internationalization model which will be described in section 3.5 below and other conventional models have had a central position in much of the work on business internationalization. There are however alternative and complementary models and frameworks. Researchers from the Nordic countries have developed a viewpoint generally called the network perspective. The network perspective focuses on the long-term relationships that exist between firms in an industrial market. According to the network perspective, the development of a company’s operations in a foreign country is heavily influenced of the relationships gradually formed in that particular market. Instead of using conventional economic drivers to explain a firm’s internationalization process, the perspective

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83 Björkman, Ingmar & Forsgren, Mats (2000)
84 Johanson, Jan & Wiedersheim-Paul, Finn (2001)
85 Johanson, Jan & Wiedersheim-Paul, Finn (2001)
86 Wattanasupachoke, Teerayut (2002)
focuses on the social ties that are formed between actors in a business relationship. In the next following section, I will describe a traditional model known as the PEST framework.

3.2 The PEST Model

The PEST framework illustrates some of the macro-environmental influences which affect organizations. According to Johnson & Scholes (2002) the model is useful because it concerns the future impact of environmental factors which may different from their past impact. PEST stands for Political Economic Sociological Technological. A PEST analysis examines factors under these four headings that affect organizations in domestic markets. The model provides a fundamental overview for systematic, qualitative, contemporary and social environmental analyses and it is therefore useful for companies that consider establishing in new markets.

Political factors include facets of politics. Some examples of political factors are political issues within the organization itself, political issues in the region where the organization is based, domestic and international legislation, government policies and trading policies. In an increasingly global economy, the consequences of politics in one country are likely to affect business and legislation in other countries.

Economic factors are concerned with anything financial that affects operations within a country. Some examples include changes in national interest rates, changes in national taxation levels and increases or decreases in wages.

Sociological factors are linked to the lifestyles, habits, trends and beliefs of people. Examples of sociological factors include demographic factors such as changes in birth and growth rates, consumer attitudes and media views. Other factors include changes in national norms and values and career expectations of employees.

Technological factors involve changes in technology as well as advances in the process of production. A Company that does not keep abreast of the development of technology in its field may quickly be overtaken. Some technological factors include competing technology development, information and communications and intellectual property issues.

Just like most academic theories, also the PEST model has been criticized from time to time. Frankelius (2001) has criticized the PEST framework for its lack of time axis; he believes that the model does not take into consideration that the surrounding world is made up of processes and he thinks that the model emanates from a predefined reality. Frankelius further means that many conceptions in the model are too blunt to be practically useful. I agree that the PEST framework does not completely take the surrounding factors into consideration but I still think it is useful because it explains many factors that are important when firms establish in new

87 Björkman, Ingmar & Forsgren, Mats (2000)
88 Johnson, Gerry and Scholes, Kevan (2002), p. 102
89 Williams, Teresa and Green, Adrian (1997), p.161
90 Williams, Teresa and Green, Adrian (1997), p.161
91 Williams, Teresa and Green, Adrian (1997, p. 162f
92 Williams, Teresa and Green, Adrian (1997), p.162f
93 Williams, Teresa and Green, Adrian (1997), p. 163
94 Williams, Teresa and Green, Adrian (1997), p.164
94 Esbri (2006)
markets. Furthermore, by forming the model in accordance with the aim of this thesis through careful selection of which factors to include and by using the framework in conjunction with a similar model, I believe that I will be able to make the macro-environmental analysis useful and dynamic.

3.3 Global Competition

Global industries are industries in which the strategic positions of competitors in major geographic or national markets are deeply influenced by their global positions. Global industries require firms to compete on worldwide bases or they will face strategic disadvantages. Some industries that are international in the sense of being populated by multinational companies do however not have the essential characteristics of global industries. This is because local subsidiaries are often autonomous and because the competitive balance is struck on a country-by-country basis.

The structural factors and market forces operating in global and domestic industries are basically the same. Structural analyses in global industries must however include examinations of foreign competitors, potential entrants, possible substitutes and possibilities that firms’ goals and the personalities within the firms are different and have different views on what is strategically important. It is vital that organizations, before entering a new market, ask themselves what they have got to win as well as what they could lose on the expansion in terms of strategic advantages and disadvantages. They should also try to assess to what degree the company will be challenged by its new competitors. I will describe some strategic advantages in the next following section. Some possible barriers will be discussed in section 3.3.

3.3.1 Advantages of Establishing Internationally

Countries that offer significant advantages in factor cost or factor quality usually enjoy a comparative advantage because they become sites of production and export to other countries. Companies with a lot of export often choose to locate in such countries because the strategic position gives them a crucial comparative advantage.

Cost advantages through centralized production can be achieved by companies that move production and exports among countries. Because the efficient scale of the vertically integrated system is bigger than the size of national markets, advantages of vertical integration are the key to achieving global production economies.

For industries that trade products that are subject to cost declines due to proprietary experience, the ability to sell the same products in many national markets can be beneficial and lead to cost advantages. Furthermore, as mentioned above, global competition also allows

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95 Porter, Michael E. (1980), p. 275f
97 The factor cost is defined as the total costs of production – the purchase price of goods and services
99 Vertically integration means that companies are united through a hierarchy and share a common owner
100 Porter, Michael E. (1980), p. 276
faster learning since companies can gain experience by sharing improvements among plants. Faster learning can however be gained even when production is not centralized.\textsuperscript{101}

Global competition may also allow economics of scale in logistics. This advantage stems from the ability to spread fixed costs by supplying many national markets and from the ability to use more specialized systems. Another source of global competitive advantage is potential marketing economies of scale that exceeds the size of national markets. Although many aspects of the marketing function must inherently be carried out in each national market, such functions as sales forces and marketing can be shared worldwide. Global firms can thus spread the fixed costs of highly skilled and costly personnel over many national markets. In marketing, some brand names have carryover among many geographical markets. Many brand names also develop recognition internationally through press, literature, cultural prominence or other reasons that do not require investments by the firm.\textsuperscript{102} Cost advantage can also be achieved when there are opportunities to economies of scale in purchasing that stem from bargaining power or lower suppliers’ cost which exceed what is needed to compete on a national basis.\textsuperscript{103}

A competitive advantage of product differentiation can be achieved in industries where international establishment and global competition increase the firm’s reputation and credibility. This is for instance the case in the fashion industry.\textsuperscript{104} The sources of global competitive advantage often occur in combination and there are interactions among them. It is also important to note that these sources also imply the presence of certain barriers for global firms. I will now describe some of these barriers further.

3.3.2 Possible Barriers to Establish in New Markets

A possible risk associated with establishing internationally is brought up by Bernstein (1994). He suggests that companies should be cautious because bigger is not always better. According to Bernstein, organizations should avoid the temptation to attain temporarily higher stock prices and better price-earnings multiples. He argues that companies should instead focus on developing their own unique niches while maintaining quality and control.\textsuperscript{105} Most companies that expand into new markets also experience several barriers in their establishment processes. Even when the advantages described above outweigh the difficulties, these can still affect the company’s strategic position within the global business world. There are four main types of barriers: economic barriers, managerial barriers, institutional barriers and perceptual and resource barriers.\textsuperscript{106}

\textsuperscript{101} Porter, Michael E. (1980), p. 279  
\textsuperscript{102} Porter, Michael E. (1980), p. 279f  
\textsuperscript{103} Porter, Michael E. (1980), p. 280  
\textsuperscript{104} Porter, Michael E. (1980), p. 280  
\textsuperscript{105} Bernstein, Charles (1994), p. 14  
\textsuperscript{106} Porter, Michael E. (1980), p. 281f
## 3.3.3 Economic Barriers

Porter (1980) brings up several economic impediments. Some of these are transportation and storage costs, differing product needs, established distribution channels, sales force and lack of world demand.\(^\text{107}\)

The first economic barrier, transportation and storage costs can offset economies of centralized production.\(^\text{108}\) When competition is essentially on market-by-market bases, it is vital that companies have efficient transportation and storage systems.

The second economic barrier, differing product needs, occurs because there are differences in culture, state of economic development, income levels, climate and so forth. National markets may also demand product variations in for instance style, trade-offs among quality and cost, performance or other dimensions. There can also be differences in legal restrictions, building codes or technical standards that lead to variations in the demands in different national markets even though the intrinsic product needs are the same. The need to produce differing products in different markets sometimes hampers the advantage of global economies of scale. When the differences are mainly cosmetic or can otherwise be accommodated without large costs, global firms can however still enjoy the advantage of global economies of scale. Local firms are generally better suited to perceive and adapt to the various segments of local markets.\(^\text{109}\)

The need to gain access to distribution channels in each national market immediately brings up the third economic barrier into question. When there is a large number of customers but only a small number of individual purchase amounts, the firm needs to get access to already established distributors to compete successfully.\(^\text{110}\) Many companies neglect these structural barriers to entry and measure only the most obvious investments necessary to the business such investment of manufacturing facilities, inventory and costs of assembling a sales force. Some additional structural barriers to entry are described in section 3.3.

Another potential economic barrier is confronted if the company requires a direct national sales force. This factor is especially threatening in industries such as pharmaceutical industries where sales forces are more costly. The need to offer local repair is a potential barrier pretty much the same way.\(^\text{111}\)

Global competition cannot take place if there is no demand in a significant number of countries. This could be the case in new industries or because a product or a service only appeals to a specific type of customer who is present in only a few national markets. This concept implies that products naturally follow the product life cycle and that products are initially introduced in markets where their attributes have the highest value. For example, labour saving activities are commonly carried out in high wage countries. Eventually, the demand increases and the products are exported to other countries by the pioneer firm. The pioneer firm can thereby secure its first mover advantage. Porter (1980) suggests that generally, some degree of maturity is necessary for global competition to be present. Upon

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\(^{107}\) Porter, Michael E. (1980), p. 282ff


\(^{111}\) Porter, Michael E. (1980), p. 283
maturity of the industry, standardization of the product and price competition, other firms may enter the industry based on the cost advantage they achieve by starting late in the industry.  

3.3.4 Managerial Barriers

Managerial barriers do not directly affect a company’s costs. They however raise the complexity of the managerial tasks in several ways.  

Distribution channels, marketing media and other means of reaching the buyers can differ in many ways across nations and sometimes companies face major difficulties in being as effective at local marketing as their local competitors. Furthermore, many global firms perform customer intense activities through decentralized units in each country. Porter (1980) argues that managerial tasks in practice are so complex that local firms are generally more responsive than global firms. In industries where intensive customer interaction is required, the benefits achieved by other centralized activities of the global firm can be outweighed by the local firm. The need for intensive local marketing and responsive service thus means that a local firm can be equal to or even outperform the global one.  

3.3.5 Institutional Barriers

There are several possible institutional barriers that can hamper global firms and global competition. Most of these are designed to protect local firms or local employment. Some frequent institutional barriers can be summarized under the following headings:

- Tariffs and duties
- Preferential procurement from local firms by government and quasi government entities
- Governmental insistence on local R&D or requirements for locally produced components in the products
- Preferential tax treatment, labour policies or other operating rules and regulations benefiting local firms

Government barriers can aid locally owned firms or require local production in the country and thereby prevent companies from enjoying competitive advantages of global production. Government regulations can also affect the design of products and the marketing practices.

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3.3.6 Perceptual and Resource Barriers

The category perceptual and resource barriers includes information and search costs associated with the establishment. Furthermore, considerable resources may be necessary for start-up investments and penetration of the new market.117 While the PEST framework and Porter’s model about global competition explain advantages and barriers associated with an establishment abroad, the diamond model which is described in the next following section explains why one nation is more attractive than other nations.

3.4 Porter’s Diamond

The diamond model of Michael Porter can help us to understand the competitive position of a nation in global competition. In traditional economic theory, the most common factors behind competitive advantage of countries are land, location, natural resources, labour and population size. Porter says that since these factors are generally inherited and cannot be influenced, these models offer a far too static view.118

Porter argues that sustained industrial growth has hardly ever been based upon the above mentioned factors and he therefore designed a new model where he introduced the concept of clusters. A cluster is described as a group of interconnected firms, suppliers, related industries and institutions that take place in different geographic locations. Porter was convinced that national competition was the basis for successful international expansion. The question he raised was how a nation could achieve international success within a specific industry. The answer to this question forms the basis of the four determinants which the diamond model consists of: demand conditions, related and supporting industries, factor conditions and firm strategy, structure and rivalry.119

The role of the government is, according to Porter (1990), to be proactive and encouraging and push companies to raise their aspirations and move to higher levels of performance. Porter (1990) also means that the possibilities for firms that expand abroad are far greater than the new possibilities of raw materials and labour. He especially claims that two factors, domestic rivalry and geographical concentration of industries, create conditions necessary for the diamond model. The domestic rivalry is necessary because it acts for improvement of the whole national diamond and the geographical concentration is essential since it broadens and strengthens the interplay within the diamond.120

118 Porter, Michael E. (1990), p. 69
119 Porter, Michael E. (1990), p. 70f
120 Porter, Michael E. (1990), p. 73
Each country has got its unique set of resources that create different advantages and disadvantages for firms and industries. Porter (1990) argues that the basic natural resources are less important than the presence and development of more advanced resources such as specialized competence, manpower, infrastructure and technology. The more advanced resources are, in contrast to the natural resources, created by governments, individuals or companies. Countries can also create possibilities by investing in education systems or by raising the standard of attainment among the inhabitants.¹²¹

According to the diamond model, countries that possess a lot of basic natural resources reinvest substantial amounts of the capital gained from these resources in more advanced resources. On the other hand, it is also possible that countries that lack basic resources specialize in more advanced resources.

When describing the demand conditions, Porter emphasizes the significance of the market. He means that a country with developed and sophisticated customers will put great pressure on the producers to continuously renew and develop the products. This requires trust as well as ability to cooperate with subcontractors and end customers. This is one of the reasons why clusters are important and the clusters will need to strive to improve the product quality and innovations in order to be able to meet the competition. Besides, the development of new products creates possibilities of first mover advantages associated with being the first to enter a new market.¹²²

The second condition in the diamond model, related and supporting industries, refers to the presence of subcontractors and other related companies. Porter (1990) argues that the efficiency within a certain line of business is enhanced when there is a large number of nearby subcontractors and other related companies. Furthermore, the proximity enhances cooperation and sharing of information. A good example of this, mentioned by Johnson & Scholes (1997), is the mutually advantageous port services and ship repair industries in Singapore.¹²³

The factor conditions aim to describe the basis of advantage on a national level. Porter means that the key factors of production and sales are created, not inherited. Non-key factors such as

¹²¹ Porter, Michael E. (1990), p. 72f
¹²² Porter, Michael E. (1990), p. 86ff
unskilled labour or raw materials can be obtained by any company and, hence, do not generate a competitive advantage.\textsuperscript{124} For example, in countries where the labour costs are high, there is often a movement towards automation of industries.\textsuperscript{125}

The final factor in Porter’s diamond, \textit{firm strategy, structure and rivalry}, concerns the aims, strategies and organizational structures in different countries. For example, different leadership ideologies reflect what different countries focus upon and these ideologies create different conditions for different companies.\textsuperscript{126} Furthermore, domestic rivalry demands that companies find new and better ways of production. In addition to quality improvements, national competition also forces down the prices.\textsuperscript{127}

Porter’s diamond model can be used in various ways. At a national level it can be employed by governments to consider the politics that it should follow to encourage the competitive advantage of their industry. The implication is that competition should be encouraged at home rather than being protected from overseas competition.\textsuperscript{128} Organizations can use Porter’s diamond model to try to identify to what extent they can improve their competitive advantage in order to be more forceful in relation to other firms on a global front.\textsuperscript{129}

Also this model has received some criticism. Some of the criticism concerns whether Porter’s diamond has got anything to do with companies’ success whatsoever. The point is that competitiveness might have got more to do with utilizing a firm’s core competence right than with competitive advantage. Critics like the British economists Philip Cooke and Kevin Morgan have criticised Porter for focusing too much on competitive advantages and thereby ignoring comparative advantages. They also think that Porter overlooks the competitive advantage that is created by cooperation between companies.\textsuperscript{130} Also Porter’s view on the importance of the domestic base has been criticized. Critics like Rugman and Verbeke have criticised Porter for not considering the world outside America and for not regarding how neighbouring countries’ diamonds affect each other. Rugman and Verbeke also think that the diamond model does not regard the fact that a cluster can derive advantage from companies that do not have the nation in question as its home base.\textsuperscript{131} Furthermore, the diamond model has been criticised for not defining the term cluster well enough. Porter defines clusters in various ways; he first talks of clusters as industries connected through vertical and horizontal relationships but later he defines clusters more broadly as consisting of industries related by links of various kinds.\textsuperscript{132} Since I will not go deep into the various kinds of relationships within the diamond in this master thesis, I have used the latter definition. The diamond model is useful for this thesis because it provides a clear picture of surrounding factors that companies have to take into consideration. Furthermore, the factors in the model affect companies that establish in new markets. It should however be mentioned that the model does not constitute a basis for conclusions regarding establishment abroad; just like the PEST-model it rather provides an overview of the country and its surroundings. The model does not take any company specific factors into consideration. In the next following section, I will present some factors that affect firms’ decisions on establishments more directly.

\textsuperscript{124} Porter, Michael E. (1990), p. 73ff
\textsuperscript{125} Johnson, Gerry & Scholes, Kevan (1997), p. 99
\textsuperscript{126} Johnson, Gerry & Scholes, Kevan (1997), p. 99
\textsuperscript{127} Porter, Michael E. (1990), p. 118
\textsuperscript{128} Porter, Michael E. (1990), p. 106
\textsuperscript{129} Porter, Michael E. (1990), p. 110
\textsuperscript{130} Cooke, P. & Morgan, K. (1998)
\textsuperscript{131} Rugman, A. M. & D’Cruz, J. R. (1993)
\textsuperscript{132} O’Connell, Laurence; Clancy, Paula & van Egeraat, Chris
3.5 Internationalization Theory

Several theories in the field of international business have been presented to explain why firms engage in international operations. According to Ellis and Williams (1995), companies are attracted to cross border markets owing to strong pull or push factors. Pull factors are factors which attract a company away from its existing local market because of a perceived attractiveness of a cross-border market. Some pull factors include:\(^{133}\):

- A rapidly expanding market
- Lower costs of production/supply
- Higher levels of profitability

Push factors are defined as difficulties in a company’s existing market. Some examples of push factors are:\(^{134}\):

- Market saturation in the local market
- High costs of production/supply
- Deteriorating levels of profitability

According to the factors above, the choice to internationalize is a result of a rational decision-making process triggered primarily by factors which the organization cannot control. Ellis & Williams explain the triggering factors behind internationalization by finding the respective internal and external factors affecting the choices made by organizations.\(^{135}\)

The external factors take place on two different levels that are mutually connected to each other: the world economy (Meta) level and the industry level. Some examples of changes that affect the Meta level include entry barriers such as economic, managerial and institutional barriers.\(^{136}\) These are all described below under section 3.3. The Uppsala internationalization model goes even further in describing how changes at the Meta level affect organizations. According to the Uppsala model, the internationalization of a firm is a process in which the firm gradually increases its international involvement. Firms are expected to follow a sequence from low to high commitment modes of operations and to enter new markets with successively greater physic distance. As mentioned above, the physic distance is defined in terms of differences in language, culture and political systems between countries.\(^{137}\)

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\(^{133}\) Ellis, John & Davis, Williams (1995), p. 48

\(^{134}\) Ellis, John & Davis, Williams (1995), p. 48

\(^{135}\) Ellis, John & Davis, Williams (1995), p. 50

\(^{136}\) Ellis, John & Davis, Williams (1995), p. 50

\(^{137}\) Björkman, Ingmar & Forsgren, Mats (2000)
The industry level is balanced between globalization and localization. Firms either choose to localize their business or to expand globally. Factors within the industry that affect this decision include:

- **Customer.** The relationships towards the customers often decide the location of the company. Many firms choose to locate close to its customers and potential investors.

- **Cost.** Production costs and other costs often change from one country to another and thereby force firms to expand to domestic markets in order to be more competitive.

- **Country.** Other factors within the industry that affect a firm’s internationalization process include political, cultural and legal factors.

- **Competition.** New competitors directly affect the development of firms. As a market becomes mature, competition increases and sometimes forces firms to internationalize in order to find new groups of customers.

What causes these external triggers to lead to a change in strategy is likely to be internal triggers. According to Ellis & Williams (1995), one of the most potent internal triggers for change is the beginning of organizational crisis. The reason for this is that poor financial performance often triggers for increased shareholder value and demand for change. Such a change may include a cross-market entry. Other internal triggers may include a management succession, a change in the firm’s vision or a heavy internal demand for change.

Jones (2004) describes global expansion strategy as a plan which involves choosing the best strategy to expand into new markets in order to obtain scarce resources and develop core competences with the intention of achieving a competitive advantage. A common global expansion strategy is internal development which involves the creation of a new business unit within an industry. The new business unit usually includes new production capacity, new distribution relationships, a new sales force and so forth. Internal development requires a firm to directly confront two central sources of entry barriers into an industry: structural entry barriers and expected reactions from already established firms. The cost of overcoming structural barriers to entry includes up-front investments and start-up losses. Structural entry barriers include established brand franchises, distribution channels tied up by competitors and the competitors’ access to the most favourable sources of raw materials.

Strategic decisions are also affected by the values, norms and behaviour of the organization which either formally or informally determine how the organization react to both routine and change events. This implies that it is important to understand the corporate culture of an organization in order to understand why organizations that are faced with the same external stimulus often react so differently. The corporate culture’s impact on strategic decision

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138 Ellis, John & Davis, Williams (1995), p. 50
139 Ellis, John & Davis, Williams (1995), p. 51
140 Ellis, John & Davis, Williams (1995), p. 135
144 Ellis, John & Davis, Williams (1995), p. 53
making is further described in section 3.7. In the next following section, I will describe the value chain which is a model which takes some more company specific factors into account.

3.5.1 The Value Chain

The value chain was first introduced by Michael Porter in 1985. Porter (1985) conceived the model as a basis for examining the activities a firm performs, how these interact and how they become sources of competitive advantage. The value chain disaggregates a firm into its strategically relevant activities in order to understand the behaviour of costs and the existing and potential sources of differentiation and competitive advantage.145 Widening or narrowing the geographic markets served sometimes affects the competitive advantage.146 Furthermore, every firm uses a collection of activities performed to design, produce, advertise, deliver and support their products. All these activities are illustrated in the value chain in figure 3.2.147

![Figure 3.2 The Value Chain (Porter, 1985), (Own Compilation)](image)

The value chain displays total value and consists of value activities and margin. There are five general categories of primary activities and each category is dividable into a number of distinct activities that depend on the particular industry and firm strategy. Inbound logistics are activities such as material handling, warehousing and inventory control that are associated with receiving, storing and disseminating inputs to the product. Operations refer to activities associated with transforming inputs into outputs. Some examples of operations are machining, packaging, assembling, testing and facility operations. Outbound logistics are activities associated with collecting, storing and physically distributing the product to the buyers. Marketing and sales include activities such as advertising, promotion, channel selection, channel relations and other activities related with providing a means by which buyers can purchase the product and inducing them to do so. The last primary activity, service, refers to activities such as installation, repair and training provided to enhance or maintain the value of the product.148

145 Porter, Michel E. (1985), p. 33f
146 Porter, Michel E. (1985), p. 34
147 Porter, Michel E. (1985), p. 36
The support value activities involved in competing in any industry can be divided into four generic categories: infrastructure, human resource management, technology development and procurement. Also the support activities can be divided into different value activities that are specific to a given industry. Procurement refers to the function of purchasing inputs used in the firm’s value chain. Technology development consists of a range of activities that can be grouped into efforts to improve the product and the process. Human resource management includes activities involved in the recruiting, hiring, training and development of all types of personnel. The last support value activity, firm infrastructure, consists of a number of activities including general management, planning, finance, legal and government affairs.\(^{149}\)

The value chain thinking introduces four strategically important areas\(^{150}\):

1. The company’s connection to suppliers
2. The company’s connection to customers
3. Process connections with a business unit’s value chain
4. Connections between business units within the company

Value activities are related by linkages within the value chain. Linkages are relationships between the way one value activity is performed and the cost or performance of other activities. The model can be used to see where in the value chain different firms choose to enter a market. Besides from considering these company factors, firms must also take into account that they are affected by both domestic and global competition. I will elaborate on the likelihood that competitors will retaliate in the next following section.

### 3.5.2 The Likelihood of Counterattacks

The likely reactions of the existing firms constitute a hidden entry barrier which companies often forget about. A common reaction is to lower the prices. This reaction means that the calculations made before the entry must be adjusted to the new, lower prices and that the entry may not be as profitable as it seemed before the entry. Further reactions of existing firms may include escalation in market activities, special promotions and product quality improvements. The extent to which these reactions may occur must be forecasted and allowed for in the start-up budget.\(^{151}\) Since internal entries will always take some market shares from existing firms, it is most likely to be disruptive and provoke counterattacks from competitors. The likelihood that already established firms will counterattack new entrants is determined by several factors. A few of these are industry growth, brand loyalties and high fixed costs.\(^{152}\)

Internal entries will be especially unwelcome in slow-growing or declining industries where new establishments may involve significant drops in absolute sales. The likelihood of counterattacks in such industries is therefore usually high. Contrarily, in fast-growing markets, already established companies can generally continue to perform well even though

\(^{149}\) Porter, Michel E. (1985), p. 39f
\(^{150}\) Porter, Michel E. (1985), p. 48
\(^{151}\) Porter, Michael E. (1980), p. 342
\(^{152}\) Porter, Michael E. (1980), p. 342
internal entrants take some market shares. In industries where there are no brand loyalties that isolate the already established firms from the effects of new entrants, an entry affects the entire industry and price cutting is especially expected to take place. In industries where fixed costs are high, new entries are particularly unwanted because the addition of new entrants’ capacity to the market may bring about significant falls in the competitors’ capacity utilizations. It is often wise to enter new markets as quickly as possible. This strategy gives the competitors less time to prepare their counterattacks. Rapid expansion also lowers the resources required for the expansion and thereby increases the ROI. The basis of all strategic planning should however be an assessment of the customers in the new market. I will elaborate on why this is important in the following section which is about segmentation analysis.

3.6 Segmentation Analyses

Successful planning requires a thorough understanding of the company’s customers as well as an ability to identify their needs. A method which is useful in order to predict the development of the market and to understand a company’s positioning on a particular market is segmentation analysis. The use of segmentation analyses allows this identification as well a division of a market into groups having similar needs. According to Knee & Walters (1985), a close examination of customer profiles reveals clusters of features from a number of classifications, including demographics, psychographics, lifestyle, buyer behaviour and benefits sought.

Part of the effect of demographic changes is caused by income elasticity. For some products, the demand is disproportionate with the buyers’ income and for other products, the demand increases less than proportionally as the income increases. From a strategic point of view, it is important to identify where in this spectrum an industry lies because it is essential when forecasting long-run growth both in the domestic and international markets. For industrial products, the effect that demographic changes have on the demand is depending on the life cycle of consumer industries. Demographics affect consumers’ demand for end products which in turn affects the industries supplying inputs toward those end products. For consumer industries, changes in the demographics are a key determinant of the size of the buyer pool and thereby the growth of the demand. Customer groups generally consist of buyers in particular age groups, income levels, educational levels or geographical locations. The demand for specific products is directly affected as the growth rate or income level of the population change.

Demographics and psychographics are frequently used as bases for segmentation. According to Knee & Walter (1985), data about demographics is relatively easy to obtain from published data. It is however important to keep in mind that these data are descriptive and do not

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155Porter, Michael E. (1980), p. 343
156Return On Investment
157Knee, Derek & Walters, David (1985), p. 21
provide basic reasoning for that purchase behavior ought to vary with each. By analyzing data about psychographics, a company can try to create an overall picture of its typical customers where social, economical and psychological factors are considered.\(^{161}\)

The demand for certain products is also affected by changes in lifestyles, tastes and social conditions among the target customers. This is vital to consider before entering a new market. Companies must be familiar with the conditions in the market it is contemplating to enter and how these differ from the conditions on the home market. Besides, the increased globalisation has significantly changed the customers’ preferences.

### 3.7 The Corporate Culture and Strategic Decisions

In order to create a value system in the company, it is vital to distribute an overall system of shared values and rules. The shared values lead the organizational members to behave in certain ways and meet customers’ expectations and needs.\(^{162}\) This is important since the identity of the organization is formed by its personality, culture, norms, philosophy, values and mission.\(^{163}\)

The corporate culture is central in the planning process because it affects nearly all other factors. This demonstrates that the corporate culture generally has a strong influence on corporate policy. According to Knee & Walters (1990), it is the insistence by the board that their views on business dealings with customers and suppliers are accepted that develops strong market positions for companies.\(^{164}\) Business leaders must also understand what motivates employees to join a business, what makes them stay and what encourages them to identify with organizational goals. With this understanding, organizations can build people-centred businesses where the full capacity of individuals is used and where the employees act as ambassadors of the brand.\(^{165}\) Nowadays, the corporate culture is often distributed via IT.\(^{166}\)

Ind (2004) points out that since it is impossible to create a world where everybody thinks and talks in the same way even in the tightest structures, some of the power of a brand lies in giving employees the freedom to use their imaginations within the constraints set by the organization’s values.\(^{167}\) He further thinks that companies which share information broadly and have broad programs of employee involvement generally perform significantly better than companies that are run autocratically. This makes sense since it is usually easier for employees on lower levels in organizations to know about the customers’ needs.

A strong external image is also important for the recruitment and retention of people. The way people think about an organization is important for the self-esteem of the employees and the longer employees choose to stay with an organization, the greater is that chance that they

\(^{161}\) Knee, Derek & Walters, David (1985), p. 21ff
\(^{162}\) Rajola Federico (2003), p. 92
\(^{163}\) Ind, Nicholas (2004), p. 95
\(^{164}\) Knee, Derek & Walters, David (1985), p. 129
\(^{165}\) Ind, Nicholas (2004), p. 95
\(^{166}\) Ind, Nicholas (2001), p. 51ff
\(^{167}\) Ind, Nicholas (2001), p. 19
learn to understand the corporate culture and start building up relationships with the organizations’ customers and other partners.\textsuperscript{168}

As organizations grow and internationalize, they tend to become more fragmented and different units build up different identities and cultures. Although harmonization to some extent is necessary in order to have a strong corporate culture, it is not always desirable in view of the fact that different issues are perceived differently depending on what country the unit operates in.\textsuperscript{169}

3.8 Theoretical Framework

The aim of the theoretical framework is to give a short summary of the theories presented above.

Earlier research suggests that the internationalization process is a stepwise process where companies which engage in international operations successively become more committed to the new market. The firms are also influenced of physic distance and size of the market. Another perspective proposes that the development of a company’s operations in a foreign country is influenced of the relationships gradually formed in that particular market.

The product life cycle is a model through which a company can predict the competition it is about to face. The model describes different stages of foreign expansion and in the last stage; firms are forced to move their production facilities to developing countries where they can exploit relatively cheap labour and thereby enjoy a competitive advantage.

Another theory that explains firms’ establishments in foreign market is the network perspective. According to the network perspective, the development of a company’s operations in a foreign country is heavily influenced of the relationships gradually formed in that particular market.

Some external factors that influence companies that consider establishing abroad are described in the PEST framework. PEST stands for Political Economic Sociological and Technological.

Global industries are industries in which the strategic positions of companies are deeply influenced by their global positions. Firms are required to compete on worldwide bases or they will face strategic disadvantages. There are several important differences between competing on national and worldwide bases and some factors that companies must consider when formulating an international competitive strategy include factor cost differences, differing circumstances in foreign markets, different roles of governments and differences in goals, resources and the ability to monitor foreign competitors. These factors can create advantages such as cost advantages or advantages of economics of scale. It is however important to be aware that these sources also imply the presence of certain barriers.

There are four main types of barriers: economic barriers, managerial barriers, institutional barriers and perceptual and resource barriers. Some examples of economic barriers are

\textsuperscript{168} Ind, Nicholas (2001), p. 72
\textsuperscript{169} Ind, Nicholas (2001), p. 76
transportation and storage costs, differing product needs, established distribution channels, sales force and lack of world demand. Managerial barriers are barriers that raise the complexity of managerial tasks without directly affecting the company's costs. Possible institutional barriers include tariffs, preferential procurement by government entities, government insistence on local production, preferential tax treatment, labour policies and other operating rules and government regulations that affect for example the design of the products or the marketing practices. The final category, perceptual and resource barriers, includes information costs and search costs as well as start-up investments associated with the penetration of the new market.

A model that explains why some countries are more attractive for foreign investors than others is the diamond model of Michael Porter. The diamond model describes the dynamic of clusters and how companies derive advantage from comparative advantages in relation to other countries. Clusters are formed by the specialization of companies and the point is that firms expand to countries where the resources meet the needs of the industry. According to Porter, basic natural resources are not as important as more advanced resources such as competence, manpower and infrastructure. Countries can further develop their more advanced resources by investing in education etcetera.

There are several other reasons why firms chose to engage in international operations. Companies are affected by external factors such as economic, managerial and institutional factors. Other external factors that affect companies include relationships to customers, production costs and other costs, factors within the country and competition. The external factors are reinforced by internal factors such as an organizational crisis or a heavy internal demand for change.

Other sources of competitive advantage can be identified by using the value chain which describes the complete product flow. The model disaggregates a firm into its strategically relevant activities in order to understand different sources of differentiation and competitive advantage. The value chain consists of value activities and margin and four strategically important areas are introduced in the model: the company’s connection to suppliers, the company’s connection to its suppliers, process connections within a business unit’s value chain and connections between business units within the company. An important point with the value chain is that well-working communication and coordination facilitates optimization and leads to a competitive advantage for the organization as a whole.

A common global expansion strategy is internal development which involves the creation of a new business unit within an industry. Internal development requires firms to directly confront two sources of barriers to entry: structural entry barriers and expected reactions competitors. Structural barriers to entry include established brand franchises, distribution channels tied up by competitors and access to the most favourable sources of raw materials. A common reaction from already existing firms is to start price competition. Companies must be prepared for such counterattacks and allow for them in their budgets. Some factors that affect the likelihood of counterattacks are industry growth, brand loyalties and high fixed costs.

It is further important that a company understand its customers’ needs and requirements and the possibilities that these represent. There are many advantages associated with positioning clearly. Entry barriers are for example created. A close examination of customer profiles and needs can be done by conducting a segmentation analysis where different classifications such as demographics, psychographics, lifestyle, buyer behaviour and benefits sought are included.
Strategic decisions regarding foreign expansion are also affected by the corporate culture. The corporate culture is described as an overall system of shared values and norms which lead organization members to behave in certain ways. By delegating responsibility downwards in the organization, business leaders can build people-centred businesses where the full capacity of individuals is used and where the employees act as ambassadors of the brand. By distributing shared values and norms rightly, the management can overcome problems associated with anarchy and lack of responsibility and at the same time encourage sharing of knowledge and ideas among units and staff.

3.9 Discussion

The way in which I have chosen to conduct this study is somewhat controversial because I am using both internationalization theory and competitive strategy. Most research that I have read employs either internationalization theory or competitive strategy. I believe that sandwiching internationalization theory and competitive strategy will make this study more useful; internationalization theory explains why some firms chose to internationalize and in what sequence they do so and competitive strategy explicates how companies and nations can achieve competitive and comparative advantages.

According to Frankelius (2001), many of the classical theories are satisfactory but still not adequate. I agree with some of the criticism and I especially believe that many classical theories need to be revised in order to fit into the global business world. I however believe that many theories are still useful. Furthermore, I feel that by using classical theories jointly with contemporary articles and research, I will be able to make a reliable contribution to the existing literature.

The theory presented in this chapter provides the framework for the internal and external factors that have affected the establishments of the case companies. In the following chapter, empirical study, the five case studies and the expert interview will be described.

\[^{170}\text{Esbri (2006)}\]
4. Empirical Studies

In this chapter I will describe the business climate in Singapore and the case companies’ establishments and operations in the country. The chapter starts with a thorough description of the business climate in Singapore. In the second part of the chapter the case companies Ikea, Tetra Pak, Ascade, Viking Engineering and Bookbinders Design are presented and described in sequential order. Thereafter, I will summarize an interview with a Swedish lawyer who is well-familiar with company establishments in Singapore. The empirical study is concluded with a discussion about the case companies.

4.1 The Business Climate in Singapore

The information presented below is meant to form the basis for the analysis of the business climate in Singapore in chapter five. I will also present some general information about Singapore in order to create an overall understanding of the country. Most of the information is collected from the database Landguiden which is published by the Swedish Institute of Foreign Affairs (Utrikespolitiska Institutet).

4.1.1 Geography and History

Singapore is a republic with approximately 4 300 000 inhabitants. The country is strategically located between the Malacca Sound in the west and the South China Sea in the east. This is also where the shortest seaway between India and China goes. Singapore is composed of a main island and 64 smaller islands. The main island consists mainly of the capital with the same name as the country and is directly connected to Malaysia via a road and railway bridge over the narrow Johore Sound in the north. There is also a toll-road between western Singapore and Malaysia. The island was originally covered with rain forest and mangrove swamp but the forest has been cleared of trees as the population has increased. Land has also been reclaimed from the sea in order to make room for additional industries and houses. Since 1972, the total land area has increased by 63 square kilometres.\(^{171}\)

\(^{171}\) Landguiden (2006)
Singapore’s history as a hub of commerce began in 1819 when the British built a trade station to attract workers from China, India, Sumatra, Malacca and other countries in the region. After the independence in 1965, the government made the immigration rules more stringent and started to impose fines on persons who broke the rules. The government has nevertheless always encouraged immigration of qualified workers. Within a period of thirty years, Singapore has transformed from being a developing country to being one of the wealthiest states in the world. Many low educated immigrants also live in Singapore and many of them are working in the manufacturing industry or in the service sector. It is however somewhat difficult for these people to get long-term employment passes.

4.1.2 Demography

Until the 20th century, the majority of the immigrants who came to Singapore were men and the population increased primarily through the arrival of new immigrants. The native population growth did not start until the 1920ies. In the 1950ies, the growth was so rapid that the government implemented a program which made it exceedingly expensive to have more than two children. Thirty years later, the birth rate was declining so rapidly that the government started worrying about a future shortage of labour. Various allowances and tax relieves were implemented but the desired results did not occur. The strategy today is to extend the child-care system. In 2005, the birth rate was 10, 1 percent and the total population growth was 1, 3 percent.
Singapore’s population is divided into three main ethnic groups. Ever since the 1830ies, the Chinese have constituted the vast majority. The Chinese dominate the political life and to a large extent also the business life. The Malays account for the second largest ethnic group in Singapore. They have got an average lower standard of living than the Chinese. The third largest ethnic group is the Indians who are not only from India but also from Pakistan, Bangladesh, Sri Lanka and Burma. The main religions in Singapore are Buddhism, Islam, Christianity, Taoism and Hinduism. Despite many differences among the different groups, the government has accomplished to create a shared identity based on Asian values in conjunction with Western individualism.\(^\text{180}\)

There are four official languages in Singapore: English, Chinese, Malay and Tamil. The government encourages the population to maintain their native languages and at the same time learn to speak proper English.\(^\text{181}\)

### 4.1.3 Education

One fifth of the government expenditures in Singapore goes to the education system. This has brought about a well-developed education system. All children are entitled to six years of free teaching and school attendance is compulsory. The teaching is conducted in English but all pupils also study their respective native language. The focus is on mathematics, English and native languages.\(^\text{182}\) In recent years, there has been a debate going on in Singapore regarding the way of teaching. The government worries that there is too much learning by heart and too many written tests and that the students’ creativity therefore is not stimulated enough.\(^\text{183}\) Singapore has got four universities and the ambition is to get one fourth of the students in secondary school to go to university.\(^\text{184}\) The result of these massive investments in education is that the Singapore labour force has been topping the Labour Force Evaluation Measure (LFEM) conducted by Business Environment Risk Intelligence (BERI) ever since the 1980ies. The LFEM index is based on four factors: relative productivity, legal framework, worker attitude and technical skills.\(^\text{185}\) Many educated Singaporeans have however immigrated to Australia and other industrialized countries because of the relatively low wages in Singapore.\(^\text{186}\) The literacy rate was 95 percent in 2005.\(^\text{187}\)

### 4.1.4 Mass Media

The mass media in Singapore are strictly controlled by the government through both legislation and ownership. The authoritarian control facilitates the government to restrict the spreading of publications that can create tensions between different ethnic and social groups, threaten the national security or encourage violence and disobedience. Furthermore, all publications that distort information can be disciplined.\(^\text{188}\) There are eight daily papers in

\(^{180}\) Landguiden (2006)  
^{181}\) Landguiden (2006)  
^{182}\) Landguiden (2006)  
^{183}\) Landguiden (2006)  
^{184}\) Landguiden (2006)  
^{185}\) Landguiden (2006)  
^{186}\) Business Environment Risk Intelligence (2006)  
^{187}\) Landguiden (2006)  
^{188}\) Landguiden (2006)
Singapore and three of these are in English. There are four radio companies and four television companies and each of these run one or a few channels in Singapore’s different languages. The radio and television companies are probated by a special authority called the Singapore Broadcasting Authority (SBA). Both the radio channels and the television channels are partly financed by advertising. Sixty percent of the population in Singapore had got access to Internet in 2002 and the government has invested actively in the development of the broadband system.\footnote{Landguiden (2006)}

### 4.1.5 Constitution, Administration and Judicial System

Singapore is a parliamentary democracy and all Singaporeans over 21 years are compelled to vote. In reality, the power is strongly concentrated to the Peoples Action Party (PAP) which has run the country since the end of the 1950ies. The head of state in Singapore is the president. Since 1993, the president is elected through general elections every sixth year. The president has got right of veto\footnote{Landguiden (2006)} in decisions regarding Singapore’s financial reserves and appointments of high-grade officials to the public state administration.\footnote{Landguiden (2006)}

The legal power is exercised by the parliament which consists of 84 members who are elected every fifth year. According to the legislation, the opposition is guaranteed to get three of the 84 seats in the parliament. The executive power in Singapore is exercised by the government under direction of the prime minister. Both the prime minister and the other ministers are designated by the members of the parliament. Lee Kwan Yew who had run the country for thirty years when he retired in 2000 has retained some of his power over the country’s politics since his oldest son, Lee Hsien Long was appointed as prime minister in 2004. The political opposition in Singapore feels that the election system, where the winning party gets nearly all seats in the parliament, is unfair. They are also criticizing the ban on expressing oppositional messages on TV as well as a law that restricts anonymous and foreign donations to political parties and organizations.\footnote{Landguiden (2006)}

Singapore’s legal system is based on the English common law and, according to the constitution; all Singapore citizens are equal before the law regardless of race, religion or creed. The judiciary’s function is to independently administer justice and the judiciary should be safeguarded by the constitution.\footnote{Ministry of Law (2006)} The independence of the judges has however been questioned.\footnote{Landguiden (2006)} The highest judicial power lies with the Singapore Supreme Court. The members of the Supreme Court are appointed by the president and the prime minister together.\footnote{Landguiden (2006)} There are also a number of subordinate courts and instances for alternative dispute resolution.\footnote{Landguiden (2006)} Members of the parliament have often sued leaders of the opposition party for slander or for giving speeches without permission. The defences of the slander cases have repeatedly been criticized by the human rights organization Amnesty International.\footnote{Landguiden (2006)}
Furthermore, the country has got obligatory capital punishment for drug trafficking, murder, high treason and illegal possessions of weapons.\textsuperscript{197}

4.1.6 Foreign Policy

A good relation to Malaysia is said to be a keystone in Singapore’s foreign policy. Ever since Singapore was forced to leave the Federation of Malaysia in 1965 due to political reasons, the relations have improved considerably. There have however been tensions between the countries also in recent times.\textsuperscript{198} Also the relation to the neighbouring country Indonesia is considered central. Ever since the 1960ies when Indonesia strongly opposed the Federation of Malaysia, Singapore has concentrated on developing a good relation to Indonesia. The relation weakened after the fall of Indonesia’s former president but the relation is now improving again.\textsuperscript{199}

Singapore applies an open door policy towards foreign investments. The open door policy involves free capital movements, free repatriation of profits and acceptance of 100 percent foreign ownership.\textsuperscript{200} The country also attaches great weight to the cooperation with other Southeast Asian countries in the organization ASEAN\textsuperscript{201}. ASEAN is considered to produce such a good fellowship between the countries that the existing political tensions can be held under control. Also the cooperation within the economic organization APEC\textsuperscript{202} is of great importance and APEC established a permanent secretariat in Singapore in 1993.\textsuperscript{203}

Singapore has also been a driving force in the formation of closer relations between Asia and Europe with the purpose of decreasing the dependency upon Japan and the United States. In 1996, the Prime Minister initiated a summit meeting between European and Asian leaders in Bangkok called the ASEM-meeting\textsuperscript{204}. The relations between Singapore and the Western countries have traditionally been strong. The relation between Singapore and the United States has been especially strong. The United States has however criticized Singapore a few times for lacking of respect concerning human rights.\textsuperscript{205} A regional security problem in the Southeast Asian region is the increasing pirate activity towards ships in the Malacca Sound. Singapore has invested large amounts in boats and missiles in order to fight the pirate activity.\textsuperscript{206}

\textsuperscript{197} Landguiden (2006)
\textsuperscript{198} Landguiden (2006)
\textsuperscript{199} Landguiden (2006)
\textsuperscript{200} Economic Development Board (2006)
\textsuperscript{201} The Association of Southeast Asian Nations (ASEAN) is a political, economic, and cultural organization of countries located in Southeast Asia. ASEAN was formed as a non-provocative display of solidarity against communist expansion in Vietnam and insurgency within their own borders.
\textsuperscript{202} The Asia-Pacific Economic Cooperation (APEC) is a group of countries which meet with the purpose of improving economic and political ties in the Asia-Pacific region.
\textsuperscript{203} Landguiden (2006)
\textsuperscript{204} ASEM is an interregional forum which consists of the European Commission and the twenty-five members of the European Union (EU) and of thirteen Asian countries, namely Brunei, Myanmar, China, Cambodia, Indonesia, Japan, South Korea, Malaysia, Laos, the Philippines, Singapore, Thailand and Vietnam.
\textsuperscript{205} Landguiden (2006)
\textsuperscript{206} Landguiden (2006)
4.1.7 Economy

Singapore has not got any natural resources at all but the country has nevertheless been successful and it is today one of the leading economic and financial centres in Asia. Important reasons for this include the country’s geographical location and its natural harbour. Singapore has also got a large oil refinery. A well-educated workforce, an efficient economic control system and a well-developed infrastructure have also contributed to the success. Singapore has got the second largest port in world and its airport constitutes the hub for many international airlines. The transit trade has since long been an important factor in the Singaporean economy and since the independence, Singapore is also an important centre of foreign exchange dealings. By offering good conditions such as tax relieves for new establishers, the government has attracted several foreign investors and MNCs.

The interest rates in Singapore are similar to the interest rates in Sweden. The corporate tax and the income tax are however significantly lower in Singapore. The corporate tax is 20 percent in Singapore and the top personal income tax has recently been reduced from 26 percent to 20 percent. At the same time, the payroll tax and the compulsory levy to the Skills Development Fund were reduced from 2 percent to 1 percent.

Since the domestic market in Singapore is rather small, the country is strongly dependent upon international trade and export. The economical growth has accordingly been heavily influenced of international trade conditions. Singapore has experienced strong economic growth ever since its independence. Between 1990 and 1997, the average growth was seven to eight percent in spite of the oil crisis in 1993. As the economic downturn in Asia hit Singapore in 1998, the growth rate declined to 0, 1 percent. The country however recovered quickly and in 2000 the overall growth rate was almost ten percent. In 2001, Singapore experienced the worse economic depression ever since the independence and the GDP declined by 2, 2 percent. The main reason for the depression was a fall in the demand in the United States. Today, the average growth is between five and six percent and the Ministry of Trade is forecasting growth of three to five percent for 2006. Aside from the effects of the general upturn in the global economy and the upturn in global electronics demand, Singapore’s service industry has constituted an impressive rise. The government sees the service sector as a key to further economic development.

Many years of surplus in the state budget have made it possible for Singapore to have a high level of saving. The inflation is also held on a low level. In 2005, the inflation was just 0, 1 percent. This can be compared with the inflation in Sweden which is approximately one percent. In addition, Singapore has got one of the world’s largest reserves of foreign exchange. The prospering economy has also made it possible for the country to respond to...

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207 Landguiden (2006)
208 Landguiden (2006)
209 The Skills Development Fund (SDF) was established in October 1979 with the institution of the Skills Development Levy (SDL) Act with the primary objective of encouraging employers to invest in skills upgrading of the workforce
210 Hong Kong Trade Development Council (2006)
211 Landguiden (2006)
212 Landguiden (2006)
213 Well Distributed Growth
214 Landguiden (2006)
215 Exportrådet (2006)
216 Dagens Industri (2006)
economic downturns by taking powerful measures. The downturn in 1998 was met with a program which lowered the companies’ costs and thereby the prices of the exports. The depression in 2001 was fought using two programs which led to lowered costs for companies, forward brought infrastructure projects and tax relieves. The government has however been criticized for giving too much support to the large and state-owned companies and thereby driving small entrepreneurs out of business. A commission has been appointed to investigate what economic reforms will be necessary in the future. Besides, a privatization of state-owned companies has begun and ever since the end of the 1990ies, the service sector has been opened up for international competition.217

Singapore’s small size and limited workforce has pushed many companies to expand to the neighbouring countries. Considerable investments have been made in Malaysia, Indonesia, Thailand, China, Vietnam and India. The government encourages investments abroad and Singapore imports all water, oil and gas from its neighbouring countries.218

4.1.8 Industry and Foreign Trade

The most important economic sector in Singapore is the manufacturing industry. The key industries include the electronics industry, the chemical industry, the pharmaceutical industry, the mechanical industry, the shipbuilding industry, the airline industry, the oil refinery industry, the industry for production of printed matters and the service industry.219

The manufacturing industry in Singapore is highly dependent upon multinational companies and the government has given large grants to American corporations that have established in the country. Nearly 80 percent of all investments in Singapore were made by foreign companies in 2000. 51 percent of the investments were made by American companies. Apart from the multinational corporations, there are also a few domestic industries. The governmental control of the industry is however big. Besides, an evident trend in recent times has been that labour intensive manufacturing is transferred to other countries in the region where the wage costs are lower.220

As mentioned earlier, Singapore is extremely dependent upon its foreign trade. In year 2000, the total value of the country’s export and import was equivalent of 238 percent of GDP. The export constituted 168 percent of the GDP in 2004. The import represented 153 percent in the same year.221 The primary export markets are Malaysia, The United States, Hong Kong, Japan and Taiwan. The primary import markets are Japan, Malaysia, The United States, China and Taiwan. In year 2000, 40 percent of the exports consisted of electronic products and therefore, Singapore is exceptionally vulnerable to declining demand for these products.222

Singapore adopts a liberal trade policy. Very few goods are dutiable or under control. High tariffs are imposed only on liquor, tobacco, petroleum products and motor vehicles. The country imposes no quota restrictions. Most goods can be imported freely without licenses. However, import licenses are required for pharmaceuticals, hazardous chemicals,

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217 Landguiden (2006)
218 Landguiden (2006)
219 Landguiden (2006)
220 Landguiden (2006)
221 Exportrådet (2006)
222 Landguiden (2006)
films and videos, arms and ammunition. A Goods and Services Tax (GST) of five percent is levied on all goods imported into Singapore. The ASEAN countries are however exempted from paying GST. Under the country’s APEC commitments, tariffs on all imported goods are scheduled to be phased out by 2010. Singapore has also been a driving force in the establishment of the free trade area AFTA. The purposes of AFTA are to increase ASEANs competitive edge as a production base in the world market through the elimination of tariffs and non-tariff barriers within ASEAN and to attract more foreign direct investment to ASEAN. AFTA now comprises the ten countries of ASEAN.

The government controls the industry through both legislation and ownership. The government has used its state investment vehicle Temasek Holdings to retain its majority ownership in a number of privatized companies including SingTel, DBS Bank, Singapore Airlines, PSA International, SMRT and Singapore Power.

4.1.9 Labour Market and Social Conditions

A long period of strong economic growth has led to a low unemployment rate. The unemployment rate hit a 5-year low in December 2005, reaching 2.5 percent for the whole labour force and 3.3 percent for resident workers. Singapore has moreover attracted many foreigners in search of work. In 1998, a quarter of the workforce was made up of foreigners.

The average income in Singapore was 4870 SGD per month and household in 2002. It should however be mentioned that this number cannot be compared to Swedish income statistics because the household structures differ between the countries. There are no state-aided unemployment insurances in Singapore and the only permitted labour union is the centrally controlled NTUC which has got close bonds to the government and to the ruling PAP. Workers within the public administration and other regulated branches are not allowed to belong to a union. It is complicated to sign collective agreements and all agreements must be approved by a certain law court. There are no public pension insurances in Singapore but both employers and employees contribute to a centrally managed fund called the Central...

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223 Singapore Customs (2006)
224 Hong Kong Trade Development Council (2006)
225 ASEAN Free Trade Area.
226 Landguiden (2006)
227 The ten countries of ASEAN are Singapore, Brunei, Indonesia, Malaysia, Philippines, Thailand, Vietnam, Laos, Myanmar and Cambodia.
228 Wikipedia (2006)
229 SingTel is Singapore’s largest telecommunications company
230 PSA International is the World’s largest port operator
231 Singapore Mass Rapid Transit
233 The unemployment rate is the number of unemployed workers divided by the total civilian labor force, which includes both the unemployed and those with jobs
234 Well Distributed Growth
235 Landguiden (2006)
236 Singapore Statistics (2006b)
237 National Trade Union Congress
Provident Fund (CPF). All employees have got either two or three accounts within the CPF. The health care in Singapore is well-developed and partly state-aided.\textsuperscript{238}

4.1.10 Communications and Infrastructure

The port in Singapore is the second largest port in the world. The port is crowded with traffic and it handles more than 310 million tons of goods every year.\textsuperscript{239} The MRT\textsuperscript{240}, LRT\textsuperscript{241}, bus and train systems in Singapore are well-developed and the journeys are fast and affordable.\textsuperscript{242} The government counteracts motoring and car ownerships. The costs associated with owning a car are exceptionally high and a special permission is required to buy a car. In addition, most roads in Singapore are toll-roads.\textsuperscript{243}

The tourism is an important source of income for Singapore and the country’s airport is the largest in Asia. Singapore used to be a shopping paradise but as the Singapore dollar has appreciated against most other currencies, its power of attraction has decreased. The country also attracts many visitors by arranging large international fairs and exhibitions.\textsuperscript{244}

4.2 Case Companies

The case studies will be presented in sequential order. The first interview was conducted in the beginning of February and the last one was performed in the end of April 2006. There are many significant differences between the companies regarding both operations and establishment processes and these will be further discussed in the end of the chapter.

4.2.1 Ikea

Ikea is one of the world’s leading home furnishings retailers with about 220 outlets in 33 countries. It is operating as a global organization which is based on the exclusive concept that the furniture must be assembled by the customer. Ikea was originally founded by the Swede Ingvar Kamprad in 1943. Ikea's mission is to offer a wide range of home furnishing items of good design and function, excellent quality and durability, at prices so low that the majority of people can afford to buy them. Today, Ikea is a franchise concept.\textsuperscript{245} There were several reasons why the Kamprad family loosened its grip of the group but two important motives were the Swedish tax legislation and the difficulties of shifting ownership in family owned companies. Most Ikea stores are operated and owned by Ikea Group and its president Anders Dahlvig but the store in Singapore is an external franchisee and one of about twenty exceptions. The Singapore outlet opened in 1978 and was one of the pioneer stores in Asia.\textsuperscript{246}

\textsuperscript{238} Landguiden (2006)  
\textsuperscript{239} Landguiden (2006)  
\textsuperscript{240} Mass Rapid Transit  
\textsuperscript{241} Light Rail Tranist  
\textsuperscript{242} SMRT (2006)  
\textsuperscript{243} Landguiden (2006)  
\textsuperscript{244} Landguiden (2006)  
\textsuperscript{245} Ikea (2005c)  
\textsuperscript{246} Interview Tom Huzell 2006-02-17
At the moment, Ikea in Singapore has got about 390 employees. INGKA Holding B.V. is the parent company for all Ikea Group companies. It includes the industrial group Swedwood, which manufactures Ikea furniture, the sales companies that run Ikea stores, purchasing and supply functions and Ikea of Sweden. Ikea in Sweden is also responsible for the design and development of products within the Ikea range. INGKA Holding BV is wholly owned by Stichting INGKA Foundation, which is a foundation registered in the Netherlands. Inter IKEA Systems B.V. also owns the Ikea concept and trademark. There are franchising agreements with every Ikea store in the world. The IKEA Group is the largest franchisee of Inter IKEA Systems B.V. All Ikea stores are however franchise operations that have been granted their franchise licenses by Inter IKEA Systems B.V.

Establishment and Operations at Ikea

Tom Huzell is Managing Director of Ikea in Singapore. He has been working for Ikea for about twenty years and he has earlier worked for the company in Sweden, Switzerland, The Czech Republic and Germany where he was also involved in the work of opening up a new store. He is currently participating in the establishment of a new Ikea store near Changi airport in Singapore.

Ikea was established in Singapore in 1978. The company was established in several countries closer to Sweden before it entered the Singaporean market. The Ikea store in Singapore has become popular and the Market Capital Researches that is conducted by the company every third year show that almost every Singaporean is familiar with the company. Ikea does not have any manufacturing in Singapore so it is principally a retail company. This is not a problem since the Singaporean legislation, unlike for instance the Chinese legislation, does not demand locally manufactured components in the products. Huzell explains that the distribution of goods works well in Singapore even though it is controlled by the government. Also the transportation of supplies from Sweden to Singapore works well and the company has got attractive contracts of affreightment with several agents. A drawback is however the rather long delivery times. It takes approximately one month to deliver a shipment from the centrally warehouse in Sweden to the store in Singapore. Also the distribution channels such as media, advertising and sales are well-working. The supply of distribution channels is however more limited and controlled in Singapore than in for instance Sweden. Some marketing functions are centralized to the head office but some advertising must be adjusted to local marketing rules and policies.

Since Ikea opened up in Singapore, the store has relocated twice to be able to take in more customers and it is now expanding further by building up a brand new store. Tom Huzell says that the line of business in which Ikea operates is still growing due to the steady increase of Singaporean households even though the P/E-ratio is not actually growing. It took about two to three years to start up Ikea in Singapore.

Ikea’s competitors are not only the traditional furniture stores but also supermarkets and speciality shops. Some of the main competitors are the furniture shops Barang Barang and

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247 Ikea (2006b)
248 Ikea Group (2006a)
249 Interview Tom Huzell (2006-02-17)
250 P/E=Price per share/Earnings per share
Ikea has good relations with its competitors and they occasionally cooperate and exchange ideas. Ikea is a member of the Singapore Retail Association where representatives for different retailers meet. Huzell says that it would not be advantageous for any part to start head to head competition in such a small market as Singapore. Ikea did not study its competitors’ strategies before the establishment and they do not watch the competitors much nowadays. Ikea is however watching the competitors’ prices and if any of the competitors has got a lower price on a product which has the same function, attributes and quality as an Ikea product, the company lowers the price in order to maintain its strategy of low-cost differentiation. No considerable counterattacks were experienced when Ikea established in Singapore.

Huzell thinks that networking is generally important in Singapore because of the small size of the country. Ikea also cooperates closely with several governmental institutions such as the Economic Development Board (EDB), The JTC Corporation which provides companies with industrial space solutions, Singapore Land Authority (SLA) and Singapore Land Transport Authority (LTA). Ikea also works closely together with freight transportation companies as well as with other distributors. Ikea in Singapore rarely consults with the Swedish head office. When complicated problems arise, they rather turn to the franchiser in Belgium/Netherlands.

Huzell says that it was a fairly easy process to build up a good reputation among suppliers, contractors and creditors in Singapore. In spite of the Singaporean government’s heavy demands on information from companies, Huzell does not think bureaucracy is a problem for Ikea in Singapore. He says that the procedures for collecting information from companies are rather effective and user friendly. The establishment of Ikea in Singapore was not delayed or made more complex than necessary because of the national legislation or because of heavier demands on information. Neither was it difficult to get permission to construct the Ikea buildings in Singapore.

Ikea usually puts up its stores outside the city centres because it is generally difficult to find sufficiently large shop premises in the city centres. The positioning works in the same way in Singapore as it does in other country were Ikea operates. It is important to cover as much of the market as possible and that is also one of the reasons why the second Ikea store in Singapore will be situated in the Changi Area, relatively far from the first store. The competitors’ locations were, according to Huzell, not important when the company decided where to build its new store. Surveys on the average income in the area are always conducted when Ikea builds new stores and Huzell sees this as a paradox because Ikea’s target customers are not in the first place wealthy people. Huzell further believes that instinct is often more important than statistical analysis when companies establish themselves in new markets.

Ikea is a franchise concept and decisions to establish the company in new countries are not always made at the head office in Sweden. Practically anyone can apply for a franchising agreement at Inter Ikea Systems B.V. in the Netherlands. Tom Huzell is working closely to Ikea in Malaysia and he thinks that there are many significant differences regarding both establishing and operating the company in these countries. Corruption is for example problematic to avoid in Malaysia. The costs of the structural barriers to entry such as the establishment of the trademark and set up of distributions channels turned out to be equal to corresponding costs in Europe. Huzell says that it is not less costly to establish an Ikea store in Asia than it is to establish a store in Europe. The reason for this is that all interiors are bought at market prices that do not differ between different regions. Furthermore, many of the
executives who work with the start ups are expatriates with relatively high salaries. The daily operations are however less costly in Asia than in for instance Europe. The main reason behind this is that the wages are lower in Singapore.

Another difference between Europe and Asia is, according to Huzell, the qualification level of the staff. This is especially significant on the managerial level where Singaporean managers do not seem to be projected to handle as much information as European managers do. Huzell thinks that the company climate in Singapore is more Western than Chinese but compared to most Western countries where Ikea operates, the governmental control is more significant and the wage structure is more flexible in Singapore. Huzell further thinks that Singapore is more company friendly than most other countries. National traditions and customs used to be more important in the Singaporean business life but Huzell says that its importance has decreased lately. He has however learned a lot about Feng Shui and superstition since he came to Singapore and he says that Chinese traditions are still of great importance for many Singaporeans.

The accounting for Ikea in Singapore has to be made public. A common phenomenon in Singapore is job hopping but Huzell says that this is not a dilemma at Ikea because the company does not have the same high rate of turnover as many other companies. According to Huzell, the explanations for this have got more to do with the company culture and with the valuations of the company than with salaries or other monetary benefits. He further believes that many employees appreciate that Ikea is not as formal as many Singaporean companies.

Huzell thinks that the rather week position of the labour unions is an advantage but he points out that the Ikea would never abuse the employees even though they sometimes have power to do so. He also says that the company culture at Ikea is important because it gives incitement for the employees to stay with the company. The company culture is primarily distributed through “walk to talk” and “leading by example”. Huzell sees himself as a distributor of the Ikea culture for three reasons; 1. He has attended a course in “The Ikea Way”. 2. He is Swedish and he knows what the Swedish culture stands for. He also points out that Sweden is a country high in femininity and that this might reinforce his role as a distributor of the Ikea culture. 3. Because of his position as manager. Huzell says that he has experienced many cultural clashes in Singapore but more than when he worked for Ikea in Germany.

Huzell further believes that Ikea is becoming both more and less centralized the more it internationalizes. Decisions about things that are exactly the same in all 240 stores are centralized from the head office but decisions concerning self-governing stores around the world are usually made closer to the markets. Consequently, Ikea in Singapore has got relatively much autonomy. Huzell also thinks that the employees on the lower levels have got just as much autonomy as their colleagues in for instance Europe.

251 Feng Shui is an ancient Chinese tradition of placement and design that guides human beings in living harmoniously with their environments
4.2.2 Tetra Pak

Tetra Pak is world leading in cartoon packaging for milk, soup, fruit juices and other liquid products. The company also manufactures machinery used for food packaging and processing. It operates globally and the basic concept is that package should save more than it costs. It was founded in 1951 in Lund in Sweden by Ruben Rausing and Erik Wallenberg. The group is established in 165 countries. Apart from making carton and plastic materials, Tetra Pak also designs and manufactures key equipment such as homogenisers, mixing and standardisation units, heat exchangers system and plant components. The group comprises of three divisions: Ambient, Chilled and Processing. Each of these divisions operates independently but they are able to cooperate when needed.  

Tetra Pak’s mission is to work for and with its customers to provide preferred processing and packaging solutions for food. The company is part of the Tetra Laval group which also includes Sidel that specialises in PET bottles and DeLaval that produces dairy and farming machinery. Tetra Pak is a private industrial group of Swedish origin headquartered in Lausanne in Switzerland. One of the reasons why Tetra Pak moved from Sweden to Lausanne was the Swedish taxation levels.

Tetra Pak was established in Singapore in 1977. Before entering the Singaporean market, Tetra Pak was already established in Hong Kong and in Kuala Lumpur in Malaysia. Tetra Pak in Singapore works with both import of finished packages from other factories in the group as well as with manufacturing of own packages. They also sell packaging machines to larger companies in the Asian food industry.

Tetra Laval International has got the responsibility for financing the Tetra Laval Group, monitoring its overall legal structure, tax planning, debt and equity ratios and implementation of mergers and acquisitions. Each Industry Group Head has the consolidated responsibility for his or hers industry group and reports directly to the Tetra Laval Group Board. The Group Board has overall responsibility for the Group’s strategic development, inclusive of issues related to coordination between the industry groups, major investments, acquisitions, divestments, programs for research and development of new and existing systems.

Establishment and Operations at Tetra Pak

LiangPheng is Finance Director of Tetra Pak in Singapore. He started working for the company in 1978, only one year after Tetra Pak was first established in Singapore. He has accordingly been with the company for slightly more than 27 years.

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252 Tetra Pak (2006)
253 PET is a kind of recyclable consumer plastic
254 Former Alfa Laval Agri
256 Tetra Pak (2006)
257 Interview Tan LiangPheng (2006-02-24)
258 Interview Tan LiangPheng (2006-02-24)
259 Tetra Laval (2006)
260 Interview Tan LiangPheng (2006-02-24)
Tetra Pak’s regional head office in Asia is located in the industrial district in Singapore. The company has also got a factory in Singapore. The factory is situated in the neighbouring district Jurong. The corporation was first established in Singapore in 1977 and the factory opened four years later in 1981. Today, most Singaporeans are familiar with Tetra Pak. Before entering the Singaporean market, the corporation was established in several countries including Switzerland, the United States, Mexico and Lebanon.

Tan says that the domestic market is rather mature, and that Tetra Pak’s line of business is not really growing as much as it did when the company was first established. The company however exports the majority of its products to other countries within the ASEAN region where the line of business is still expanding. Some of the countries that Tetra Pak exports to are Thailand, Taiwan and Indonesia. Tetra Pak in Singapore also exports to emerging markets such as Sri Lanka, Myanmar and Bangladesh.

It took approximately one to two years to set up Tetra Pak in Singapore inclusive of the time for the building of the factory. To register the firm did not take more than one to two months and Tan emphasizes that the process of registering companies in Singapore is generally fast. He does not think that internal bureaucracy becomes a problem when companies establish to fast.

Tetra Pak in Singapore has got mainly one major competitor, namely International Paper Corporate. Tan says that the company has got a decent relation with the competitor and that they compete fairly rather than cooperate. The competitor’s strategy was not studied before the decision to enter Singapore was made but when the competitor lowers the prices Tetra Pak follows in order to secure market shares. No larger counterattacks were experienced during the establishment but Tan says that Tetra Pak’s technology is rather simple to imitate and that this has been a problem for the company.

Tetra Pak is a member of Singapore Manufacturers’ Association (SMA) and of The Singapore International Chamber of Commerce (SICC) which are both organizations where local manufacturers meet. Tan believes that networking is important in Singapore. He further thinks that the local networks are both formal and official. Tan explains that the Economic Development Board (EDP) in Singapore is active and often sends representatives to network and market Singapore abroad and that this was how the decision to establish Tetra Pak in Singapore was initialized; the EDP went to Sweden to see the then CEO Ruben Rausing and convinced him to expand to the Singaporean market. Tan also explains that EDP provides free industry specific information and statistics to potential investors.

The domestic purchasing power was not of great importance when Tetra Pak decided to expand to Singapore because 99 percent of the company’s products are exported to other countries. Tetra Pak has not opened any deeper co operations with local companies in order to widen its range of products or gain control over inputs. Tan explains that all raw materials are imported from for instance Sweden, Germany and Belgium. The company does not procure any raw materials in Singapore. Tetra Pak cooperates closely with two forwarding agents who work 24 hours a day with distribution of Tetra Pak’s products. Tan tells that it was an easy process to build up confidence in Tetra Pak in Singapore among creditors, distributors and others. He further believes that it helped a lot that the corporation was well-known and of good repute. Most of Tetra Pak’s advertising is centralized to Europe but some marketing activities are performed in Singapore.

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Because of the efficient methods of collecting and handling information, Tan does not think bureaucracy is a problem in Singapore. He also says that the process of establishing Tetra Pak in Singapore was neither delayed nor made more complicated because of the Singaporean legislation. On the contrary, he thinks that the process was facilitated by the transparent tax law and the political stability in the country. He also says that it was fairly easy to get permission to construct both the factory and the office building and that renting industrial space is relatively straightforward in Singapore. Tetra Pak rents its space from JTC. The company positions in the same way in Singapore as it does in all other countries where it is established. Tetra Pak chose to establish outside the city centre because it saw many opportunities with being situated closet to related industries in the industrial area in the city. Tan says that the industrial space is rather inexpensive and that JTC, in spite of its dominating position, does charge overprices.

As mentioned above the average income and the economic wealth were important when Tetra Pak decided to establish in Singapore. In addition, the size of the market and the demand for packaging solutions were central questions in the decision making process. Tan says that the Singaporean market was carefully analyzed before the decision to enter the market was made.

Decisions to establish Tetra Pak on new markets are made at the corporation’s head office in Lausanne in Switzerland. Tan says that an important motive behind the choice to establish in Singapore was the comparatively low corporate tax in the country which today is 20 percent. He further believes that statistical analyses are more important than instinct when Tetra Pak expands into new markets.

Tan has earlier been working for Tetra Pak in Malaysia and he says that there are many significant differences between the countries. A few of these are the problems associated with the corruption and economic instability in Malaysia. Two important issues in the establishment process are that the company starts networking long before it actually enters new markets and that statistical analyses of the contemplated markets are always conducted.

The costs of the structural barriers to entry were not considered high when Tetra Pak entered the Singaporean market. Tan says that the Singaporean government supports business and R&D. The legislation especially favours pioneer companies and Tetra Pak had, because of its status as a pioneer company, a ten year tax holiday when it first established in Singapore. After that, the company got a five year tax incentive which involved that it only paid 50 percent of the corporate tax which was by then 30 percent. Tan further explains that Tetra Pak is exempted from paying customer duty when it imports both packaging machines and finished products. Tetra Pak also benefits from the free trade agreement within the ASEAN. Tan says that it is an advantage that it is less costly to establish Tetra Pak in Asian countries compared to establishing in for instance Europe and The United States. In addition, the daily operations are considerably cheaper in Asia.

Tan has not noted any differences between Singaporeans, Europeans and Americans regarding the level of competency. He further believes that the company climate in Singapore is more Western than Chinese. Chinese customs and traditions are nevertheless more important than Western traditions at Tetra Pak and the operations follow the lunar calendar. Tan however believes more in common sense than he does in traditions such as Feng Shui.

Tetra Pak in Singapore has to make all its financial information public. Tan further thinks that job hopping is a common phenomenon in Singapore but he says that this is not a problem for
Tetra Pak because their staffs stay with the company for 10-15 years on average. The major reason why people choose to stay with the company for so long is, according to Tan, that the company takes good care of the employees and offers good benefits.

Tan does not think that the labour unions are weaker in Singapore than in for instance Europe or The United States. He however says that it is good that the union law is strong. Tan further believes that the company culture is important when Tetra Pak expands into new markets. He says that the company culture at Tetra Pak is strong and that all employees are familiar with the company’s core values. The corporate culture is distributed through videos, printed material and presentations. Tan sees himself as a distributor of the company culture. He denies that he has experienced any cultural clashes at Tetra Pak.

Tan says that the Tetra Pak Corporation becomes more decentralized the more it internationalizes. He explains that Tetra Pak used to be divided into two regions: Europe and Asia/America, but that these two regions turned out to be too large to manage. Consequently, these two regions were divided into 11 clusters. One of these clusters consists of Southeast Asia (including Singapore) and India. The group headquarter is located in Bangkok. The clusters are relatively self-governing and decisions are usually made on local levels. Accordingly, Tetra Pak in Singapore does not consult much neither with Lausanne nor with Sweden when making decisions or solving problems. Tan says that the employees on the lower levels also have got a lot of autonomy.

4.2.3 Ascade

Ascade Telecom Software is an independent Swedish software company which provides solutions for telecom carriers. Founded in 1997, Ascade is today a leading provider of Business Operations Systems for carriers trading and exchanging international voice traffic. The company’s business idea is to facilitate exchange of voice traffic between telecom operators. Ascade's solutions are designed to enable telecom carriers worldwide to maximise profits by managing their international voice business more effectively. Ascade’s business reaches from development of the software to integration of the software with the customer’s product. The Singaporean unit offers a wide range of services including sales, implementation, product development and consultancy. The company’s most important customers in Singapore are SingTel, M1 and Starhub.

Ascade’s most famous product is called Carrier Cockpit Suite. By using Carrier Cockpit Suite Ascade’s customers are able to reduce cost, improve profitability and achieve control of their wholesale and bilateral voice business. Ascade’s mission is to improve the business
performance of telecom carriers trading and exchanging international voice traffic by its market-leading solutions and world-class employees.267

The company is fully owned by a Swedish holding company268 and an important reason why Ascade chose to expand to Singapore was the country’s strategic location as a hub in Southeast Asia. From Singapore, the company also reaches its customers in for instance Japan and in New Zealand. Ascade was established in Singapore in August 2004 and the company has at present got fifteen employees in Singapore. The Singaporean market was the first foreign market that Ascade entered and the Singaporean unit reports directly to the company’s headquarter in Stockholm.269

Establishment and Operations at Ascade270

Martin Jansson is one of the founders of Ascade Telecom Software. He has accordingly been with the company since it started in 1997. He worked for the company in Sweden for about seven years before he started working in the Singaporean office nearly one and a half years ago. Jansson is an engineer at bottom but he is currently working mainly with sales.

Ascade Telecom Software was established in Singapore in the summer of 2004. The company has got fifteen employees working together in one office. It is not well-known among common Singaporeans but since it is a world-leader, it is recognized in the small industry in which it operates.

Ascade’s products consist of software which is rather intangible and the company therefore does not have any manufacturing or logistics in Singapore. Jansson explains that he thinks that Singapore is a company friendly country. Since Ascade does not distribute goods through independent distribution channels, he does not know how well the Singaporean distribution systems work. Furthermore, the company does not use traditional distribution channels when marketing themselves. Within the IT telecom industry, customers are usually attracted through word-of-mouth and networking within the industry. Common marketing activities include exhibitions and conferences and Jansson explicates that it is generally not a problem to get access to these events. Most of Ascade’s advertising is centralized to the head office in Stockholm.

Jansson explains that despite some tough years for the whole telecom industry, the IT telecom line of business in which Ascade operates is now growing slowly but steadily. The start-up of Ascade was rapid. It took only a few weeks to set up the office and get started. The recruitment process was however rather time-consuming. Jansson explains that since the company sells rather complex products, the management is anxious for recruiting skilled employees with great interest in the products. The company first hired a local Singaporean CEO because they thought it would be convenient to have a local manager who was familiar with the Singaporean market. This however turned out to be a strategic misjudgement. The differences in the way of thinking and the cultural differences led to a minor restructuring in

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267 Ascade (2006b)
268 A holding company is a company that owns enough voting stock in another firm to control management and operations by influencing or electing its board of directors
269 Interview Martin Jansson (2006-04-11)
270 Interview Martin Jansson (2006-04-11)
which the local boss was substituted by a Swedish executive whose name is Johan Harrysson and who is still the CEO of the company.

The line of business in which Ascade operates is comparatively narrow and the company has only got two competitors with substitutable products in the regional Asian market. These are an American company named Telarix and a British firm named Intec. Jansson says that Ascade has not got any direct relations with its competitors. The competition in the business is stiff since there is only a limited number of customers who buy the specific kind of products. When Ascade first established in Singapore, they were the first company in its specific line of business. Consequently, they did not study other companies’ strategies before the establishment and no aggressive counterattacks were experienced. The company does not watch the competitors much but the price competition in the line of business forces Ascade to lower its prices as the competitors do so.

Jansson believes that networking is important in Singapore. Ascade has not opened any deeper co operations with local companies in order to gain access to inputs or to widen its range of products. The company however cooperates with a legal advisor and with a local provider of secretarial services who handles the company’s administrative matters. Since Ascade is a relatively small firm, the local unit often communicates with the head office in Sweden. Ascade in Singapore has got 15 employees and about 70 people work for Ascade in Sweden. There is thus more knowledge and expertise within the Swedish division.

Jansson says that it was fairly easy to build up a reputation among for instance creditors, contractors and suppliers in Singapore. The company uses the same bank in Singapore as it does in Sweden and Jansson believes that it is convenient to do so. Furthermore, Jansson does not think that bureaucracy is a dilemma when operating in Singapore. Neither did the Singaporean legislation complicate the establishment significantly. It was also a quite straightforward process to find office space in Singapore. This despite that Ascade’s office is located in Robinson Road in the attractive financial district of Singapore. The company deliberately chose this strategic location in order to be close to other Telecom companies and, according to Jansson, the rental is not particularly high. The competitors’ locations were not important when Ascade decided where to locate the office. Ascade positions itself in similar ways in Sweden and in Singapore. The company is also present on the North American market but Jansson explains that the North American unit only runs consultancy business.

Ascade did not conduct statistical analyses such as surveys on average income or purchase power before entering the Singaporean market. Jansson explains that since Ascade’s sales techniques are fundamentally different from most other company’s sales techniques and since the company only operates within B2B, factors such as income or demographics do not affect the company directly. The company has got customers in Malaysia and in Sri Lanka which are both developing and relatively poor countries. Jansson explains that since Ascade’s market niche is rather narrow, it is generally difficult to generate useful statistics. Instinct was therefore important when Ascade decided to establish in Singapore. Decisions to establish Ascade in new markets are always made from the head office in Sweden and some reasons why the holding company chose to establish Ascade in Singapore and not in the surrounding region were to avoid corruption and escape language barriers. Today Ascade always uses a partner when doing business in corrupted countries.

The costs of the structural barriers to entry were comparatively low when Ascade entered the Singaporean market in August 2004. This can partly be explained by the fact that Ascade is a
fairly small company that operates in a small niche and that it therefore does not require access to the same kind of distribution channels as many other companies do. The costs of the structural barriers to entry also turned out to be significantly lower than corresponding establishment costs in Sweden. Jansson says that it is less costly to establish companies in Singapore than it is to establish firms in for instance Europe. The overall costs counting both factor costs and market prices are lower in Singapore than they are in Europe. Besides, Ascade has recently converted all expatriate contracts into local Singaporean contracts. This has resulted in significantly lower wage costs for the company. The local contracts involve lower payroll taxes as well as lesser social benefits. Jansson however points out that the conversion of expatriate contracts into local contracts was accompanied with an upgrading of other employee benefits. He also says that it is an advantage that the income tax in Singapore is significantly lower than the income tax in Sweden. The daily operations at Ascade are extensively less costly in Singapore than in Sweden. In addition to the lower wage costs, also the costs of accommodation and travelling are lower in Asia than in for instance Europe. This is advantageous for Ascade since the company’s sales force travels a lot.

Regarding the level of competency among the staff, Jansson thinks that the labour market in Singapore is attractive for foreign investors due to the highly educated work force. He however thinks that it is difficult to find co-workers with broader perspectives in Asia. Singaporean workers are not used to take on as much responsibility as Swedes are and he further thinks that Swedish workers are often better communicators than Singaporeans and that Swedes usually are better at handling large amounts of information. It is however easier to find technically competent workers in Singapore than in Sweden. Jansson thinks that the company climate in Singapore is more Western than Chinese and Chinese traditions are not of much importance at Ascade.

Jansson agrees that job hopping is a common phenomenon in Singapore and he says that Ascade consciously sorts out job hoppers in the recruitment process. Jansson also thinks that since Ascade is a Swedish company, loyalty is probably easier to achieve at the head office in Stockholm than in a foreign unit like the one in Singapore. Ascade gets its employees to stay with the company by offering a strong company culture and good emoluments.

Jansson thinks that the rather weak position of the labour unions is an advantage for Ascade as well as for other foreign investors in Singapore since it makes it less risky for the company to hire staff. He explains that the company has sometimes abstained from hiring new staff to the head office in Sweden because of the strict labour law in the country. The company culture is, according to Jansson, important when the company expands into new markets. He thinks that a strong company culture makes it easier to motivate employees to work hard and to identify themselves with the company and that this is important when entering a new market. Jansson sees himself as a distributor of the company culture because he is Swedish and because he shows the local workers how they should perform their work.

Ascade is a fairly decentralised organization and the staffs who work for the Singaporean unit have got a lot of autonomy. The budget is drawn up by the head quarter in Sweden but the Singaporean unit’s opinions carry great weight in the budgeting process. Also the local project managers and the Singaporean sales force have got relatively much freedom.
4.2.4 Viking Engineering

Viking Engineering is a world leader in the area of marine and industrial products such as rotary machines. The company is operating in Singapore and to a small extent in Indonesia. Viking Engineering is not present in the Swedish market. Some of the products that the company offers include technical consultancy, maintenance, repairs, installation, commissioning and parts sourcing or procurement. Viking Engineering was set up in 1977 by three engineers and since the mid 1980's the company is a partner in the servicing of the industrial sector, such as power generation, bulk material handling systems and incineration plants.

Viking Engineering was started in Singapore in 1977 by three engineers from Sweden and Norway. The engineers had earlier been working together for STAL Laval in Finspång in Sweden. STAL Laval was by then the world’s largest provider of marine turbines. When the three engineers met again in Singapore in the beginning of the 1970ies, the shipbuilding industry in Sweden had difficulties due to drastic increases in wages and a radical decrease in the demand for nuclear power which had brought about a decline in the demand for marine turbines. A further push factor was the increase in sick-listings in Sweden. Besides, the oil price had reached its absolute peak and the company climate in Sweden was rather depressing due to, among other factors, high taxation levels. The engineers however saw that there was still a demand for marine turbines in Southeast Asia. They contacted their former employer, STAL Laval and immediately signed a contract which gave them the service agency for STAL Laval’s products. Since the establishment in 1977, Viking Engineering has set up three affiliated companies in Singapore; Viking Airtech which produces ventilation systems, Viking Bulk Material Handling Systems works with technical solutions for handling of bulk cargo to ship-owners and Viking Instrumentation that works with automation systems. Viking Engineering’s corporate mission is to be geared to serve by providing quality services tailored to its customers’ requirements.

Viking Engineering’s head office is located in the industrial district in Singapore. The company has got 61 employees within the mother company and 40 employees within Viking Airtech. Another 12 people work for Viking Instrumentation. The company is fully owned by two of the three founders and registered in Singapore. The main reason why the company was set up in Singapore was the country’s strategic location. Viking Engineering performs everything from inbound logistics to after sales services and training. The company also manufactures replacement parts in its workshop in Singapore in order to avoid long delivery times.

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271 Embassy of Sweden (2006a)
273 Svenska Turbinfabriks Aktiebolaget Ljungström
274 Former De Laval
275 A turbine is a rotary engine that extracts energy from a fluid flow
276 An automation system is a computerized system that automatically memorizes positions, switches individual channels on or off, adjusts the equalization or positions and changes the auxiliary.
278 Viking Engineering Pte Ltd (2006)
279 Interview Bo Johansson (2006-04-20)
Establishment and Operations at Viking Engineering

Bo Johansson is one of the three founders of Viking Engineering Pte Ltd in Singapore which was set up in 1977. He is an engineer and he has been working in the shipbuilding industry all his professional life. The reason why he first came to Singapore was that he was doing a job for the Swedish shipping company Salén.

The company’s main product is the steam turbine. The steam turbine was the most used turbine before the 1970ies. Today, the diesel turbine is the most commonly used turbine. The line of business in which Viking Engineering operates is thus now declining. The company however exports turbines to other countries in the region where there is still a demand for steam turbines. Viking Engineering has got a small workshop established in Indonesia. It used to operate also in Malaysia but Johansson points out that it is problematical to do business in Malaysia due to the economic instability and corruption in the country.

It was a quick process establishing Viking Engineering in Singapore and the business started even before the workshop was completed. The networking thus started before any investments were made. Johansson says that the entire establishment process was quick and efficient and he believes that the fact that the establishers were all engineers with experience and expertise from the shipping industry helped. Today, the brand name is well known among most companies in the shipbuilding industry but common Singaporeans have rarely heard about it.

Viking Engineering’s main competitor in Singapore is General Electric. Forty percent of all steam turbines in the world are produced by General Electric. Johansson says that it is problematical to compete with General Electric because the company gets more support from the Singaporean government. Johansson further explains that General Electric’s bank, GE Capital, offers exceptionally good loan conditions and that it is therefore nearly impossible to compete with them. In addition to General Electric, Viking Engineering has got a number of smaller competitors. The industry is generally competitive and Viking Engineering does not cooperate or exchange ideas with any of its competitors. The competitors’ strategies were not studied before the decision to enter the Singaporean market was made. Johansson further explains that there is stiff price competition within the industry and that Viking Engineering lowers its prices as the competitors do so. No counterattacks were however experienced during the establishment.

Viking Engineering is a member of Association of Singapore Marine Industries (ASMI) which is a non-profit trade association formed in 1968 to promote the interests of the marine industry in Singapore. Johansson says that networking is extremely important in Singapore, especially in the line of Business in which Viking Engineering operates. The company principally attracts all its customers through networking and word-of-mouth. Viking Engineering has opened up several deep co operations with local companies in Singapore. In particular, the company cooperates with the International Organization for Standardization (IOS) which is the world’s leading developer of international standards.

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280 Interview Bo Johansson (2006-04-20)
281 A steam turbine is a mechanical device that extracts thermal energy from pressurized steam, and converts it into useful mechanical work.
282 ASMI (2006)
283 IOS (2006)
Johansson says it was fairly easy to build up confidence among creditors and suppliers in Singapore. By the time when Viking Engineering established, there were no Swedish banks in Singapore. Today, three Swedish commercial banks operate in Singapore and Johansson sees this as an advantage Sweden and Swedish related companies that operate in Singapore.

Johansson does not think Singapore is more bureaucratic than Sweden. He believes that the authorities are quicker and more efficient in Singapore than in Sweden. He further thinks that the Singaporean tax legislation is clear and, despite its rather long presence in Singapore, Viking Engineering has not had any conflicts with the authorities so far. It was furthermore easy to get permission to set up the office and the workshop. When the company first established itself in Singapore, it set up an office in International Plaza which is an office building in Tanjong Pagar, downtown Singapore. As the company grew, it needed more space and it decided to relocate to the industrial district in Singapore. The new office was bought at an auction under a writ of execution and Johansson says that it was relatively cheap. The land is leased from the town corporation and according to Johansson; the supply of industrial space is still greater than the demand. He says that the company frequently gets offers from agents who want to lease offices.

Since Viking Engineering operates in a specific line of business, the income level, living standard and other demographics were not important factors when the company decided to enter the Singaporean market. The determining factors were instead the location of the country and the size of its port. Johansson explains that the world’s largest repair centre for ships is the Singapore port and that one fourth of all cargo in the world is transported through the Malacca Sound. No statistical analyses were conducted before the company decided to enter Singapore. Johansson justifies this by saying that instinct is more important than statistics. Another relative advantage with establishing in Singapore was the taxation level. When Viking Engineering first established in Singapore, the corporate tax was 20 percent in Singapore and above 40 percent in Sweden.284

The costs of the structural barriers to entry were low when Viking Engineering established in Singapore. The registration of the brand name and the fees for registering the company were insignificant and, since the company does not make use of ordinary distribution channels, the costs for setting up distribution channels were next to nothing. Johansson emphasizes that Singapore is a company friendly country and that the government encourages foreign investors. Even though Viking Engineering in some respects was a pioneer company when it started up in Singapore, the company was not entitled to tax relieves due to pioneer status. Johansson explains that in order to be classified as a pioneer, the company must operate in a key industry. The industry for steam turbines is, according to Johansson, not classified as a key industry. The company has however derived advantages from the lower custom duties within the ASEAN region. Johansson further explains that Viking Engineering’s storage costs are high due to the fact that shipping components are expensive. He however says that the warehouse costs are not particularly high in Singapore. The daily operations are rather cheap in Singapore due to the low wages in the country. The company does not employ collective agreements and Johansson says that it is uncomplicated to bring in low earning workers from for instance India, Pakistan and Bangladesh. Viking Engineering has got a number of foreign workers from India. The foreign workers have got short-term contracts and salaries less than 700 SGD per month.

284 The Swedish corporate tax is today 28 percent
Chinese customs and traditions are not important at Viking Engineering. Johansson says that the company neither encourages nor discourages religious and cultural exercises. He further says that the business climate in Singapore is more Western than Chinese.

The accounting for Viking Engineering is not official and Johansson does not know how well the competitors are doing. He however thinks that it would be interesting to study the competitors’ bookkeeping in order to gain information about other companies’ wage costs and pricings.

Johansson thinks job hopping is generally a problem in Singapore. He also says that all Singaporean workers expect to get thirteen salaries a year instead of twelve. Viking Engineering always gives their employees one extra monthly salary a year just before the Chinese New Year in January. A consequence of this has been that a number of employees quit their jobs shortly after the Chinese New Year. Employees stay with Viking Engineering for about four to five years on average. Some employees have however been working for the company for more than thirty years and an important reason for this is that the wage level is progressive. A problem for the company has been that some of its former employees have set up their own companies in order to compete with Viking Engineering. Two of the company’s competitors have earlier worked for Viking Engineering. Johansson thinks that this is a side effect of the low entry barriers in Singapore.

Johansson thinks it might be an advantage that the labour unions are relatively week in Singapore. Viking Engineering has however not lain off a single worker due to lack of workload. Johansson also believes that the corporate culture is important and he considers himself a distributor of the company culture. He has experienced a few cultural clashes in Singapore and says that he soon realized that it is not appropriate to talk about politics or to criticize the Singaporean government among Singaporeans.

Johansson says that the staff at Viking Engineering has got a lot of autonomy. An exception is however the foreign workers who are less self-governing than the local workers.

### 4.2.5 Bookbinders Design

Bookbinders Design is a famous bookbindery and a well-known producer of profile material for companies. Some of the products that the company produces include notebooks, albums, calendars and boxes. The products are handcrafted by award-winning designers and professional bookbinders. Bookbinders Design operates within both B2C and B2B. Bookbinders Design’s B2B production is focusing on tailor-made production. The company manufactures most of its bookbindery products in facilities in Hägersten outskirts Stockholm. Bookbinders Design says that it aims to make life memorable for generations to come. The foundation of the company was developed already in 1927 when Åhnberg’s Bookbindery was established. The first bookbindery store opened in 1982 in Stockholm with the name Ordning & Reda. The company first provided business solutions for the industrial market but in the end of the 1980ies, the company switched to a retail operation and aimed at

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285 Bookbinders Design (2006a)
286 Bookbinders Design (2006c)
287 Bookbinders Design (2006a)
individual customers. Ordning & Reda was sold to the Danish corporation Bodum in 2000. The new concept, Bookbinders Design, was founded in 2001.288

Bookbinders Design is today present in twelve countries in Europe, Asia and America. It is a franchise concept and the organization is centrally controlled from the head office in Stockholm. By having control of everything from production, marketing, design and sales, the company can assist and supply customers around the world with products that are made to fit their special requirements.289 All manufacturing takes place in the original facilities in Hägersten. The products are then shipped to stores all over the world.290 The owner of Bookbinders Design retail chain and production the facility Åhnberg’s Bookbindery is named Bookbinders Design International AB. The individual stores are either wholly owned and run by the corporation itself or managed by independent entrepreneurs by franchise agreements. A franchise agreement gives the franchisor the right to open own stores, department stores agreements, wholesale, licensing and customized B2B production to companies within the designated region.291 At present, Bookbinders Design has got one freestanding store with seven employees in Singapore. Also the Southeast Asia regional head office is located in Singapore. Bookbinders Design has also got stores in Malaysia, Hong Kong and Japan.292

Establishment and Operations at Bookbinders Design 293

Berndt Söderbom is director of Bookbinders Design Southeast Asia. He is based in Singapore but he also runs businesses in Malaysia, Hong Kong and Japan. Söderbom established Bookbinders Design in Asia about two and a half years ago and he fully owns the entire Asian division. Before establishing Bookbinders Design, Söderbom worked many years in the advertising industry in Singapore and in other countries in Asia. The reason why he came to Singapore in the first place was that he was doing an advertising job for Ikea in Southeast Asia. Another driving force of establishing Bookbinders Design in Singapore was that Berndt Söderbom is a good friend of the former CEO, Per-Erik Åhnberg.

Bookbinders Design’s flagship store in Asia is located in the centrally located shopping centre Ngee Ann City in the shopping district in Singapore. The company used to have a second store in City Link Shopping Mall but the store was closed in August 2005 due to declining sales. Since practically all products are shipped from Sweden, the company does not have any manufacturing in Singapore. Bookbinders Design was established in Singapore in 2004; six years after it was started up in Sweden. It is thus a rather new company and it is still working on the establishment of the brand name. Not many Singaporeans are familiar with the brand name today but research on the acquaintance with the brand indicates that more and more people hear of Bookbinders Design. Before establishing in Europe the company was established in Norway and Switzerland. Today, Bookbinders Design also runs stores in the United States and in Australia. The company deliberately chooses to establish in markets where an establishment can reinforce the image of the brand name.

288 Bookbinders Design (2005)
289 Bookbinders Design (2006c)
290 Embassy of Sweden (2006a)
291 Bookbinders Design (2006b)
292 Interview Berndt Söderbom (2006-04-25)
293 Interview Berndt Söderbom (2006-04-25)
Söderbom explains that the line of business in which Bookbinders Design operates is growing slowly but steadily. The company does not export to other countries in the region. It rather focuses on the domestic market and when it sees opportunities in other markets, it considers establishing in that country.

It took just about one and a half month to establish Bookbinders Design in Singapore. It was however somewhat difficult to get access to the shop premises. Söderbom explains that it is generally difficult to find business premises in Orchard Road where Bookbinders Design’s store is situated. The renovation and decoration began immediately as the premises were found and it took about three weeks to get the store ready. The company did not have to pay full rent from the beginning. Söderbom explains that when new stores establish in Singapore, the first month is generally denominated “Fit out Period”. The rent for this period is usually significantly lower than the normal rent.

Bookbinders Design’s main competitor is a company named Prints. Prints was established in Singapore by a Swede who used to work at Ordning & Reda but then decided to start up an own firm within the same niche. Another competitor is the British company Paper Chase which is owned and controlled by the London based Borders Group. Bookbinders Design’s relation to its competitors is described by Söderbom as a “love and hate relation”. The competitors’ strategies were carefully studied before and during the establishment in Singapore. The main reason for studying the competitors’ strategies was to learn about the business opportunities for companies like Bookbinders Design. Bookbinders Design does not lower the prices as their competitors do so. Söderbom explains that the company competes by selling high-quality products rather than low-price products. The prices at Bookbinders Design in Singapore do not differ much from the corresponding prices in Sweden. Söderbom explains that the prices are slightly lower in Sweden if the GST is left out of account. The prices that are shown in the stores are however lower in Singapore due to the lower GST. Söderbom thinks that it is an advantage that the GST is relatively low in Singapore because the prices are experienced as lower by the customers. Some counterattacks from competitors were experienced when Bookbinders Design entered the Singaporean market.

Söderbom believes that networking is important in Singapore and he started networking already before he decided to establish in Singapore. Bookbinders Design has opened up a few deeper co operations with local Singaporean firms in order to widen its range of products. For example, the company retails pens and papers which are purchased from local suppliers. Most of the retailed products are however manufactured in Sweden. The products are then shipped to Singapore on cargo ships. Söderbom says that the costs associated with shipping the goods from Sweden to Singapore are fairly low because the company has got a beneficial contract of affreightment with an agent and because the quantities that are shipped are rather small. Air freight is significantly more costly than shipping and this sometimes causes problems for Bookbinders Design because the company has to be incredibly good a predicting the sale. In addition, the customers have to wait rather long for tailor-made products. It takes about four weeks to ship goods from Stockholm to Singapore. Söderbom says that although it would be more convenient and cheaper to locate the manufacturing in for instance China, the quality of the products and the image of the brand would probably deteriorate. Bookbinders Design however engages local printing houses for small amendments.

Söderbom says the process of building up confidence in the company in Singapore was quite complicated. He thinks that the local banks are not very good at meeting the customers’ needs and requirements. He further believes that there is more know-how within Swedish banks. Bookbinders Design used to work with a local bank but today the company uses a Swedish
business bank for loans and larger transactions and a local bank for smaller transactions such as credit card transactions.

The average income was not an important factor when Bookbinders Design decided to enter the Singaporean market. It was however important that there was a fairly large group of people with high income who were willing to pay a little bit extra for high-quality notebooks, albums, calendars etcetera. Bookbinders Design does not strive towards attracting as many customers as possible; it rather tries to find a group of loyal customers with whom it can build long-term relationships. Söderbom also mentions that there are many expatriates with great spending power in Singapore. The company did not conduct statistical analyses of income or consumptions paths before it decided to establish in Singapore. Söderbom says that he had been working in Southeast Asia for such a long time that he was already well-familiar with the Singaporean market. An important reason why Bookbinders Design chose to establish in Singapore was that it saw an opportunity to enter the whole Asian market. The company had considered entering Asia for a long time and Söderbom explains that since Singapore is rather westernized, it was an easy first move towards entering the Asian market.

Söderbom does not think that bureaucracy is a problem in Singapore. He believes that information is efficiently handled and he especially thinks that the procedures of arranging work permits are fast and straightforward. Söderbom further thinks that the Singaporean legislation is more complicated than the Swedish legislation and he says that the establishment was a little delayed due to ambiguities in the Singaporean legislation.

Bookbinders Design positions in similar ways in Europe and in Asia but since there is no well-established demand for Swedish design in Singapore, the company has to put a greater deal of effort into image and brand building in Singapore. Söderbom explains that the company has to educate the customers and that this is quite time-consuming and costly. The company has also observed that their Singaporean customers prefer other colours than the European customers. The main reasons for locating the store in the crowded shopping street Orchard Road were that many people visit the area and that it has got positive impact on the customers and the image when the store is located in an exclusive area. Söderbom however thinks that the rents are comparatively expensive. He explains that the rents for shop premises in Orchard Road are similar to the rents for shop premises in Bond Street in London but that there is about fifty times as much spending power in London’s Bond Street.

The costs associated with structural barriers to entry were experienced relatively high when Bookbinders Design entered the Singaporean market. Söderbom says that it was hard work to establish the brand and that to get the Asian customers to appreciate Bookbinders Design’s products. The company thus had to invest large amounts in marketing and brand building when it established in Singapore. The total costs of establishing a store are, according to Söderbom, not lower in Asia than elsewhere in the world. Exceptions are European capitals such as London and Paris where the establishment costs are exceptionally high. Söderbom also says that the costs of the daily operations are pretty much the same in Singapore and in Sweden. The wages are lower in Singapore but the rents are lower in Sweden and in the end, the total sums become pretty much the same. The budget must however be structured differently.

Söderbom has not experienced any major differences between Swedes and Singaporeans regarding the level of competency. He thinks, however, that the Singaporean school system is more about learning by heart than about creativity. Söderbom also thinks that the company climate in Singapore is more Chinese than Western. Chinese customs and traditions play
important roles at Bookbinders Design and the shop is furnished in accordance with Feng Shui.

Söderbom thinks that job hopping is generally a problem in Singapore but he says it is not a problem at Bookbinders Design because of the company’s strong corporate culture. He explains that Bookbinders Design is a flat organisation and that the employees appreciate this.

Söderbom has not reflected much about the labour unions’ weak position in Singapore. He says that he does not bother much about the unions. He explains that he believes more in corporate culture than in unions. The company arranges courses in corporate culture and an essential part of Bookbinders Design’s culture is that each of the staff looks after their specific area of responsibility. Söderbom considers himself a distributor of the company culture because he is Swedish and well-familiar with Swedish norms and values. He has experienced many cultural clashes in Singapore due to cultural differences.

Bookbinders Design in Singapore often consults with the corporate head office in Sweden when it faces problems or difficulties. Söderbom explains that since the corporation is still relatively small, the Singaporean unit is basically considered as equal in merit to the Swedish headquarter. A number of overall corporate changes have even been initialized in Singapore and Bookbinders Design in Singapore has got freedom to design its own advertising campaigns etcetera. Most of the marketing is centrally managed from Sweden but some advertising must be suited to the local market and to local conditions. Söderbom thinks that Singaporean advertising is generally more introvert and naive than European advertising. There is also a lot of censorship upon the advertising in Singapore; it is for example not acceptable to allude to politics, sex or nudeness in advertisements. When the company has got questions or thoughts regarding the business climate in Singapore, it often turns to the Swedish embassy for advices and help. The company also gets some help from the Swedish Trade Council which provides with information about all foreign markets.

4.3 Expert Interview

In order to elucidate some ambiguities and find answers to some of the questions that the respondents from the case-companies could not give, I have also conducted an expert interview with a Swedish lawyer in Singapore.

Cecilia Skröder is a world travelling Swede. She has trained as a Swedish legal practitioner and has worked at several large, and some smaller, companies and law firms in Australia and Singapore. Skröder has worked in Singapore since 2004 and she has recently set up her own tuition and translation agency. Before that she was working with company establishments at Intelleigen, a Singapore based international law firm.

Skröder explains that it is generally relatively easy to establish a firm in Singapore. An initial capital of 1 SGD is basically all that is required and the registration process is fast. There is however a problem for non-Singaporean citizens who require employment passes. The employment pass is issued by the Ministry of Manpower. In order to get an employment pass to start up a business, a substantial investment in the firm is usually required. The precise amount required is not articulated but Skröder guesses that it is about approximately 10 000

294 Interview Cecilia Skröder (2006-05-05)
SGD. Anyone can apply for an employment pass but it is up to the Ministry of Manpower to approve it. Sometimes they require an additional investment in order to issue an employment pass; it all depends on the business plan and the credibility of the applicant. A substantial investment is usually also called for when taking out loans from the local business banks.

Another possibility is to apply for a so called EntrePass (Employment Pass for Foreign Entrepreneurs) at the Ministry of Manpower. An EntrePass is only issued to persons who can present a detailed business plan based on reliable information such as public statistics. The EntrePass application must be sponsored by a well-established Singapore-registered company or a banker's guarantee of 3,000 SGD to be furnished by the applicant if the application is approved. A further prerequisite is that the industry in which the entrepreneur is planning on establishing in is so called key industry. The EntrePass is reconsidered every second year. The minimum turnover is not articulated but Skröder says that it is rather low.

All firms in Singapore must be registered at the Accounting and Corporate Regulatory Authority (ACRA). Private Businesses and Private Equities with a turnover less than 5 MSGD are not required to make their financial information public. All firms, irrespective of turnover, are however required to conduct detailed internal bookkeeping.

There is no legislated term of notice in Singapore and staff must not be laid-off in sequence of employment. This means that the risks associated with taking on staff is smaller in Singapore than in for instance Sweden where the labour unions are stronger.

Foreign investors are not entitled to governmental start-up allowances. All companies can however apply for marketing allowances. The marketing allowances were implemented to encourage small entrepreneurs to expand and develop their businesses. The size of the allowance depends upon the estimated costs of the expansion.

All firms in Singapore must pay salary to its employees and payroll tax to the government. Besides, the employer must pay a contribution to the CPF of 3, 5 -13 percent²⁹⁵ of the employees salary.

There is a newly established Office of Fair Trading in Singapore. The competition law is a hybrid between European and American law. Since it is a new law, its effects is still not known but important components include that preferential procurement from governmental and quasi governmental entities and unfair competition such as credit offers at minimal interest are prohibited. There is also an intellectual property office in Singapore and it is operating in the same way as the Swedish Patent and Registration Office. Any person or corporation claiming to be the owner of an invention can apply for a patent in Singapore.

There are no regulations in the Swedish legislation associated with moving production or other activities from Sweden to Singapore. Swedish companies that expand to Singapore usually establish a new business unit with local staff. It is however important to be aware that the registered trademark is only protected Sweden.

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²⁹⁵ The CPF-contribution is dependent upon the age of the employee. It is 13 percent for all employees below 50 years of age and it then decreases when the age increases.
4.4 Discussion

To summarize the empirical study above, I will conclude this chapter with a discussion about the five case companies’ establishments and operations in Singapore.

The geographical focuses of the five case companies are somewhat different. All firms have chosen to locate in Singapore but their internationalization sequences differ widely. The two largest corporations in the study, Ikea and Tetra Pak as well as the retail chain Bookbinders Design first established in the neighbouring (or at least European) countries. The two other companies, Ascade and Viking Engineering contrarily established in Singapore earlier in their establishment chains. Viking Engineering is different from the other four firms because the company has never been established in Sweden. Some of the theories on internationalization are therefore not applicable to Viking Engineering. The owners of the company have however all been working in Sweden and they are familiar with the Swedish business life. Their views on business life and establishments in Singapore are therefore interesting.

The Swedish tax legislation has affected all firms’ decisions on establishments to some extent. Four of the case companies mention that corruption is a problem in the surrounding countries and that an advantage with Singapore is the political and economic stability in Singapore compared to its neighbours. A factor which played an important role for all case companies’ decisions on establishing in Singapore is the strategic location of the country. Also the size of the market and the well-developed infrastructure has played important roles in all firms’ decision making processes.

In spite of the fact that Singapore is a rather small country, the local market for consumer goods is not considered mature. The two case companies that trade with consumer goods, Ikea and Bookbinders Design both point out that the local Singaporean market is still expanding. Singapore is unique because the country has actually ballooned in size in order to find room for more industries and houses. It is thus not unlikely that the Singaporean market will grow even further. Three of the case companies, namely Tetra Pak, Ascade and Viking Engineering however mention that the Singaporean market is rather mature and that their export is important. Tan LiangPheng at Tetra Pak points that there are several emerging markets in the region and that Singapore’s strategic location is an advantage for firms who aspire to gain a first mover advantage in those markets. I however believe that the political and economic development is crucial for further expansion possibilities in those countries.

None of the respondents believe that it was problematic to find or establish distribution channels in Singapore. The start-up processes were also quick at all firms and the detailed Singaporean legislation does not seem to have delayed or complicated any of the firms’ establishments considerably. Two of the respondents, namely Tan LiangPheng at Tetra Pak and Martin Jansson think that it was less costly to establish their respective firms in Singapore than in Sweden. Tom Huzell at Ikea says that the establishment costs were equal to corresponding costs in Europe. Berndt Söderbom at Bookbinders Design however believes that it is more costly to establish the company in Singapore than in for instance Sweden. These differences indicate that shop premises are rather expensive in Singapore. All five case companies however state that the daily operations are less costly in Singapore than in Sweden.

It is interesting to note that all respondents except one believe that the company climate in Singapore is more Western than Chinese. The respondents are however unanimous regarding
the significance of the corporate culture. They all believe that the company culture was important when their respective companies established in Singapore.

All respondents believe that networking is generally important in Singapore. The only two case companies that conducted statistical analyses before the establishment were Ikea and Tetra Pak. Tom Huzell at Ikea, Bo Johansson at Viking Engineering and Martin Jansson at Ascade all say that they believe more in instinct than in statistics. Berndt Söderbom at Bookbinders Design however believes that both factors are equally important.
5. Analysis

In order to facilitate the reader’s understanding and create an overall picture from a holistic perspective, I have chosen to conduct this analysis in the same sequence as the theory chapter. The analysis is opened with a comparison between the data collected in this study and the data collected in a related study. After that follows an examination of the business climate in Singapore. The analysis of the business climate is primarily based upon the PEST framework, Porter’s theory about global competition and Porter’s diamond model. I will then continue my analysis in sequential order. The chapter is concluded with a discussion about the linkages between the theories and the empirical data.

5.1 The Case Companies’ Establishment Chains

According to the study by Jan Johanson and Finn Wiedersheim-Paul that was described in the opening of the theory chapter, foreign expansion is a process of a stepwise expansion of operations. The study is partly based upon the Uppsala internationalization model in which firms are expected to follow a sequence from low to high commitment.

I have found that none of the case companies in this study has internationalized in the same sequence as the four Swedish firms in the study by Johanson & Wiedersheim-Paul. The case companies have not started their foreign operations with export via independent representatives or sales subsidiaries. The firms’ establishments however follow the establishment chain proposed by Johanson & Wiedersheim-Paul as well as Vernon’s product life cycle to a certain extent. All firms initially let the production take place in the home country or in neighbouring countries with high income and labour costs. To increase their competitiveness and to reduce the production costs, Ikea, Tetra Pak and Viking Engineering then moved some of their production facilities to other developed markets. Production and manufacturing was the last step in both Tetra Pak’s and Viking Engineering’s establishment chains. Just like the product life cycle proposes, these firms have then moved some production facilities to exploit relatively cheap labour in developing countries.

The distance factor has affected three of the case companies’ internationalization processes; Ikea, Tetra Pak and Bookbinders Design all established in countries within less geographical and physical distance before they established in Singapore. I however believe that since the study by Johanson & Wiedersheim-Paul was conducted rather long ago, the time-perspective must be regarded; Ikea and Tetra Pak both established in Singapore in the 1970ies and the physical distance, which is defined in terms of differences in language, culture and political
systems between countries, has certainly decreased since then. In the 1970ies, Singapore was still a developing country while Sweden was one of the wealthiest countries in the world. Few Singaporeans knew any other language than their mother tongue. Today, the language factor is not regarded as a problem by any of the five respondents in this study. This is somewhat unexpectedly since the country has still got four official languages. It seems as if the Singaporean government has succeeded to make English extensively known and spoken. This is an advantage for Swedish and Swedish related firms that operate or aspire to establish in Singapore. Also the cultural differences between Sweden and Singapore were certainly much larger in the 1970ies when the westernization of Singapore had just begun.

Even though geographical distance cannot change, the distance between Sweden and Singapore can be regarded as shorter today than thirty years ago because of the more well-developed communication and transportation systems. Another factor that has almost certainly affected the experienced geographical distance is brought up by Martin Jansson at Ascade who points out that the company is benefiting from lowered travelling expenses due to increased competition among Asian airlines. The long distance between Sweden and Singapore must however still be considered as a barrier since it affects all case companies in one way or another.

All case companies’ establishments were influenced of the size of the market. It should however be pointed out that, the term market often refers both to Singapore and to the surrounding region. Ikea and Bookbinders Design are the only two case companies that operate in Singapore alone. All other case companies seem to consider Singapore as a hub of commerce rather than as a market itself. Berndt Söderbom at Bookbinders Design explicitly points out that the company regards the establishment in Singapore as an opportunity to enter the entire Asian market. It is thus obvious that the country’s strategic location has significantly influenced all case companies’ decisions to establish in Singapore.

5.1.1 The Importance of Networking in Singapore

According to the network perspective, a firm’s choice to establish in a particular market is heavily influenced of the relationships gradually formed in that particular market. Three of the firms, namely Tetra Pak, Viking Engineering and Bookbinders Design started to network and build relationships with other actors within their respective industries before they decided to establish in Singapore. These firms’ strategies thereby confirm the relevance of the network perspective in the context of internationalization and establishments in Singapore. Besides, Berndt Söderbom at Bookbinders Design points out that one of the reasons why he opened up a store in Singapore was that he is a good friend of the organization’s former CEO.

All respondents in this study believe that networking is important both during and after the establishment. There are several network associations in Singapore and networks seem to be valued by the case companies. Tan LiangPheng at Tetra Pak says that the networks in Singapore are formal and official. The statement that the networks are official is confirmed by all respondents in one way or another. None of the case companies have experienced any difficulties in finding or getting access to networks in Singapore. Martin Jansson at Ascade also thinks that it is straightforward to find ways into networking events such as marketing activities, exhibitions and conferences. While the local networks seem to mean a lot to all firms, none of the respondents say that they have been able to derive advantage from the associations that are open exclusively for Scandinavians or Swedes.
5.2 The Business Climate in Singapore

Southeast Asia is going through tremendous economic changes. Market-oriented countries like Singapore have been showing robust growth since the 1960ies and emerging markets like Thailand, Myanmar, Sri Lanka Bangladesh and Vietnam are exhibiting signs of economic awakening and revival after years of internal political and economical turmoil. The region has also been characterized of various bubbles, recessions and crises during the last decades and many countries have faced major difficulties in their development processes.

Singapore is due to its smallness strongly dependent upon international trade and export and the economical growth is frequently affected by international trade conditions. The country faced big difficulties during the international recession because of its strong dependency upon the United States but, as so many times before, the country recovered quickly and is now growing steadily. I will now try to create a deeper understanding of the country specific factors that affect companies that aspire to establish in Singapore. In order to avoid repetition, I have chosen to consolidate the PEST model and Porter’s theory about global competition in this analysis. Both advantages and barriers will be discussed under each heading.

5.2.1 Political and Institutional Factors

As described in the theory chapter, most institutional barriers are designed to protect local firms or local employment. None of the respondents however say that Singapore is particularly protectionist. Furthermore, I have found not found anything in the Swedish legislation that prevents domestic firms from moving activities from Sweden to Singapore. The Swedish legislation is thus not regarded as a barrier.

The Singaporean tax legislation is experienced as transparent and all five case companies think that the taxes are low in Singapore. The tax that is usually referred to in this context is the corporate tax. It should be mentioned that the difference in corporate tax is not very big today; the corporate tax is 28 percent in Sweden and 20 percent in Singapore. The difference was bigger when Ikea, Tetra Pak and Viking Engineering established in the 1970ies. The lower corporate tax is however an advantage for Swedish and Swedish related firms that operate or aspire to establish in Singapore. Also the lower income tax can be regarded as an advantage since expatriates and foreign workers usually regard low-tax countries as more attractive than high-tax countries.

I have found that there is a strong concentration of power in Singapore and that this makes the country unique. I have not found anything in my theories that implies that concentration of power is a disadvantage but it is obvious that Singapore’s transformation from a developing country to one of the richest nations in the world has implied that the people have had to work much harder than before. The process has certainly been facilitated by the country’s littleness as well as by a successful implementation of a shared identity but a probable consequence of the transformation is that the Singaporean workforce is diligent and devoted to the government. The diligence can be regarded as an advantage for Swedish and Swedish related firms that operate or aspire to establish in Singapore.
I have found that the judicial system in Singapore is very similar to European legal systems. None of the respondents has criticized the system. The legislation is generally perceived as transparent and company friendly. Bo Johansson at Viking Engineering however mentions that the competition is somewhat unfair because the government favours the company’s main competitor, General Electric more than it favours small entrepreneurs like Viking Engineering. General Electric also offers loans at extremely low interests and in so doing they complicate the possibilities for small firms like Viking Engineering to compete. The newly implemented competition law involves that the government will no longer be able to favour large corporations like General Electric. It also implies that General Electric will no longer be allowed to offer loans and credits at minimal interest rates. It is thus encouraging for new establishers and entrepreneurs that a competition law has been implemented.

I have also found that bureaucracy is not experienced as a problem in Singapore. Bo Söderbom at Bookbinders Design is the only respondent who believes that the establishment was delayed due to heavy demands for information. I have found that the Singaporean government controls the industry in different ways but, according to all respondents in this study, the ways of collecting information are efficient and speedy. This must be regarded as an advantage for Swedish and Swedish related firms that seek to establish in Singapore because, as mentioned in the theory chapter, a rapid start up process gives the competitors less time to prepare their counterattacks. Furthermore, fast expansions lower the resources required for the expansion and thereby increase the ROI.

The relatively weak position of the labour unions in Singapore benefits all companies because it decreases the risk associated with hiring people and it makes it possible for companies to achieve a cost advantage. The opportunity to take in foreign workers from developing countries in the region is utilized at Viking Engineering and the company’s founder, Bo Johansson thinks this it as advantageous. It seems to be a delicate subject but it is obvious that the strong labour law and the weak union law are beneficial for all companies. Tan LiangPheng at Tetra Pak and Berndt Söderbom at Bookbinders Design are the only respondents who do not think about that the weak position of the unions as an advantage.

None of the respondents in this study state that their respective firms are affected by preferential procurement from local firms by government and quasi government entities. This is quite natural since the only case company that trades the kind of products that governments or quasi government entities naturally buy. Ascade has got a contract with the governmentally controlled SingTel but the founder Martin Jansson does not think that it is a disadvantage that the company is not Singaporean. It is however possible that preferential procurement can affect prospective establishers since the governmental influence over the industry is significant. It is probably wise to check this before making a decision upon establishment in Singapore.

Unlike in for instance China, there is no governmental insistence on local R&D or requirements for locally produced components in Singapore. This is of course an advantage for all Swedish and Swedish related firms that aspire to establish in Singapore. It is especially an advantage for manufacturing firms.

Also the marketing practices are affected by government regulations. Berndt Söderbom at Bookbinders Design mentions that there is a lot of censorship upon the advertising in Singapore and that the advertising therefore must be adjusted to suit the Singaporean market. The censorship does not affect any of the case companies and because there are several
efficient marketing methods that do not allude on politics, sex or nudeness, I consider this barrier as rather mild.

5.2.2 Economic Factors

There are no import quotas in Singapore and the only general tariff that is imposed on foreign trade is the five percent GST that is levied on all goods. This is regarded as rather low. There are also additional tariffs for some goods but none of the case companies in this study has to pay additional custom duty since they do not import oil, vehicles, alcohol or tobacco. The low tariffs benefit Swedish and Swedish related companies in Singapore provided that they do not trade any of these goods. Another advantage is that all tariffs on imported goods are scheduled to be phased out by 2010.

I have found that the only two case companies in this study that benefit from the free trade agreement within ASEAN are Tetra Pak and Viking Engineering. Potential new establishers can however derive advantage from the free trade organization when doing business with companies in any of the other member countries.

Tan LiangPheng at Tetra Pak and Cecilia Skröder mention that there is sometimes tax incentives associated with establishing in Singapore. With this the government tries to attract foreign investors to Singapore. I have however found that the government is using their authority to control what categories of companies that are attracted. By not issuing employment passes to potential establishers and entrepreneurs who operate in non-key industries and by giving priority to pioneers and multinational corporations, the government efficiently controls the supply of foreign companies. The special treatment has only favoured one of the case companies in this study, namely Tetra Pak. The tax incentives are however rarely applied in practice since the definition of a pioneer company is very specific. The possibility the get tax incentives are nevertheless an advantage for some Swedish and Swedish related companies.

All five respondents have been involved in trade in other Southeast Asian countries in one way or another and they all say that there have been problems associated with corruption and economic instability in many of these countries. Singapore is on the other characterized by economic stability and severe punishments for illegal trade. I have found that the economic stability is generally an important reason for choosing Singapore to other countries in the region.

None of the respondents in this study state that it has been problematic to build up relations with creditors but an advantage for Swedish firms that choose to establish in Singapore that is mentioned by three of the respondents, namely Martin Jansson at Ascade, Bo Johansson at Viking Engineering and Berndt Söderbom at Bookbinders Design is that there are three Swedish business banks established in Singapore. This is an advantage for firms that do not want to build up a totally new relations and reputations among banks and creditors. Berndt Söderbom believes that the local Singaporean banks are not as good as Swedish banks at meeting customers’ needs. It is however necessary for retailers to establish some relations with the local banks in order to be able to accomplish credit card transactions.

I have furthermore found that all case companies in this study with the exception of Ascade are facing the economic barrier of transportation and storage costs. Both Ikea and Tetra Pak
however state that they have got attractive deals with their respective forwarding agents and that the transportation costs are therefore low. Tom Huzell at Ikea and Berndt Söderbom at Bookbinders Design both say that it takes about one month to ship goods from Central Europe to Singapore. Söderbom also points out that air freight is significantly more costly than shipping and that this sometimes causes problems for Bookbinders Design because the company has to be incredible good at predicting sales. The long delivery times also cause problems for Viking Engineering. Viking Engineering has however partly solved the problem by manufacturing own replacement parts and other components in the workshop in Singapore. Bo Johansson at Viking Engineering says that the storage costs are rather low in Singapore. The only case company that is not affected by the barrier of transportation and storage costs is Ascade. It is thus an advantage in this context to trade intangible products. The problem for the other firms is that they need to have either large stocks which involve tied-up capital or run the risk of running out of stock and thereby loosing customers. It is thus obvious that the geographical distance is a barrier in spite of the well-developed communications between Sweden and Singapore.

Another economic barrier is differing product needs. Swedish and Swedish related firms that aspire to establish in Singapore should naturally conduct customer analyses before entering the market. The only respondent in this study who states that he has experienced this barrier is Berndt Söderbom at Bookbinders Design. The firm could however easily overcome this barrier since the differences were only cosmetic. Customer analyses are further discussed in section 3.6.

All companies in this study are confronted with the barrier that arises when a company requires a direct national sales force. Swedish and Swedish related companies that aspire to establish in Singapore must have this barrier in mind if they cannot trust in independent sales representatives.

A common structural entry barrier is difficulties in finding distribution channels in the new market. None of the respondents in this study state that they have experienced difficulties in finding distribution channels in Singapore but it is likely that this would have been more problematic if the firms had traded via independent representatives instead of setting up their own premises because then they would have needed to get access to already established distribution channels to compete successfully. Swedish and Swedish related firms that establish in Singapore and that do not intend to set up their own distribution channels should however be aware that the most favourable distribution channels may be tied up by competitors.

Another economic barrier which I mentioned in the theory chapter is the risk of other firms entering the industry upon maturity. This is brought up by Bo Johansson at Viking Engineering and Berndt Söderbom at Bookbinders Design. They have both experienced that former employees have started up their own businesses based on knowledge and experience they have gained from the Swedish companies. The former employees have been able to achieve cost advantages of starting late in the industry because they have escaped the information and search costs that are generally associated with establishments. The possibility that employees set up their own businesses and compete against their former employers can be regarded as a drawback to the relatively low entry barriers in Singapore.
5.2.3 Managerial Factors

I have found that managerial tasks are unquestionably complex. All five companies in this study have got one or a few Swedish managers. The CEOs or regional managers are Swedish at all case companies. Ascade used to have a local CEO but Martin Jansson tells about the cultural differences and the differences in the way of thinking that forced the firm to decide upon manager succession. Tom Huzell at Ikea and Martin Jansson at Ascade both say that local managers are not as good at handling large amounts of information as Swedish managers are. Martin Jansson also says that Swedes are often better communicators than Singaporeans. According to the theory, local managers are generally more responsive than global managers. It however seems as if Swedish firms have strong corporate cultures and sometimes very specific ways of thinking and that they are unwilling to change these things. It thus appears as if Swedish and Swedish related firms that establish in Singapore face a trade-off when it comes to the choice of manager. It is possible that firms that operate within industries were intensive consumer interaction is required have got more to loose in terms of for example ability to understand customers and service responsiveness towards local customers than firms that do not interact much with customers. Consumer intensive firms may therefore consider appointing local managers. The appointment of executive also depends upon to what extent the company is willing to give up its corporate culture. The impact of corporate culture on strategic decision making is further discussed in section 3.7.

5.2.4 Sociological Factors

Singapore is, in spite of its small land area, the home of nearly five million people and the population is still growing. As Tom Huzell at Ikea mentions, the number of households in Singapore is still increasing, partly due to the fact that land is being reclaimed from the sea. It is remarkable that the land area has increased because most economic theories are based upon the principle that land area is a limited resource.

Since Singapore’s population is a mix of several ethnic and social groups and since the shared identity among the population is considered a mix of Asian and Western values, the country is unique as regards lifestyles and trends. The fact that a number of Western companies are present in the country indicates that Singapore is rather westernized. In addition, I found that four out of five respondents in this study believe that the company climate in Singapore is more Western than Chinese. The consumer buying patterns are therefore heavily influenced of both Western and Chinese lifestyles and trends and the demand for Western products is rather big. Berndt Söderbom at Bookbinders Design also points out that many Western expatriates live in Singapore.

I have found that the unemployment rate is low in Singapore and this is certainly correlated to the fact that the economy is doing well. Other probable reasons for this are the comparatively low wages in the country and the fact that there are no state-aided unemployment insurances. The low wage level in Singapore is an advantage for firms like Tetra Pak, Ascade and Viking Engineering since these companies do not retail its products to common people. These companies can instead derive advantage from relatively low labour costs. The wage level is however a disadvantage for retailers such as Ikea and Bookbinders Design who are dependent upon common peoples’ incomes.
The population’s view on domestic media is another sociological factor. Only two of the case companies, namely Ikea and Bookbinders Design operate within B2B and make use of traditional distribution channels such as media. Tom Huzell at Ikea says that the media is more controlled in Singapore than it is in Sweden but he does not think that this is a problem. Some advertising must be adjusted because of local legislation but both Ikea and Bookbinders Design can efficiently reach their customers via daily papers, radio and television. Since most Singaporeans have got access to internet, companies can also derive advantage from this distribution channel. It is an advantage for Swedish and Swedish related firms that aspire to establish in Singapore that many Singaporeans have got access to the most common distribution channels since this facilitates the companies’ communication with exiting and potential customers.

Three of the five respondents, namely Tom Huzell at Ikea, Martin Jansson at Ascade and Berndt Söderbom at Bookbinders Design experience that there are differences regarding the level of competency among Singaporeans and Swedes. Berndt Söderbom at Bookbinders Design brings up that there are significant differences between the Singaporean and Swedish school systems and that Swedes and Singaporeans are good at different things. The government has observed that creativity is not enough encouraged. It is hard to say if Singaporean workers really are less creative but if that is the case, it can be a disadvantage for Swedish and Swedish related companies that aspire to establish in Singapore but it naturally depends on the kind of tasks that are performed within the company.

5.2.5 Perceptual and Resource Barriers

I have found that only two of the case companies in this study conducted statistical analyses before the establishment in Singapore. The costs associated with the information search where low since EDB provided much of the information. It is an advantage for Swedish and Swedish related companies that EDB provides potential investors with free information about business climate, consumer behaviour and others but it is up the each individual firm to either conduct own studies or rely on the information from EDB. It is important to remember that statistical data must be objective in order to be useful. Besides, as mentioned in the theory chapter, it is important to keep in mind that statistical data are descriptive and do not provide basic reasoning for that purchase behavior ought to vary with each.

A resource barrier which is brought up by Berndt Söderbom at Bookbinders Design is the costs associated with brand building and penetration of the market. Since the Swedish and the Singaporean markets are based upon different cultures, there are without doubt significant differences regarding lifestyles, trends etcetera. Söderbom suggests that Swedish firms often need to put a lot of effort and resources into image and brand building during the start-up processes. This especially concerns firms that sell products with special features, such as design products, that have not been traded in the Singaporean market before. Swedish and Swedish related firms that aspire to establish in Singapore should thus allow for rather costly marketing campaigns for the first years.

Two of the respondents, namely Tan LiangPheng at Tetra Pak and Martin Jansson at Ascade, say that it is less costly to establish in Singapore than to establish in Europe. Tom Huzell at Ikea says that the establishment costs are almost the same in every country where the corporation is established. His points are that interiors are bough at market prices and that the
establishments are generally supervised by expatriates with relatively high salaries. Berndt Söderbom at Bookbinders Design says that it is more costly to establish in Singapore due to higher rentals. The relatively high wage costs associated with expatriate workers were handled in a somewhat different way at Ascade where the expatriate contracts have been converted into local contracts. This implies that Swedish and Swedish related firms in Singapore do not have to spend a fortune on the managers’ salaries. The start-up costs are however company specific and dependent upon how the start-ups are managed and controlled. It is thus impossible to draw general conclusions regarding start-up budgets from this study.

5.2.6 Technological Factors

Tan LiangPheng at Tetra Pak points out that the Singaporean government encourages companies to set up R&D departments in Singapore. The tax relieves associated with establishing R&D is hypothetically an advantage for Swedish and Swedish related firms that establish in Singapore but firms must be aware that a number of criteria must be fulfilled in order to enjoy these advantages. I have found that Ascade is the only case company in this study with R&D in Singapore. The company has however not been able to derive advantage from tax relieves associated with R&D since it does not operate within a key industry.

Firms can also derive advantage from the fact that the workforce in Singapore is well-educated. This can be regarded as an advantage for Swedish and Swedish related technology firms that wish to establish in Singapore. The new competence can enable the research and contribute to further technological development.

Also the well-working communications in Singapore can be advantageous to foreign firms in Singapore. The point is that a well working communication and transportation system facilitates the everyday life for expatriates and local employees and increases the attractiveness of Singapore as a place to work and live. Besides, a well-developed infrastructure makes the distribution of goods and information easy and is therefore also valuable to the companies.

All three case companies that operate within the technological sector mention that the Singaporean technology market is rather mature. These three companies are also highly dependent upon export to neighbouring countries. Tan LiangPheng at Tetra Pak says that the company is now penetrating emerging markets such as Bangladesh, Myanmar and Sri Lanka. These are all technologically underdeveloped countries but as the Singaporean technology market matures, they become increasingly important import countries. Also Ascade and Viking Engineering trade with developing countries in the region.

I have found that since a significant share of Singapore’s export consists of electronic products, the price competition is stiff within this industry. The market for electronic products is likely to mature rather quickly. According to the product life cycle, a consequence of the stiff price competition and market saturation within the technological sector will almost certainly be that also Swedish and Swedish related technology firms in Singapore to a larger extent will transfer labour intensive manufacturing to low-wage countries in order to meet the competition. Swedish technology firms that consider establishing in Singapore must bear this in mind when deciding upon establishments. Firms that expect to derive advantage from economics of scale and centralized production in Singapore may have to reconsider. Viking
Engineering that is operating within an incredibly mature industry is however still performing most activities in Singapore.

It is useful for technology companies that there is an intellectual property office in Singapore. Also IOSs presence is an advantage. Tan LiangPheng at Tetra Pak however mentions that technology is easy to imitate and, because patents issued by the intellectual property office in Singapore has got legal force only in Singapore, firms must be conscious that companies in other parts of the Asian region may imitate their products.

It is important that a firm that aspires to establish abroad conduct some kind of structural analysis of the industry it contemplates to establish in. Some additional country specific factors that affect foreign companies operating in Singapore are brought up in Michael Porter’s diamond model which constitutes the basis of the following section.

5.3 The Competitive Position of Singapore –Porter’s Diamond

As described in the theory chapter, the diamond model of Michael Porter can help us understand why some nations are more successful than others. Since Singapore has transformed from being a developing country to being a wealthy state in a short time, it is obvious that the makeover is due to factors beyond basic natural resources.

I have found that Singapore is a developed country with sophisticated customers. It is therefore likely that the customers put pressure on the producers to continuously renew and develop their products. In order to meet these demands, companies must be able to cooperate with subcontractors and end customers. I will get back to this in the section about globalization versus localization later in the analysis. According to the theory, the ability to cooperate within the value chain also creates possibilities of first mover advantages. The achievement of first mover advantages is especially important because of the rather fast market saturation pace in many Singaporean industries.

Proximity to subcontractors, suppliers and other related industries and institutions is likely to be less important for companies that use standard components in the production since these components can be obtained almost anywhere. As I study the five case companies and their activities in Singapore, I however see some links between the companies and their partners that imply that clusters are indispensable to them.

In spite of Singapore’s proximity to cheap raw materials, I have found that none of the case companies in this study import raw material directly from the neighbouring countries. Bookbinders Design is the only case company that brings in products directly from local suppliers. The small quantities of pens and other stationary that the firm retails is however rather insignificant and will not be considered further in the analysis. The cluster thinking in this thesis goes beyond the flow of inputs. None of the case companies talk about proximity to suppliers as an important factor behind their choice to establish in Singapore but three of the companies, namely Tetra Pak, Ascade and Viking Engineering mentions closeness to the customers as determining factors behind the establishment decision. This will be further discussed in section 5.4.1 about pull factors. It also appears that the companies see advantages of being located close to other related companies. In commercial hubs like Singapore, it may also be an advantage just to be present in the same context as other, more successful
companies. Furthermore, the companies in a country or city generally take part in the formulation and developing of the society as a whole. Companies can thereby derive advantages from establishing in a cluster like community where several other companies are present although they do not have an obvious need of direct connections to subcontractors, suppliers or others.

I have found that the Singaporean government takes its role to be proactive and encouraging seriously. By having relatively low corporate tax, low income tax, a well-working public transport system, tax relieves for pioneers and others, a well-developed education system and overall good conditions for companies, the government manages to make Singapore attractive in relation to many other countries. Porter claims that two factors, domestic rivalry and geographical concentration of industries, are especially important for the creation of conditions necessary for the diamond model. By taking actions to improve the company climate, the government also promotes domestic rivalry. However, as discussed above the government has been accused for favouring some companies more than others and thereby driving small entrepreneurs out of business. Besides, the so called EntrePasses are not issued to entrepreneurs who do not operate within key businesses. Domestic rivalry is thereby somewhat hampered within non-key industries.

Geographical concentration of industries is not problematic to achieve in Singapore since the land area is rather small. The government has managed to concentrate different types of industries in different districts; IT Telecom companies like Ascade are concentrated in the financial district in the city centre, manufacturing companies like Tetra Pak and Viking Engineering are generally located in the industrial district Jurong, exclusive shops like Bookbinders Design are often situated in the fashionable shopping district around Orchard Road. By concentrating competing companies in the same district like this, the interplay within the diamond is strengthened. Domestic rivalry also tends to force down the prices. This is a possible drawback to Swedish or Swedish related firms that establish in Singapore. Price competition does not benefit any of the five case companies in this study since none of them purchase large amounts of inputs or supplies in the domestic Singaporean market. The likelihood of counterattacks such as price cutting is further described in section 5.6.2.

Clusters are also created as the Singaporean government tries to absorb new technologies from international MNCs. The government has supported world leading MNCs in order to attract technological firms and R&D to Singapore and this has brought about a development of globally competitive industry clusters in the country. As mentioned above, it is however a controversial question whether the extensive support to international MNCs is desirable or not.

According to traditional economic models, countries that do not possess any natural resources at all will not be able to reinvest substantial amounts in more advanced resources. The diamond model takes into account that it is possible that countries that lack basic resources specialize in more advanced resources and this is the case with Singapore. It should however be mentioned that Singapore’s strategic location and its proximity to basic natural resources in other countries in a sense can be regarded as a natural resource. It has at least certainly facilitated the economic development of the country. Some further factors that explain why firms choose to establish in Singapore are discussed in the next following section.
5.4 Factors behind Internationalization to Singapore

I have found that the driving forces behind internationalization cannot easily be explained and that they differ between the case companies. Various factors have influenced the different firms’ decisions on establishment and led to different strategies and paths. One thing that all case companies have in common is that they have all, with the exception of Viking Engineering, expanded through internal development which includes the establishment of a new business unit in the new market.

The pull and push factors discussed by Ellis & Williams explain why firms engage in international trade in certain countries. Since my thesis focuses upon what the prospects for Swedish and Swedish related firms to establish in Singapore are rather than why firms choose to transfer activities from the Swedish market to the Singaporean market, the pull factors will be more thoroughly analysed than the push factors. Some push factors will however be discussed in order to facilitate the holistic understanding of the factors behind internationalization to Singapore.

5.4.1 Pull Factors

Four of the five respondents in this study state that the industry in which they operate is growing steadily. Viking Engineering is the only case company that considers the industry in which it operates mature. It was however different when the company first established thirty years ago when there was an increasing demand for steam turbines in Asia. It is also important to be aware that as Tetra Pak, Ascade and Viking Engineering define the Singaporean market; they do not only refer to Singapore but also the other countries in the region. As mentioned above, Tan LiangPheng at Tetra Pak points out that the market is growing partly due to the fact that emerging markets such as Sri Lanka, Myanmar and Bangladesh are now opening up their borders and letting in foreign investors. The case companies in this study as well as firms that aspire to establish in Singapore can derive advantage from the fact that the regional market is growing like this. The expanding market is thus a probable pull factor.

The three firms in this study that have got production or supply in Singapore are Tetra Pak, Ascade and Viking Engineering. All these firms state that the costs of production are lower in Singapore than in Sweden. The most significant factor behind this is the lower wage costs. It is likely that also other inputs used in the production process are less costly in Singapore but this can not be proven in this study since the three firms that have got manufacturing in the country import nearly all supplies from other parts of the world. Lower costs of production and/or supply is almost certainly a pull factor for Swedish and Swedish related firms that aspire to establish in Singapore. It however does not seem to be a determining factor behind the decision on establishment.

As described in the theory chapter, a prospective higher level of profitability is a pull factor in this context. Berndt Söderbom brings up that the relatively low value-added tax or GST is an advantage for Bookbinders Design. The lower GST makes it possible for retailers to show lower prices in the stores and can thus lead to better margins of profit although ingoing and outgoing GST always balance out in the bookkeeping. Higher levels of profitability can
naturally also stem either from lower costs or from higher turnover. As I described in the previous chapter, all respondents with the exception of Berndt Söderbom experience that the overall costs are lower in Singapore than in Sweden. Söderbom is also the only respondent who believes that the rentals are higher in Singapore. It is thus likely that retailers who chose to locate in the central shopping district in Singapore are not able to derive advantage from lower average costs to the same extent as retailers or others who locate outside the city centre. Furthermore, Söderbom’s comparison between the purchasing power in Orchard Road and New Bond Street must be interpreted as a disadvantage for retailers who operate or aspire to establish in Singapore. Since this is a qualitative study and since the bookkeeping of three of the five case companies is not public, I will not draw any conclusions regarding the firms’ actual profitability. All five respondents however state that their respective companies are profitable. High prospective levels of profitability must therefore be regarded as a pull factor in this context.

5.4.2 Push Factors

Push factors are defined as difficulties in a company’s existing market. As mentioned above, Viking Engineering talks about market saturation in the domestic market as an argument for establishing in Singapore. I however believe that market saturation holds better as an argument for leaving the domestic market rather than as an argument for internal development.

Another push factor is high costs of production and supply. As mentioned above, Tetra Pak, Ascade and Viking Engineering all imply that the production costs are rather high in Sweden and since also the wage costs and the taxes are higher in Sweden than in Singapore, high costs of production and supply is a probable push factor. I however believe that these arguments hold better when firms move functions from Sweden to Singapore and this is not the case for any of the case companies.

As mentioned earlier, also the taxation level can be regarded as a push factor. Bo Johansson at Viking Engineering explicitly says that the Swedish taxation level is disadvantageous and Tan LiangPheng at Tetra Pak explains that the taxation level in Sweden was the primary reason why the corporation moved its head office from Sweden to Switzerland. Since the taxes are significantly lower in Singapore, Johansson and Tan definitely have a point and the high taxation level in Sweden must without question be regarded as push factor when Swedish and Swedish related firms move functions from Sweden to Singapore.

None of the case companies in this study mention deteriorating levels of profitability in the home market as a reason for establishing in Singapore. Bo Johansson at Viking Engineering touches upon the subject but since the company was not established in Sweden before it established in Singapore, it does not prove that declining levels of profitability is an important push factor. Once again, I believe that push factors hold better as arguments for leaving the domestic market rather than as arguments for internal development.

It should also be mentioned that the pull and push factors described above assume that a firm’s decision to internationalize is a result of a rational decision making process. As I found that only two of the case companies conducted statistical analysis before entering Singapore, this does not seem to always be the case. Furthermore, since three of the five respondents
believe that instinct is more important than statistics in foreign establishments, it is not surprising that the factors above do not fully explain the case companies’ decisions to establish in Singapore.

5.4.3 Globalization versus Localization

As I described in the theory chapter, some additional industry specific factors that affect firms’ choices between globalization and localization include relationships towards customers, overall costs, factors within the country and competition.

I have found that the relationship towards the customers is an important factor behind all case companies’ decisions on establishing in Singapore. As mentioned above, Tetra Pak, Ascade and Viking Engineering established in Singapore primarily to come closer to their customers. Ikea and Bookbinders Design chose Singapore first and foremost with the intention of attracting new customers. There are of course overlapping among the case companies’ motives but it is remarkable that the proximity to customers and potential investors was a very important factor behind all firms’ decisions on establishment.

As mentioned above, lower costs of production and supply does seem to be a common factor behind internationalization to Singapore. Although four out of five case companies state that there overall costs are lower in Singapore than in Sweden, this does no seem to be a direct factor behind the decision on establishment. It may however have been an indirect factor behind the decision on establishment for Tetra Pak and Viking Engineering because these firms derive advantage from low-wage and low-cost countries in the surrounding region.

As mentioned earlier, I have found that none of the case companies established in Singapore due to competition or maturity in the domestic market. The case companies’ choices between localization and globalization are thus not heavily influenced of the domestic Swedish market. In the next following section, I will explain where in the value chain the different firms have chosen to enter the Singaporean market.

5.5 The Case Companies Positions within the Value Chain

The value chain by Michael Porter can be applied in many different ways. It can be used to examine different activities within the firm, see how these interact and how they can lead to competitive advantages. I have chosen to use the theory in a somewhat different way where I just like Johanson and Finn Wiedersheim-Paul assume that firms that establish abroad enter the new market in a certain sequence. The sooner the firms appear in the value chain, the more committed are they to the Singaporean market.
According to the figure above, the case company that is most committed to the Singaporean market is Viking Engineering. Viking Engineering performs all kind of activities in Singapore. Almost everything that the company performs is carried out in the firms’ workshop and office in Singapore. Tetra Pak is also rather committed to the Singaporean market. The company has operations, outbound logistics, marketing and sales and after sales services in Singapore. Ikea and Ascade are not as committed as Viking Engineering and Tetra Pak are. They companies do not have any manufacturing or R&D at all in Singapore. Ikea’s focus is on storing and physically distributing the products the buyers. Ascade can naturally not have logistics in the same sense as the other case companies in this study but I have placed the company in this stage anyway because it performs software development and small amendments but not pure operations in the sense of transferring inputs into outputs. Both Ikea and Ascade also perform marketing activities and sales service. The remaining case company, Bookbinders Design, appears in the marketing and sales section in the value chain. The firm does not have any manufacturing, operations or logistics in Singapore. Bookbinders Design is controlled from a head office in Sweden but the marketing and sales functions are decentralized to Singapore.

The fact that the firms have chosen to enter the chain in different stages implies that there are various advantages associated with establishing in Singapore and that different firms achieve advantages from different sources. Some of the companies have chosen to enter the market in middle and in the end of the value chain. This makes sense Since Singapore is not a low-wage country and since lower costs of production and supply does seem to be a common factor behind the establishments. On the other hand, firms can derive advantage from centralized production and sales if they choose to establish in the beginning of the value chain.

As I described in the theory chapter, the value chain also emphasizes the importance of having a well-working internal communication system and a clear delegation of responsibility when establishing in a market which is located far from the home market. These two things should ultimately coexist within a firm’s value chain. The disadvantage of central control in large companies is that centrally managed firms are sometimes less responsive than autonomous firms. A disadvantage of too much self-governance is on the other hand that the
firm cannot achieve the competitive advantage of global competition and that it becomes more complicated to share improvements and learning. I have found that the two smallest companies in this study, Ascade and Bookbinders Design, consult more with the headquarters in Sweden than the large corporations Ikea and Tetra Pak do. Tom Huzell at Ikea says that the local management rarely consults with the head office in Sweden but fairly often with the franchiser in Belgium/Netherlands. Tetra Pak is the most autonomous of the four case companies that have got headquarters in Sweden. It thus seems as if both the company size and the placement within the value chain determine how much the firms communicate with their respective head offices. All firms that expand to Singapore must however find a balance between self-governance and central control. Internal communication is necessary in all companies, irrespective of size but as described in the theory chapter, industries that trade products that are subject to cost declines due to proprietary experience can especially derive advantage from a well-working internal communication system. I will elaborate more on how firms can achieve competitive advantages in the different stages in the value chain in the next section which is based upon Michael Porter’s theory about global competition.

5.6 Global versus Local Competition

As described in the theory chapter, there are many important differences between competing on national and international bases. I have found that two of the case companies in this study, namely Ikea and Bookbinders Design compete on national bases. The other three firms, Tetra Pak, Ascade and Viking Engineering compete on international bases. Also Ikea and Bookbinders Design compete on worldwide bases in some senses. The Singaporean units are however autonomous and the competition is struck on country-by-country bases. Tetra Pak, Ascade and Viking Engineering are global firms because the competition that they face is deeply influenced by their global positions. If these three firms do not prepare to compete on worldwide bases, they will definitely face strategic disadvantages and, if the worst comes to the worst, they will be driven out of business.

5.6.1 Advantages of Establishing in Singapore

Since the overall costs are lower in Singapore than in Sweden, Swedish or Swedish related firms can hypothetically achieve comparative advantages by using Singapore as a site of production and export. As mentioned earlier, none of the case companies buy significant amounts of inputs or supplies in Singapore. Three of the companies however have significant exports and it is obvious that Singapore, despite that it is not a low wage country, is an important site of export.

As discussed above, the only case company that appears in the first stage in the value chain is Viking Engineering. By having a vertically integrated system, the company can be more efficient than it would have been if the activities were performed decentralized. The advantages of centralized and vertically integrated production help Viking Engineering to achieve global production economies.
I have found that three of the case companies in this study, namely Tetra Pak, Ascade and Viking Engineering, enjoy a competitive advantage of economics of scale in logistics or suchlike activities. These firms also have higher fixed costs than the other firms as well as considerable exports and distribution to other markets. Their advantages of economics of scale stem from their ability to spread fixed costs over many national markets. By choosing the strategically located Singapore as regional base, the firms can centralize such functions as storing and distribution of products and systems.

I have also found that all firms that are headquartered in Sweden enjoy a competitive advantage of marketing economics of scale. Ikea, Tetra Pak, Ascade and Bookbinders Design have centralized marketing functions. These firms thus spread their marketing costs over many national markets. Many aspects of the marketing function are however carried out locally in Singapore. It is encouraging for Swedish and Swedish related firms that operate in Singapore that the marketing function can be centralized in spite of the differences in marketing techniques between Sweden and Singapore.

According to theory, cost advantage can also be achieved when there are opportunities to economics of scale in purchasing that stem from bargaining power or lower suppliers cost. As touched upon earlier in the analysis, costs of inputs do not differ very much across national markets today due to the trade internationalization. This is also confirmed by Tom Huzell at Ikea who says that all Ikea’s interiors are bought at market prices that do not differ between different regions. It thus seems as if the intermediaries’ margins have been significantly decreased due to the internationalization of trade in recent times and that economics of scale in purchasing is hard to achieve.

A competitive advantage can also be achieved by firms that operate within industries where an international establishment increases the firm’s reputation and credibility. Berndt Söderbom at Bookbinders Design expressively says that one of the reasons behind the company’s establishment in Singapore was the possibility improve the image of the brand name. Swedish and Swedish related companies can thus achieve a competitive advantage by merely being present in the country.

5.6.2 Does Economic Growth Reduce the Risk of Counterattacks?

I have found that Bookbinders Design is the only case company in this study that experienced counterattacks during the establishment in Singapore. A probable reason why the other four firms did not experience any major counterattacks is that the industries in which the companies operate were growing during the establishments and that the establishments therefore did not involve any considerable drops in the existing firm’s sales. According to Berndt Söderbom, Bookbinders Design operates within a slow-growing industry. The establishment of Bookbinders Design therefore almost certainly involved drops in the competing firms’ sales. It is thus not surprisingly that the company experienced counterattacks in the form of price war during the establishment. Besides, is generally more risky to enter industries where financially strong or renowned chain stores such as Borders have significant shares of the market. Swedish and Swedish related firms that aspire to establish in slow-growing industries in Singapore should be more prepared for counterattacks than firms that operate within fast-growing industries. Both Tetra Pak and Ascade broke new ground as they established in Singapore and they thereby achieved first mover advantages. It
is therefore natural that these companies did not experience immediate counterattacks. The likelihood of retaliation is generally big in industries where fixed costs are high and it is therefore remarkable that Viking Engineering did not experience any major counterattacks.

All firms who aspire to expand to Singapore should of course allow for counterattacks such as lowered prices in their budgets. Furthermore, all respondents say that there is more or less price competition in their respective industries. Assessments of the probability of counterattacks are of course industry specific but it seems as if the fact that the Singaporean market is growing steadily decreases the likelihood of counterattacks just a little.

Since both external and internal factors are important in order to comprehend why firms choose to internationalize as well as how they go about doing so, I will now discuss segmentation analyses and some other company specific factors that affect Swedish or Swedish related firms that aspire to establish in Singapore.

5.7 Customer Analyses

As described in the theory chapter, local firms are generally better suited to perceive and adapt to various segments of the local market. Furthermore, a firm’s management should on an ongoing basis analyze both internal and external factors in order to see what it is that makes the company successful. After conducting such an analysis, it is useful to conduct a segmentation analysis in order to understand the company’s positioning in the particular market. I will now discuss some of the factors that can be included in a segmentation analysis of the Singaporean market.

I have found that the demographics in Singapore directly affect Ikea, Tetra Pak and Bookbinder Design since these firms trade in products that are sold and consumed in Singapore. Ascade and Viking Engineering are more indirectly affected but their customers are far too complex to discuss here. Since the population growth rate in Singapore is positive and since the number of Singaporean households is increasing steadily, there are good chances that the firms’ buyer pools will continue to increase. Berndt Söderbom at Bookbinders Design however says that it is more important to have a group of loyal customers with whom a firm can build long-term relationships than to merely attract as many customers as possible. Another point brought up by Söderbom which has been touched upon earlier is that there are many expatriate families with great spending power in Singapore. The expatriates do not directly affect the demographics or the income statistics but they nevertheless account for an important customer segment. Also the transit trade can be regarded as a possible source of income for Swedish and Swedish related retailers in Singapore.

5.8 The Corporate Culture and Expansion to Singapore

I have found that all respondents in this study value the corporate culture. This means that they all at least try to understand what encourages employees to stay with the organization and to identify with the organizations’ goals. All respondents say that responsibility is
delegated downwards in the organizations as a part of the corporate culture. I have also found that the local employees have a lot of autonomy despite that they have lower wages than their colleagues in for instance Sweden. By delegating authority downwards, the case companies can build people-centred businesses and use the full capacity of individuals. The corporate culture is distributed in various ways but IT does not seem to be a commonly used distribution channel.

The corporate culture is also mentioned by Tom Huzell at Ikea, Martin Jansson at Ascade, Bo Johansson Viking Engineering and Berndt Söderbom at Bookbinder Design in the context of recruitment and retention of employees. They all state that they have got strong company cultures and that the employees appreciate and value this. Both Tom Huzell at Ikea and Tan LiangPheng at Tetra Pak say that employees generally stay long with the companies due to the corporate culture. This implies that Swedish and Swedish related companies with strong corporate cultures can derive advantage from this when establishing in Singapore.

It is possible that the corporate culture is even more important in countries such as Singapore where job hopping is a common phenomenon. The reasoning behind this is that it is hard to get employees who only stay with organizations for short times to act as ambassadors of the brand name. It is also possible that this problem is reinforced by the labour unions’ comparatively weak positions in Singapore; employees who know that they can be laid off any day for no reason may not feel obligated to stay with companies. There is thus an unequal balance of power between the employer and the employees and, as mentioned earlier, this unequal balance favours Swedish and Swedish related firms that operate or aspire to establish in Singapore. Employers must however be aware of the downsides of the relatively weak positions of the labour unions and how these can affect the employees. Job hopping typically constitutes one of these downsides. A system of shared values and rules that the employees agree upon and feel committed to is of great importance in order to get loyal employees in Singapore.

It is also important to be aware that different identities and cultures are built up within different organizational units. Large and complex organizations that expand to Singapore must therefore be aware that although harmonization to some extent is necessary in order to have a strong corporate culture, it is not always desirable. Industrial managements must however make sure that the different identities and cultures correspond fairly well to the organizational values goals.

In the following chapter, conclusions, I will sum up what has been discovered in the analysis.
6. Conclusions

**In this chapter, I have drawn conclusions from the analysis of the empirical findings. The conclusions are intended to answer the purpose of the thesis.**

The globalization and the increased international trade have made the establishment chain where companies start their foreign operations with export via independent representatives somewhat obsolete. Today, the size of the market is of more importance than the geographical and physical distance. Many firms also value the proximity to emerging countries.

Singapore’s economy is growing steadily. The country has attracted investors from all over the world and the ability to do so is strongly dependent upon how foreign investors experience the barriers and incentives that have been implemented by the government. The free trade agreement within ASEAN has got the potential to create economies of scale and is thereby beneficial to the strategically located Singapore region. This in conjunction with competitive pricing, an agreeable tax regime and a well-educated labour force has resulted in rapid growth in the country. The tax incentives and the free trade agreement within ASEAN are however less important to the case companies than the overall low taxation level and the accessibility to industrial networks.

The fact that the Singaporean government often uses its authority to control both local and foreign companies in Singapore is not experienced as a problem by any of the case companies. Contrarily, the companies appreciate that the government uses its authority to avoid corruption and economic instability. Some additional economic factors that the case companies value include the low custom duty, low GST, low wage costs, proximity to low-cost labour, well-working communication and transportation systems and easy access to distribution channels. It is uncomplicated to establish and operate in Singapore and the Singaporean market seems to attract both capital and direct investments. The market is however not completely free as the government has erected certain barriers to protect certain industries. The government sometimes creates imbalance in the domestic rivalry by favouring some companies more than others. It seems as if the Singaporean government is not particularly protectionist but rather seeks to maximize the country’s wealth by putting its resources into its most competitive industries, regardless of whether other countries are more competitive in those industries. Some further barriers include the geographical distance and the transportation and storage costs that this leads to, differing product needs and cultural differences.

The Singaporean government encourages domestic rivalry and geographical concentration of industries and the interplay within the national diamond is thereby strengthened. A consequence of this interplay is price competition. Price competition is disadvantageous for
all firms in this study because none of them procure inputs from the Singaporean market. The diamond model also illuminates the importance of Singapore’s strategic location and its supply of advanced resources such as the well-educated workforce. While many Asian countries are resource-based, it is obvious that Singapore is a knowledge-based economy.

The business costs are generally low in Singapore and the business environment is agreeable. The infrastructure is well-working, it is easy to get access to industrial space and distribution channels and companies automatically get access to several nearby markets. I have however found that in the choice between localization and globalization, proximity to existing and potential customers is the most common factor behind the case companies’ decisions on establishing in Singapore. The overall level of cost in the country is of less importance than the case companies relations to their customers. Market saturation in the domestic market partly explains Viking Engineering’s decision on establishing in Singapore but this factor has not affected the other firms significantly.

The case companies have entered the Singaporean market in different stages in the value chain. This indicates that Singapore has got a lot to offer Swedish and Swedish related companies. The case companies’ communication within their respective value chains is heavily influenced of the size of the company.

Different locations within the value chain also bring about different competitive advantages. While three of the case companies enjoy a competitive advantage of economics of scale in logistics, it seems to be hard to achieve economics of scale in purchasing.

The likelihood of counterattacks is correlated to industry growth. The faster the industry grows, the smaller is the risk of counterattacks. Since the Singaporean market is generally characterized by growth, the risks of retaliation are not a general threat to Swedish and Swedish related companies that consider establishing in Singapore.

All case companies are also affected by the demographics in Singapore in one way or another. The population is growing steadily and it is therefore likely that the buyer pool will grow further. It is however remarkable that only two of the five case companies conducted statistical analysis or market research before they entered Singapore.

At last, the corporate culture is valued by all respondents. This is encouraging since there seems to be a negative correlation between the strength of the corporate culture and job hopping. Furthermore, the cultural baggage of the different ethnic groups in Singapore should be regarded.
7. Closing Discussion

In this final chapter of this master thesis I will sum up the thesis and state the general impression from a comprehensive point of view. The discussion is about the case companies’ establishments and operation and about the prospects for other Swedish and Swedish related firms to establish in Singapore. Unlike the previous chapter, the final discussion also consists of my own thoughts and reflections and it is based on my total knowledge base. The chapter is thereby partly based upon my own pre-comprehensions. The final discussion is followed by a number of recommendations to Swedish and Swedish related firms that aspire to establish in Singapore. Thereafter, I will try to assess how this thesis contributes to existing literature about internationalization and foreign establishments. Lastly, I will make a critical review of the thesis and of the method used.

The increased globalization of business has certainly diminished the differences between domestic markets. It would however be a misjudgement to assume that national and cultural differences no longer exist. It is wise of Swedish and Swedish related firms that operate or aspire to establish in Singapore to make sure that they truly understand the new market rather than just taking for granted that the practices and methods used in the domestic market are automatically applicable to the new market.

Regardless of how a company defines its market, the increased globalization has brought about a reduction of the profit margin as well as a reduction of the margin of error. In order to avoid errors and to be able to achieve competitive advantages of global competition, firms must be well-acquainted with the target market. It is therefore remarkable that only two of the five case companies in this study conducted statistical analysis of the market before deciding on the establishment.

Singapore can not be said to be a low-cost country in comparison to other countries in the region. Both the initial cost and the costs of the daily operations are however in most cases lower in Singapore than in Sweden. Investments and start-ups are uncomplicated and businesses are usually more cost effective in Singapore than in Sweden. Domestic taxes constitute another significant component of business costs. Several companies in the developed world have during the last decade been driven out of business or forced to move production and other activities elsewhere due to the tax regimes in their home countries. In a global economy, high-tax countries such as Sweden loose out.

Even though the results of my interviews show that issues of tax relieve, subsidies and other incentives did not affect any of the case companies significantly, they cannot be rendered as unimportant. It is obvious that these issues are of great concern for both larger and smaller
companies in Singapore. Especially manufacturing firms and technological firms can benefit from these inducements.

In Singapore, technology and R&D are sourced almost entirely from foreign sources and not created by local companies. It however seems as if the government is trying to change this situation and increase the local companies’ competitiveness in the technological field by encouraging local R&D and education. This could make Singapore’s economy less factordriven and thus increase its attractiveness as a home base for technological firms and other firms with lots of R&D as a result of the development of more advanced forms of competitive advantages.

It is going to be interesting to see whether the government’s focus on a knowledge based economy will increase the country’s competitiveness even further in the future. The country is certainly facing more competition from its neighbouring countries than before and it is uncertain if the Singaporean market is large enough to contain more domestic rivalry and attract more risky investments. The domestic market is after all small and the workforce is limited. This can, according to Porter’s diamond model, be seen as a strategic disadvantage for Singapore. The country’s economic structure is, in spite of its large monetary reserves, highly dependent on the production bases of foreign businesses and transit trade. Singapore’s economy is therefore extremely vulnerable to external changes such as international economic recessions and this increases the risk associated with establishing in Singapore. The large amount of foreign trade is however also advantageous for foreign firms because concentration of industries facilitates learning among clusters. By gathering similar companies in concentrated areas, the Singaporean government encourages sharing of ideas as well as competition.

As described and discussed in this thesis, the Singaporean government has taken both active and proactive measures to meet the increased competition. By offering a well-working infrastructure, clear guidelines and political and economical stability in conjunction with a strategically beneficial location, the government has succeeded to make Singapore the most well-working country in the region. Even though most firms that operate on international bases think it is desirable to avoid corruption as far as possible, it is likely that Swedish and Swedish related firms that operate in Singapore will have to deepen their co operations with other countries in the region such as China, Malaysia and Indonesia where corruption is a problem. The implication is that other emerging economies geographically closer to the United States such as Mexico, Puerto Rico and Cuba may draw some attention from the Asian market in the future in spite of the fact that these countries do not score as high as Singapore in international rankings such as the LFEM. I believe that a consequence of the increased overseas competition will be that we, when talking about clusters’ and nations’ competitiveness, will have to talk about clusters in terms of regional clusters rather than in terms of national clusters. Deepened co operations in order to increase economic effectiveness might be a necessary condition also for Swedish and Swedish related companies in Singapore.

An advantage for Swedish and Swedish related firms that establish in Singapore which has not been covered by the theories used in this thesis is that Singaporeans are very tolerant and have respect for different cultural backgrounds. Although the Chinese culture is dominant, the business life is characterized by Western etiquette and customs. The cultural mix in the country is sometimes confusing and it can be hard to know whether to act formally or informally but there is an overall understanding and respect for cultural differences. It is however important that foreigners are aware that it is not appropriate to talk openly about for
instance politics. In the next following section, I will sum up some recommendations to Swedish and Swedish related companies that aspire to establish in the Singaporean market.

7.1 Recommendations

I will now present some recommendations to Swedish and Swedish related firms that consider establishing in Singapore. Many of the recommendations are rather basic but yet important to consider.

My first recommendation concerns networking. Two of the respondents in this study especially points out that the networks are official but formal. My recommendations are therefore to make use of industrial and other networks and to respect that the networks are more formal than in Sweden. I have for instance learnt during my time in Singapore that it is necessary to use personal titles in professional business settings.

My second recommendation is about overcoming the economic barrier of transportation and storage costs. Since the globalization has brought about diminished profit margins, it is vital that firms have beneficial transportation or storage deals. Otherwise the transportation and storage costs may offset the economics of centralized production.

For small firms, it is important to find ways to get access to already established distribution channels in Singapore. This can be rather tricky if the most favourable distribution channels are already tied up by competing firms. A suggestion is to start networking before the establishment and to make sure to have reliable distribution channels before establishing the firm.

To overcome managerial barriers can also be somewhat tricky. It is logical that local managers are better at meeting local customers’ needs and special requirements but, as described by one of the respondents in this study, cultural differences and the differences in the ways of thinking can sometimes be unbearable. My recommendation is therefore to appoint local managers to take care of customer intense activities while letting foreigners deal with other managerial issues such as staff policies.

It is also important that Swedish and Swedish related firms that do business in Singapore accept that hierarchies are of more importance in Singapore than in Sweden. While Swedes often prefer flat organizations and decentralized decision making, Singaporeans are used to rigid hierarchies. It is important to understand that a business deal is not brought to a close until a written agreement is signed. It is also important to dispose enough time for the contracting in order to ensure that there is a mutual understanding of the business situation. This is because the Singaporean business life is still partly influenced of Chinese customs and traditions.

A recommendation which has already been touched upon is that Swedish and Swedish related firms could make use of the free trade agreement within ASEAN.

A further recommendation is to make use of related and supporting industries to enhance cooperation and sharing of information. Since there are more than 7000 multinational corporations in Singapore, there is a lot of information and scope for information exchange.
Although competition is often stiff, the proximity to subcontractors and other related companies can enhance efficiency within the entire line of business. The information exchange could thus be mutually beneficial.

It is also important to constantly keep an eye on the competitors and this is something that some of the case companies seem to ignore. Firms can for instance use Porter’s diamond to find ways to become more competitive and watchful on a global front.

A further recommendation which stems from Porter’s diamond is to look beyond Singapore’s borders and coordinate with other countries when forming industrial clusters. As discussed above, it is likely that we will talk about clusters in terms of regional clusters rather than in terms of national clusters in the future. With more united and clear objectives, countries in the Southeast Asian region could strengthen each other through industrial clusters and cross-border networking. This would make the regional market more forceful and competitive in relation to other regions in the world. My recommendation to Swedish and Swedish related firms that operate or aspire to establish in Singapore is therefore to be on the front-edge and actively take part in the development of cross-border industrial cluster. In practice, this means that firms should join or create cross-border industrial networks of competitors, buyers, suppliers and others. My belief is that such coordination would benefit all parties and increase the economic effectiveness within the entire line of business.

Since Singapore is not a low-wage country, it is hard to tell where in the value chain it is most beneficial for Swedish and Swedish related firms to enter the Singaporean market. It naturally depends on what the particular firm wants to achieve with the establishment. As described in the analysis, an establishment in the beginning of the value chain can bring about a competitive advantage that stems from centralized production and sales. The recommendation is however that each firm should carefully examine where in the value chain it is most beneficial to enter the market. The answer is most likely different for different industries and firms.

Another recommendation which is also linked to the value chain thinking is to make sure to have a well-working internal communication system and a clear delegation of responsibility between the domestic and foreign markets. While central control helps firms to achieve competitive advantages associated with global competition, self-governance helps firms to more responsive on the local level. As mentioned in the analysis, Tetra Pak is the most autonomous of the five case companies and the company rarely consults with its head office. A recommendation to Tetra Pak is to consult more with its command centre to facilitate organizational learning. The recommendations to other Swedish and Swedish related firms that establish in Singapore are to establish a well-working internal communication system and to find a suitable balance between self governance and central control.

A further recommendation to new establishers in Singapore is to always prepare for counterattacks. Although the market as a whole is growing steadily, it is important to keep in mind that markets never looks kindlly upon new arrivals. Firms should therefore always allow for counterattacks such as price competition in their budgets. The likelihood of counterattacks can partly be predicted by studying competing firms’ accounting. This is however only possible for large firms since the accounting for firms with a turnover less than 5 MSGD is usually not public. Another start-up cost that should be allowed for in the budget is, as mentioned above, costly marketing campaigns for the first years.
As discussed earlier, only two of the case companies in this study conducted statistical analysis before entering the Singaporean market. This is remarkable since many economic theories such as Michael Porter’s five forces and the SWOT framework emphasize the importance of having a clear pre-understanding of the market. Since there are several sources from which Swedish and Swedish related newcomers can gain insight about the Singaporean market, inclusive of the EDB and the Swedish chamber of commerce, my recommendation is to conduct statistical analysis or other market research before entering the Singaporean market.

New market entrants must also realize that, although Singapore is a westernized country, many cultural aspects are deeply rooted in Singapore’s fascinating history. The culture is collectivistic compared to European cultures but diligence and individual achievements are of great importance to many Singaporeans. Furthermore, there are many unique features of Singapore that the Singaporeans are proud of. My recommendation is to acknowledge and respect these differences and to be open-minded towards the many cultures and ethnicities that Singapore has got to offer.

My final recommendation is linked to the corporate culture and the unequal balance of power between the employer and the employees. As described earlier, there is a negative relationship between a strong corporate culture and job hopping. Furthermore, a strong corporate culture can make the employees act as ambassadors of the brand name. It is therefore important that Swedish and Swedish related companies that aspire to establish in Singapore implement a strong corporate culture and understand what motivates the employees. The employees should ultimately be given freedom within some constraints.

7.2 Contribution and Direction for Future Research

My thesis has shown that there are several opportunities for Swedish and Swedish related firms to establish in Singapore and that the Singaporean government encourages foreign companies to establish in the country by keeping the entry barriers low and by offering tax incentives. The thesis also shows that the Singaporean market is a growing market and that the surrounding region has got a lot to offer.

Until now, no research has been published in the area of factors behind internationalization to Singapore or the prospects for Swedish and Swedish related firms to establish in Singapore. I have neither found any existing practical literature on the topic. This thesis has, as far as I know, served as an initial mapping of these research questions. I hope that my thesis will contribute in a modest way to a better understanding of the mechanisms behind Swedish and Swedish related firms’ decisions on entering the Singaporean market and of the prospects for Swedish and Swedish related firms to establish in Singapore. Since there are many similarities in firms’ strategies and decision making patterns, many aspects of the thesis is also applicable to companies from other countries than Sweden.

Due to time constraints, I have not been able to investigate as many companies as desired. A greater number of respondents would have been desirable to enhance the general applicability. I also believe that it would be interesting to see a more in-depth study of just one industry, like for instance the retail industry. Such an industry specific study would be useful for all
retail firms that operate or aspire to operate in Singapore and the validity would most likely be higher than in more general studies like this one.

It would also be interesting to conduct a comparative study were Singapore’s attractiveness for Swedish and Swedish related firms is compared with other Asian countries’ attractiveness. To compare the Swedish business climate with the Singaporean business climate is interesting but I believe that many nuances of the business climate in Singapore would be more visible in a study where different Asian economies were included.

I further believe that it would be interesting to compare different industries’ possibilities to establish in Singapore. Although the market as a whole is growing steadily, some lines of business naturally look more promising than others. It has for instance shown in this study that Tetra Pak and Viking Engineering operate in mature lines of business while the other three case companies operate in growing lines of business.

Furthermore, this master thesis only concerns Swedish and Swedish related firms that have come to the decision to enter the Singaporean market and decided to remain established. Firms that have considered entering the market but then decided not to do so are thus not included. Neither firms that have exited the market are included in the study. Such companies’ views on the research questions are still unknown, thus I also suggest this area for further study.

In the next section, I will discuss the validity and generalizability of this thesis. I will also go through some unintended consequences of the work with the thesis.

### 7.3 Critical Review of the Thesis

As discussed in the introduction chapter, this master thesis is limited to include no more than five case companies. Since there are around 175 Swedish and Swedish related companies in Singapore in total, the general applicability of this study is not valid for all Swedish and Swedish related companies in Singapore. However, I have selected companies within different industries, of different sizes and genres and in different stages in the product cycle and value chain. Due to the wide scope of companies, I believe that the results of the thesis reflect a significant part of the Swedish and Swedish related firms that are present in Singapore today. I also believe that by investigating these firms’ decisions on entering the Singaporean market, I can draw some inferences regarding the prospects to establish other Swedish and Swedish related firms in Singapore.

I have tried to establish credibility and validity in this thesis by preparing well for the interviews and by collecting knowledge about the Singaporean business climate before collecting primary data. I have also given the interviewees the opportunity to prepare by giving them a list of themes prior to the interviews. My belief is that these measures have given credibility and validity to this master thesis.

Furthermore, I have used a fairly large number of theories in this thesis and this has brought about both advantages and disadvantages. Advantages of using many theories are that a greater part of the research area is covered and that tunnel vision due to narrowness is avoided. A possible disadvantage of using various theories is that it is easier to loose focus
when the theoretical framework is not as clearly defined as it is when only a small number of theories are used.

A factor that may have affected the quality of this thesis is language. All interviews except one were conducted in Swedish. I have then translated the results on my own and in doing so I might have failed to reproduce all nuances present in the answers.

Another implication that I would like to highlight is that all respondents in this study are representatives of companies and that they therefore are not independent. It is for that reason possible that some of their answers are not as truthful as they would have been if the respondents were independent. It is for example possible that they want to present better pictures of their organizations than the truth allows. If this is the case, the criteria freedom of tendency is not fulfilled.

It is also important to be aware that so called interview effects may have affected the outcome of the interviews. I have tried to act as independent as possible during the interviews but it is sometimes not easy to prevent respondents from giving answers that they believe are more appropriate than the more truthful answers. For example, it appeared during the interviews that a question regarding the labour unions’ week position in Singapore was a delicate question. For example, the respondent who denied that the unions are week in Singapore probably did so because he though it would be more politically correct to say that than to say that it is an advantage that the unions are week.

A problem also arose as one of the respondents decided to withdraw some of his answers as he read through the summation of the interview. His argument was that he by mistake had given me confidential information.

Another problem that ensued during the interviews was that some respondents answered questions incorrect because they did not know the correct answer. For example, I got different figures regarding top taxes and tax legislation from different respondents. The disagreements and the lack of knowledge made me decide on conducting the expert interview in order to find clarifications on these matters.

A further implication is that two of the case companies in this study have started up their operations within the last couple of years. This implies that the companies are still very young and might not be representative of their industries.

The decision to include Viking Engineering in this study has also brought about some implications since the company was not established in Sweden before it was established in Singapore. The point is that the company in some ways represents a Singaporean company rather than a Swedish company. The respondent’s views on internationalization and the prospects for Swedish and Swedish related firms is however interesting and relevant to include in this thesis since the formers of the company are Swedes and thereby well-acquainted the with the Swedish business climate.

Despite these implications, I believe that the expert interview and my vigilance throughout this thesis work have given both validity and reliability to this thesis.
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Corporate Internal Sources

Corporate internal material from Bookbinders Design 2005
Appendix A - Questions for Tom Huzell

1. När etablerades IKEA i Singapore?
2. I vilka länder i Asien var IKEA etablerat sedan tidigare?
3. Har IKEA överhuvudtaget någon tillverkning i Singapore?
4. Upplever ni att det finns många regler som gynnar lokala företag bättre än utländska företag i Singapore?
5. Finns krav på lokalt producerade komponenter i produkterna?
6. Hur fungerar distributionen av varor?
7. Hur upplevde ni att det var att finna/etablera distributionskanaler i Singapore?
8. Vad har ni för relation till era lokala konkurrenter?
9. Hur upplevde IKEA kostnaderna för de strukturella etableringshindren (etablering av märket, upprättande av distributionskanaler) vid etableringen i Singapore?
10. Vilka är IKEA:s huvudsakliga konkurrenter på den Singaporianska marknaden?
11. Sänker IKEA priserna när de lokala konkurrenterna gör så?
12. Är den här branschen en tillväxtbransch?
13. ungefär hur lång tid tog det att starta upp IKEA i Singapore?
14. Tror du att företagskulturen är viktig för att klara att expandera till en ny marknad?
15. Kommunicerar ni mycket med IKEA i Sverige om hur problem ska lösas?
16. ”Job hopping” är vanligt i Singapore. Upplever ni att detta gör att det är svårare att få de anställda att agera som ”ambassadörer för varumärket”?
17. Hur upplever ni det att fackföreningarna är relativt svaga i Singapore?
18. Hur får ni anställda att stanna kvar på IKEA?
19. Hur rekryteras nyckelpersoner till IKEA i Singapore?
20. Hur distribueras företagskulturen inom IKEA? Används exempelvis IT till det?
21. Är du en kulturbärare?
22. Har ni upplevt många kulturkrockar i hår i Singapore?
23. IKEA är en jämförelsevis centraliserad organisation; hur mycket har ni att säga till om på kontoret i Singapore? Ni har ju trots allt kontroll över de lokala nätverken i landet.

24. Hur tas beslut om att etablera IKEA på nya marknader; börjar ”nätverkandet” före etableringen eller görs det efter att företaget etablerats?

25. Har IKEA inlett några djupare samarbeten med lokala Singaporerörska företag för att skaffa kontroll över inputs eller för att öka produktutbudet?

26. Blir IKEA en mer eller mindre hierarkisk organisation ju mer de internationaliserar sig?

27. Hur mycket autonomi har de lokal anställda på IKEA i Singapore?

28. Är IKEAs etableringsförfarande liknande på olika marknader? Var det exempelvis likartat att etablera IKEA på den Malaysiska marknaden och på den Singaporerörska marknaden?

29. Positioneras IKEA på likartade sätt i Singapore och i Europa/USA?

30. Varför valde ni denna (lokala) geografiska placering?

31. Hur var det att få tillstånd att upplåta denna byggnad?

32. Spelade konkurenternas lokalisering in?

33. Gjordes statistiska analyser av medelinkomst och konsumtionsvanor innan beslut om etablering togs?

34. Är det viktigt för IKEA att inkomstnivån är hög i de länder företaget etableras?

35. Sökes annan kunskap om den Singaporerörska marknaden innan etableringen?

36. Sker alla IKEAs nyöppningar från huvudkontoret eller förekommer det exempelvis att företagsledningar i grannländer hjälper till med etableringar?

37. Upptäcker ni att etableringskostnaderna i Singapore är mestadels kinesiskt eller västerländska?

38. Upplever ni att företagsklimatet i Singapore är mestadels kinesiskt eller västerländska?

39. Spelar seder och bruk stor roll när ni gör affärer i Singapore?

40. Har den Singaporerörska lagstiftningen ställt till problem för er alternativt gjort att etableringsprocessen tagit längre tid än beräknat?

41. Upptäcker ni byråkrati som ett problem i Singapore?

42. Hur upplevde ni etableringskostnaderna i Singapore jämfört med motsvarande kostnader i andra delar av världen (exempelvis Europa, USA)?
43. Hur upplever ni kostnaderna för den dagliga driften i Singapore jämfört med motsvarande kostnader i andra delar av världen (exempelvis Europa, USA)?

44. Hur var det att bygga upp förädlande för Ikea hos exempelvis leverantörer och kreditinstitutioner i Singapore i samband med etableringen?

45. Studerades de lokala konkurrenternas strategier innan etableringen av Ikea i Singapore?

46. Vilket är viktigast vid etableringar i utlandet; statistik eller instinkt?

47. Har undersökningar om marknadskännedomen i Singapore gjorts? Upplever ni att majoriteten av Singaporianerna vet vad Ikea är?

48. Måste er finansiella information publiceras offentligt?

49. Var det viktigt för er att låta etableringen ta tid för att undvika intern byråkrati?

50. Upplevde ni några motattackar i samband med etableringen?

51. Får ni mycket hjälp av Svenska ambassaden eller SBAS?
Appendix B - Questions for Tan LiangPheng

1. When was Tetra Pak established in Singapore?

2. In what Asian countries was Tetra Pak established before it entered the Singaporean market?

3. Do you think that Singapore is protectionist?

4. How do you experience that the distribution of goods works in Singapore?

5. How did you experience the establishment/finding of distribution channels in Singapore?

6. What kind of relations have you got with your Singaporean competitors?

7. How were the costs associated with the structural barriers to entry experienced when Tetra Pak was established in Singapore?

8. What are your main competitors in Singapore?

9. Does Tetra Pak cut their prices when the competitors do so?

10. Is Tetra Pak operating in a growing line of business?

11. How are decisions to establish Tetra Pak in new markets made? Are they made from the Head Office or locally?

12. Has Tetra Pak in Singapore opened any deeper co operations with Singaporean companies in order to widen its range of products or to gain control over inputs?

13. Does Tetra Pak become more or less centralized the more it internationalizes?

14. Approximately how long time did it take to establish Tetra Pak in Singapore?

15. Is the company culture of great importance when Tetra Pak expands into new markets?

16. Do you consult a lot with Tetra Pak in Sweden about how to solve problems or are problems usually solved on the local level?

17. Job hopping is very common in Singapore; do you experience this as a problem?

18. What do you think about the labour unions’ relatively weak positions in Singapore?

19. How do you get the employees to stay with the company?

20. How is the company culture distributed within Tetra Pak? Do you for example use IT?
21. Are you a distributor of the company culture?

22. Have you experienced any cultural clashes when doing business with Sweden?

23. How much autonomy have the local employees got?

24. Is Tetra Pak’s establishment procedure similar in different markets?

25. Does Tetra Pak position itself in similar ways in all over the world?

26. Why did Tetra Pak choose this geographical location (within Singapore)?

27. How did you experience the process of putting up this building?

28. Were statistical analyses conducted before Tetra Pak came to the decision to enter the Singaporean market?

29. Was the Singaporean market analysed by Tetra Pak before the establishment? Was the supply and demand examined?

30. Do you experience that there are any differences between Europeans and Singaporeans regarding the level of competency?

31. Are all Tetra Pak’s new openings run from the head office in Sweden or does it for instance happen that head offices in neighbouring countries help out with the establishments?

32. Do you experience that the company climate in Singapore is mostly Chinese or mostly Western?

33. Are traditions and customs of great importance at Tetra Pak?

34. Has the Singaporean legislation caused any problems alternatively did it make the establishment take longer time?

35. Do you experience that bureaucracy is a problem for Tetra Pak in Singapore?

36. Do you believe that it is more or less costly to establish a factory in Asia than what it is to establish a factory somewhere else in the world (for instance in Europe, United States)?

37. How do you experience the costs for the daily operations in Singapore?

38. How did you experience the process of building up confidence in Tetra Pak among for example distributors and creditors?

39. Did Tetra Pak study its local competitors’ strategies before establishing in the Singaporean market?
40. Which is most important when Tetra Pak expands into new markets: statistical analysis or instinct?

41. Has Tetra Pak conducted any surveys regarding the acquaintance with Tetra Pak among the Singaporeans? Do you experience that most Singaporeans are familiar with Tetra Pak?

42. Is the accounting for Tetra Pak in Singapore public or is it just the accounting for the group as a whole that is public?

43. Was it important for Tetra Pak to let the establishment take its time to avoid internal bureaucracy?

44. Did you experience any counterattacks from competitors or from others during the establishment?

45. Do you get any assistance from the Swedish embassy or from SBAS (Swedish Business Association Singapore)?
Appendix C - Questions for Martin Jansson

1. Vem/vilka startade ursprungligen Ascade?
2. Vilka var de främsta anledningarna till att ni valde att etablera Ascade i Singapore?
3. Har Ascade kunnat dra fördel av skattelättnader sedan etableringen?
4. Upplever ni att Singapore är ett protektionistiskt land?
5. Hur upplevde ni att det var att finna distributionskanaler i Singapore i samband med etableringen?
6. Vad har ni för relation till era lokala konkurrenter?
7. Hur upplevde ni kostnaderna för de strukturella etableringsshindren (etablering av märket, upprättande av distributionskanaler) när ni etablerade Ascade i Singapore?
8. Vilka är era huvudsakliga konkurrenter på den Singaporianska marknaden?
9. Sänker ni priserna när de lokala konkurrenterna gör så?
10. Är den här branschen en tillväxtbransch?
11. Ungefär hur lång tid tog det att starta upp Ascade i Singapore?
12. Tror du att företagskulturen är viktig för att klara att expandera till en ny marknad?
13. Kommunicerar ni mycket med Ascade i Sverige om hur problem ska lösas?
14. ”Job hopping” är vanligt i Singapore. Upplever ni att detta gör att det är svårare att få de anställda att agera som ”ambassadörer för varumärket”?
15. Hur upplever ni det att fackföreningarna är relativt svaga i Singapore?
16. Hur får ni anställda att stanna kvar?
17. Hur distribueras företagskulturen inom Ascade? Används exempelvis IT till det?
18. Är du en kulturbärare?
19. Har ni upplevt många kulturkrockar i här i Singapore?
21. Hur tas beslut om att etablera Ascade på nya marknader; Började ni med att ”nätverka” eller gjordes det först efter att företaget etablerats i Singapore?
22. Har Ascade inlett några djupare samarbeten med lokala Singaporeanska företag?

23. Hur mycket autonomi har de lokalt anställda?

24. Är Ascales etableringsförfarande liknande på olika marknader?

25. Varför valde ni denna (lokal) geografiska placering?

26. Hur var det att få tillgång till dessa lokaler?

27. Spelade konkurrenternas lokalisering in?

28. Gjordes statistisk analys av medelinkomst och konsumtionsvanor innan beslut om etablering togs?

29. Är det viktig för Ascade att inkomstnivån är hög i de länder företaget etableras?

30. Söktes annan kunskap om den Singaporeanska marknaden innan etableringen?

31. Upplever ni att det är någon skillnad på kompetensnivån mellan Singaporeans och Svenskar?

32. Upplever ni att företagsklimatet i Singapore är mestadels kinesiskt eller västerländskt?

33. Spelar seder och bruk stor roll när ni gör affärer i Singapore?

34. Har den Singaporeanska lagstiftningen ställt till problem för er alternativt gjort att etableringsprocessen tagit längre tid än beräknat?

35. Upplever ni byråkrati som ett problem i Singapore?

36. Hur upplever ni kostnaderna för den dagliga driften i Singapore jämfört motsvarande kostnader i andra delar av världen (exempelvis Europa, USA)?

37. Hur har det varit att bygga upp ett förtroende för företaget hos exempelvis leverantörer och kreditinstitutioner i Singapore?

38. Studerade ni de lokala konkurrenternas strategier innan etableringen av Ascade i Singapore?

39. Vilket är viktigast vid etableringar i utlandet; statistik eller instinkt?

40. Har undersökningar om marknadskännedomen i Singapore gjorts? Upplever ni att många singaporeanser vet vad Ascade är?

41. Måste er finansiella information publiceras offentligt?

42. Upplevde ni några motattackar i samband med etableringen?
43. Får ni mycket hjälp av Svenska ambassaden eller SBAS?
Appendix D - Questions for Bo Johansson

1. Vem/vilka startade ursprungligen Viking Engineering?
2. Var startades Viking Engineering ursprungligen?
3. I hur många länder är Viking Engineering etablerat?
4. Hur ser ägarrelationerna ut inom Viking Engineering?
5. Vad har Viking Engineering för relation till Sverige?
6. Vilka var de främsta anledningarna till att ni valde att etablera Viking Engineering i Singapore?
7. Har Viking Engineering kunnat dra fördel av skattelättnader sedan etableringen?
8. I vilka länder i Asien var Viking Engineering etablerat sedan tidigare?
9. Uplever ni att Singapore är ett protektionistiskt land?
10. Hur upplevde ni att det var att finna distributionskanaler i Singapore i samband med etableringen?
11. Vad har ni för relation till era lokala konkurrenter?
12. Hur upplevde ni kostnaderna för de strukturella etableringshindren (etablering av märket, upprättande av distributionskanaler) vid etableringen av Viking Engineering?
13. Hur upplever ni lagerhållningskostnaderna i Singapore?
14. Vilka är era huvudsakliga konkurrenter på den Singaporianska marknaden?
15. Sänker ni priserna när de lokala konkurrenterna gör så?
16. Är den här branschen en tillväxtbransch?
17. Ungefär hur lång tid tog det att starta upp Viking Engineering i Singapore?
18. ”Job hopping” är vanligt i Singapore. Uplever ni att detta gör att det är svårare att få de anställda att agera som ”ambassadörer för varumärket”?
19. Hur upplever ni det att fackföreningarna är relativt svaga i Singapore?
20. Hur får ni anställda att stanna kvar?
21. Hur distribueras företagskulturen inom Viking Engineering?
22. Är du en kulturbärare?

23. Har ni upplevt många kulturkrockar i här i Singapore?

24. Började ni ”nätverka” innan etableringen eller gjorde ni det först efter att företaget etablerats?

25. Har Viking Engineering inlett några djupare samarbeten med lokala Singaporianska företag?

26. Hur mycket autonomi har de lokalt anställda?

27. Varför valde ni denna (lokal) geografiska placering?

28. Hur var det att få tillgång till dessa lokaler?

29. Spelade konkurrenternas lokalisering in?

30. Gjordes statistisk analys av medelinkomst och konsumtionsvanor innan beslut om etableringen togs?

31. Är det viktigt för Viking Engineering att inkomstnivån är hög i de länder där företaget etableras?

32. Sökes annan kunskap om den Singaporianska marknaden innan etableringen?

33. Upplever ni att det är någon skillnad på kompetensnivån mellan Singaporianer och Svenskar?

34. Upplever ni att företagsklimatet i Singapore är mestadels kinesiskt eller västerländskt?

35. Spelar seder och bruk stor roll när ni gör affärer i Singapore?

36. Har den Singaporianska lagstiftningen ställt till problem för er alternativt gjort att etableringsprocessen tagit längre tid än beräknat?

37. Upplever ni byråkrati som ett problem i Singapore?

38. Hur upplever ni kostnaderna för den dagliga driften i Singapore?

39. Hur var det att bygga upp ett förtroende för företaget hos exempelvis leverantörer och kreditinstitutioner vid etableringen i Singapore?

40. Studerade ni de lokala konkurrenternas strategier innan öppningen av Viking Engineering i Singapore?

41. Vilket var viktigast vid etableringen i Singapore; statistik eller instinkt?
42. Har undersökningar om marknadskännedomen i Singapore gjorts? Upplever ni att många singaporianer vet vad Viking Engineering är?
43. Måste er finansiella information publiceras officiellt?
44. Var det viktigt för er att låta etableringen ta tid för att undvika intern byråkrati?
45. Upplevde ni några motattackar i samband med etableringen?
46. Får ni mycket hjälp av Svenska ambassaden eller SBAS?
47. Hur många anställda har Viking Engineering i Singapore?
Appendix E - Questions for Berndt Söderbom

1. Vem/vilka startade ursprungligen Bookbinders Design?

2. Vilka var de främsta anledningarna till att ni valde att etablera Bookbinders Design i Singapore?

3. Har Bookbinders Design kunnat dra fördel av skattelättnader sedan etableringen i Singapore?

4. I vilka länder i Asien var Bookbinders Design etablerat sedan tidigare?

5. Upplever ni att Singapore är ett protektionistiskt land?

6. Hur upplever ni att det är att finna/etablera distributionskanaler i Singapore?

7. Vad har ni för relation till era lokala konkurrenter?

8. Hur upplevde ni kostnaderna för de strukturella etableringshindren (etablering av märket, upprättande av distributionskanaler etc.) i samband med etableringen?


10. Vilka är era huvudsakliga konkurrenter på den Singaporianska marknaden?

11. Sänker ni priserna när de lokala konkurrenterna gör så?

12. Är den här branschen en tillväxtbransch?

13. Ungefär hur lång tid tog det att starta upp Bookbinders Design i Singapore?

14. Tror ni att företagskulturen är viktig för att klara att expandera till en ny marknad?

15. Kommunicerar ni mycket med Bookbinders Design i Sverige om hur problem ska lösas?

16. ”Job hopping” är vanligt i Singapore. Upplever ni att detta gör att det är svårare att få de anställda att agera som ”ambassadörer för varumärket”? Upplever ni det generellt som ett problem?

17. Vad tycker ni om att fackföreningarna är relativt svaga i Singapore?

18. Hur får ni anställda att stanna kvar?
19. Hur distribueras företagskulturen inom Bookbinders Design? Används exempelvis IT till det?

20. Är du en kulturbärare?

21. Har ni upplevt många kulturkrockar i här i Singapore?


23. Hur tas beslut om att etablera Bookbinders Design på nya marknader; Börjar ni med att ”nätverka” eller görs det först efter att företaget etablerats?

24. Har Bookbinders Design inlett några djupare samarbeten med lokala Singaporianska företag?

25. Hur mycket autonomi har de lokalt anställda på Bookbinders Design?

26. Är Bookbinders Designs etableringsförfarande liknande på olika marknader?

27. Varför valde ni denna (lokala) geografiska placering?

28. Hur var det att få tillgång till dessa lokaler?

29. Spelade konkurrenternas lokalisering in?

30. Gjordes statistisk analys av medelinkomst och konsumtionsvanor innan beslut om etablering togs?

31. Är det viktig för Bookbinders Design att inomstnivån är hög i de länder företaget etableras?

32. Söktes annan kunskap om den Singaporianska marknaden innan etableringen?

33. Sker alla Bookbinders Designs nyöppningar från HK eller förekommer det exempelvis att företagsledningar i grannländer hjälper till med etableringen?

34. Upplever ni att det är någon skillnad på kompetensnivån mellan Singaporianer och Svenskar?

35. Upplever ni att företagsklimatet i Singapore är mestadels kinesiskt eller västerländskt?

36. Spelar seder och bruk stor roll när ni gör affärer i Singapore?

37. Har den Singaporianska lagstiftningen ställt till problem för er alternativt gjort att etableringsprocessen tagit längre tid än beräknat?

38. Upplever ni byråkrati som ett problem i Singapore?
39. Är det mindre kostsamt för Bookbinders Design att etablera sig i Asien än i andra delar av världen (exempelvis Europa, USA)?

40. Hur upplever ni kostnaderna för den dagliga driften av butikerna i Singapore jämfört med exempelvis Sverige/Europa, USA?

41. Hur har det varit att bygga upp ett förtroende för företaget hos exempelvis leverantörer och kreditinstitutioner i Singapore?

42. Studerade ni de lokala konkurrenternas strategier innan öppningen av Bookbinders Design i Singapore?

43. Vilket är viktigast vid etableringar i utlandet; statistik eller instinkt?

44. Har undersökningar om marknadskännedomen i Singapore gjorts? Upplever ni att många singaporianer vet vad Bookbinders Design är?

45. Måste er finansiella information publiceras offentligt?

46. Var det viktigt för er att låta etableringen ta tid för att undvika intern byråkrati?

47. Upplevde ni några motattackar i samband med etableringen?

48. Får ni mycket hjälp av Svenska ambassaden eller SBAS?

49. Hur många anställda har Bookbinders Design i Singapore?
Appendix F - Questions for Cecilia Skröder

1. Vilka skatteincitament ges för att etablera svenska och svenskrelaterade företag i Singapore?

2. Hur går det till att registrera ett Private Equity i Singapore?

3. Vilka kostnader är förknippade med registreringen?

4. Hur går det till att föra in arbetskraft från Sverige till Singapore?

5. Finns uppsägningstid i Singapore?

6. Kan svenska eller svenskrelaterade företag få statligt stöd för företagsetableringar i Singapore (från svenska eller singaporianska staten)?

7. Vad krävs för att få ta banklån i Singapore?

8. Hur går det till att få leverantörskredit i Singapore? Vad krävs?

9. Vilka personalkostnader (förutom lön) finns i Singapore?

10. Finns det ett konkurrensverk i Singapore?

11. Gynnas singaporianska företag bättre än utlandsfödda företag i lagstiftningen?

12. Vad finns det generellt för hinder att flytta företag eller produktion från Sverige till Singapore?