The Role of Network Management in the Internationalization Process

A case study of two Norwegian firms’ initial entry into China

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This master thesis was written during the Spring of 2017 to satisfy the academic requirements for obtaining a Master of Science in Industrial Economics and Technology Management at the Norwegian University of Science and Technology, Trondheim, Norway. All students pursuing this degree are required to write a master thesis concerning their area of specialization. As the author of this thesis has chosen to specialize in the field of 'Strategy and International Business Development', it deals with a subject within this field. The thesis considers the role of network management in the internationalization process through a case study of two Norwegian firms’ initial entry into China, and discusses the insights gathered from the study.
The master thesis examines the role of network management in the context of initial entry strategies. As operational-level research on this issue is lacking, two exploratory case studies are conducted. The case studies explore the role of network management in two Norwegian firms’ initial entry into China. The findings of the case studies suggest that network management is a facilitating contingency, which makes Western firms able to implement their entry strategies into China in practice. They also suggest that the manner in which Western firms should manage their networks to enter China effectively is significantly contingent upon which mode of entry is chosen. For firms opting for low commitment modes of entry, managing relations to customers and intermediaries in China is crucial, whereas for firms opting for high commitment modes of entry, developing and nurturing ties to key individuals that possess the necessary skills, knowledge and connections to implement the high commitment entry mode, is paramount. Lastly, managing networks are found to influence the manner in which opportunities to enter China are discovered and seized. The findings of the case studies also reveal that there is a gap between theory and practice on the manner in which an appropriate entry mode is selected. The theory suggests that the strategic decision making process can be characterized as effectual, whereas the findings suggest that it is causation-based.
I would like to express my gratitude to my supervisor, professor Øystein Moen, for his continued encouragement and support, as well as for his insightful suggestions and constructive criticisms of the master thesis.
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7.1 Overview of the discrepancies between the expectations, based on theory, and the findings of the case studies. .......................................................... 101
The focus of the master thesis is on the role of network management in initial entry strategies\(^1\). In this chapter I introduce the theoretical context of the master thesis. Subsequently, its purpose is explained, after which a research question is developed. The chapter ends with an outline of the structure of the master thesis.

### 1.1 Theoretical context of the master thesis

The theoretical context of the master thesis is within the field of internationalization theory. With respect to internationalization theory, there are three major schools of thought. Two branches of internationalization theory focus on national and firm-specific competitive advantages, respectively, whereas the last branch focuses on the intersection between firm-specific and national competitive advantages (Cavusgil et al., 2012). The main perspectives within each branch of internationalization theory, as well as their pioneers, are provided in figure 1.1 below. The figure is based on Cavusgil et al.’s (2012) discussion of the evolution of internationalization theory, but the revised Uppsala model (Johanson and Vahlne, 2009), which Cavusgil et al. (2012) do not consider, is included as well.

As is seen from the figure below, classical internationalization theory is the oldest research stream and focuses solely on national competitive advantages, whereas contemporary internationalization theory focuses on the intersection between national and firm-specific competitive advantages. In this regard, it must be noted that the terms ‘contemporary’ and ‘classical’ internationalization theory may be somewhat confusing, as classical internationalization theories such as internationalization life cycle theory and new trade theory can be viewed as being contemporary or relatively modern theories (Cavusgil et al., 2012). Therefore, timeline connotations to the terms ‘contemporary’ and ‘classical’ internationalization theory should in this context be suppressed.

\(^1\)As the author of this master thesis wrote a project thesis on the role of networks in internationalization processes to China (Colclough, 2016), relevant material from it has been reproduced in this chapter.
In the 1960s, scholars began to put emphasis on the firm rather than the nation, in the context of internationalization (Cavusgil et al., 2012). They developed theories about the managerial and organizational aspects of firm internationalization (ibid). Unlike classical and contemporary internationalization theory, firm-specific internationalization theory does not consider national competitive advantages. It focuses solely on firm-specific competitive advantages. In recent years, industrial network theory has been highly influential on firm-specific internationalization theory. In light of the progress made in industrial network theory, Johanson and Vahlne (2009) revise their influential model, the Uppsala model (Johanson and Vahlne, 1977) - which argues that firms expand gradually and sequentially commit more resources to their expansion as they accumulate knowledge through operations in the target country. Similarly, Cavusgil and Knight (2015) revisit the international entrepreneurship approach - which is based on findings that seem to suggest that modern firms expand rapidly and commit heavily to foreign markets early on in their entries - in light of theoretical advancements made. They contend that the perhaps most important advancement made in the field of internationalization theory, during the last ten years, is the emphasis on the role of networks in internationalization (ibid). Thus, it is evident that state-of-the-art internationalization theory recognizes the important role of networks in the internationalization process.
Networks can be defined as "a set of actors and some set of relationships that link them" (Musteen et al., 2014, p. 750). The main contention of industrial network theory is that the activities of firms occur in the context of networks, which both enable and constrain the manner in which firms conduct their activities (Håkansson and Snehota, 1989). Consequently, the network in which a firm is embedded, rather than the firm itself, should be the primary unit of analysis when addressing the activities of firms. A central concept in industrial network theory is network management, or network competence, which can be defined as "the ability of firms to develop and manage relations with key partners, such as suppliers, customers, and other organizations, and to deal effectively with the interactions among these relations" (Torkkeli et al., 2012, p. 26). Given the focus on networks in contemporary internationalization theory, I submit that firms’ ability to manage networks in the internationalization process is likely to be an important issue within this research stream.

Figure 1.2: The master thesis will seek to develop theory in the intersection between entry strategy theory and network management theory.

As current research on network management is of a generic nature, offering little concrete advice to managers on how to manage their networks to internationalize effectively, cf. section 3.1.1, there exists a research gap with respect to operational-level network management theory in the context of internationalization. In order to address this research gap, the master thesis will be of an exploratory nature. Its focus will be on exploring the manner in which firms’ manage their networks to internationalize. The contribution of the master thesis is therefore in the intersection between entry strategy- and network management theory, as illustrated in figure 1.2 in the above, which serves as the theoretical context of the master thesis. The empirical context of the master thesis is Norwegian firms’ initial entry into China. In the next chapter, the Chinese business environment, and the challenges Norwegian firms face therein, is therefore introduced.
1.2 Purpose of the master thesis

The purpose of the master thesis is to address the operational-level research gap in the intersection between entry strategy- and network management theory. This is sought achieved by conducting exploratory case studies on the role of network management in the initial entry of two Norwegian firms into China.

The following research question has been developed to guide the research for the master thesis:

Research question: What is the role of network management in Norwegian firms’ initial entry into China?

1.3 Structure of the master thesis

As the purpose of the master thesis is to examine the role of network management in the entry strategies of Norwegian firms expanding into China, the thesis starts by introducing the Chinese business environment and the challenges Norwegian firms face therein, in chapter 2. The conceivable role of network management with regard to facing these challenges is also highlighted.

In chapter 3 the theoretical background of the thesis is explained. In order to place network management within its larger theoretical context, an explanation of industrial network theory is provided before the theory on network management is discussed. Subsequently, theory on entry strategies and the role of network management therein is addressed.

As Norwegian firms entering China serves as the empirical context of the master thesis, theory on Western entry strategies into China and the role of network management therein is considered in chapter 4.

Chapter 5 offers a description of the methodology used in the case study. In chapter 6 the findings of the case studies are presented and in chapter 7 the findings are discussed. Finally, in chapter 8, the conclusion of the master thesis, and the findings’ implications for scholars, managers and policy makers are provided. The chapter ends with some final reflections on the findings of the master thesis.
Napoleon Bonaparte once said: "Let China sleep, for when she wakes, she will shake the world." In the late 1970s, China finally awoke from its slumber and the world is now shaking. China has become a political and technological superpower, and the Chinese economy is now the second largest in the world (Forbes, 2016). According to Forbes (2016), it will overtake the US economy in 2018, becoming the world’s largest economy.

Through free market reforms the Chinese government lifted more than 800 million out of poverty in a span of 30 years, which is the fastest sustained expansion by a major economy in world history (The World Bank, 2016). According to a report by Business Insider (2016), the number of middle class adults in China is presently 109 million. This makes China’s middle class, which is characterized by a willingness to pay a premium for high-quality products and the purchase of discretionary goods (McKinsey & Company, 2013), the second biggest of its kind in the world - trailing the American middle class by approximately 10 million (CNBC, 2015). Moreover, unlike the middle class in Western nations, the Chinese middle class is poised to grow rapidly. Indeed, according to a study conducted by McKinsey & Company (2013), the magnitude of China’s middle-class growth is transforming the nation, and will constitute more than 75% of China’s population in 2022.

China’s trade reforms and investment incentives led to a surge in foreign direct investment (FDI) beginning in the early 1990s (Congressional Research Service, 2015). Such flows of investment have been a major source of China’s gains in productivity and its rapid economic and trade growth (ibid). This flow has been tremendous and China is now the largest recipient of FDI of all the largest emerging economies (Holtbrügge and Baron, 2013), commonly referred to as the BRIC countries (Brazil, Russia, India and China). This suggests that entering Chinese markets is a must for Norwegian firms aspiring to be competitive on the international arena. Indeed, the regional director of Innovation Norway in China, Knut R. Sørlie, claims that a presence in

\(^1\)Relevant material from the project thesis on the role of networks in internationalization processes to China (Colclough, 2016) have been reproduced in this chapter.
China is a necessity for Norwegian companies wishing to maintain their competitiveness and compete internationally (Aftenposten, 2014). Thus, doing business in China is likely to be important for Norwegian firms and entrepreneurs aspiring to become global players. As the literature on Norwegian internationalization theory in the context of entering China is very modest, but strongly needed, Norwegian firms’ initial entry into China has been chosen as the empirical context for this thesis. Therefore, in this chapter, the Chinese business environment and the challenges it poses to Norwegian firms is introduced.

The chapter starts by considering the characteristics of the Chinese business environment, i.e. the nature of how business is done in China, the nature of Chinese firms and the nature of Chinese management. Subsequently, challenges for Norwegian firms expanding into China are highlighted. Lastly, how the literature suggests these challenges should be overcome, and the role of network management in facing these, is considered.

2.1 Characteristics of the Chinese business environment

In 1949 the Communist Party took control of China. Due to the tremendous change in politics, economy, and culture that resulted from the communists seizing power, China post 1949 is often referred to as ‘New China’. Adolphus (2006) argues that the most important influence on the evolution of the modern Chinese business environment was the isolationist Closed Door policy, which existed in the early years of New China. The policy was implemented in an effort to exert strong control on the development of Chinese society and the Chinese economy (Shen and Mantzopoulos, 2011). With regard to economic development, this approach failed, with widespread poverty and little economic growth (ibid). In an effort to breathe life into the Chinese economy, the government decided to open China’s borders and link its economy with the global economy, switching to an ‘Open Door Policy’ in the late 1970s (ibid). This included the establishment of Specialized Economic Zones (SEZs) along the coast of China to attract FDIs (ibid). These zones were more free-market oriented than other regions in China, and economic policies in these zones were more relaxed (ibid).

Although China, since the late 1970s, adopted the Open Door Policy and implemented free-market reforms, the government still retains a significant degree of control and influence on the activities of Chinese and foreign businesses in China (Shen and Mantzopoulos, 2011). Shen and Mantzopoulos (2011, p. x²) argue that the ”cherished motto of ‘politics in command’ was and has been operative for the past six decades.” Indeed, out of the 42 mainland Chinese companies in the Fortune 500 list of the world’s biggest firms in 2010, all but three of these

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²page 10 in the preface
were state-owned companies (The Economist, 2011). For this reason, having good relations with government officials is crucial for conducting business in China (Zhang et al., 2016; Lin et al., 2016). Indeed, Zhang et al. (2016) contend that in China political and commercial ties offer distinct benefits to Chinese firms. Political ties offer access to resources and 'inside' information, whereas commercial ties offer important market information (ibid).

Such ties are crucial, as Adolphus (2006) argues that success in business in China arguably depends more on who you know rather than what you know. Often, the strength of personal relationships can be a deciding factor in the outcome of strategic alliances, regardless of the influence of business fundamentals (ibid). In China, personal relationships are regarded as a form of social capital that is expected to provide positive returns (ibid). Davies et al. (1995, p. 207) concurs, arguing that it "has long been recognized that doing business in China is particularly difficult and that a key difference between Chinese and Western business practices lies in the relative importance of personal relationships ('guanxi') in the former, as opposed to the specification and enforcement of contracts in the latter." They further argue that guanxi "seems to be the lifeblood of the Chinese business community, extending into politics and society. Without guanxi one simply cannot get anything done" (ibid, p. 209). Such relationships are often of a familial nature (Yang, 2011; Ching-Hwang 2013; Zhang et al., 2016; Zhou et al., 2007; Lin et al., 2016) and often typified by an outright distrust of strangers (Ching-Hwang 2013; Zhou et al., 2007). Interestingly, the emphasis on personal relationships in China is consistent with the arguments of Kiss and Danis (2008), who argue that in societies with low institutional development, such as China, an emphasis will be placed on personal relationships due to the inability of the government to effectively enforce contractual obligations between parties. Zhou et al. (2007, p. 675) agree, arguing that the "absence of institutional trust, combined with the prevalence of active mistrust of strangers and severe shortage of reliable market information, leads to an absolute reliance on trust-based personal connections as a means for almost any transaction." In this regard, Western perspectives on business relationships appear to differ significantly from Chinese perspectives. In Western cultures, there seems to be a greater emphasis on close relationships leading to more effective exchanges between firms (Morgan and Hunt, 1994; Anderson and Gatignon, 1986), or on leading to positive-sum outcomes through the integration and coordination of activities across firm boundaries (Wit and Meyer, 2014).

Not only the nature of how business is done in China is unique, but also the very nature of Chinese firms themselves. For instance, Zhang et al. (2016) sharply distinguish between stately owned and privately owned Chinese SMEs, arguing that these are faced with significantly different challenges, and have access to different kinds of resources to cope with them. Moreover, Chinese businesses are often family firms because, within Chinese culture, only close relatives...
can be trusted (Weidenbaum, 1996). Although this may lead to increased firm loyalty (Ching-Hwang, 2013), keeping control within the family often "restricts the size, and especially the complexity, to which it can grow" (Weidenbaum, 1996, p. 143).

Chinese born globals, which can be defined as firms that internationalize early and rapidly (Knight and Cavusgil, 2004), also distinguish themselves from born globals in industrialized countries in at least two respects (Lin et al., 2016). Firstly, Chinese born globals benefit from a huge internal market, which implies that Chinese born globals are not forced by lack of domestic demand to internationalize, unlike their Western counterparts (ibid). Secondly, Chinese born globals belong to different sectors and a significant number of them are from traditional manufacturing sectors, whereas Western born globals are primarily from the high-tech sector (ibid).

Lastly, the nature of Chinese management is unique and worthy of further analysis. According to Li et al. (2012, p. 8) the "Chinese context, because of its rich intellectual and cultural traditions, as well as vibrant economic growth, offers many unique management phenomena." One of these phenomena is the influence of familism, which can be defined as a social pattern in which the family assumes a position of ascendancy over individual interests (Merriam-Webster dictionary), on management practices. Ching-Hwang (2013) argues that businesses run and owned by the family are characterized by a strong bond between its members and that familism leads to the blurring of the line between management and workforce, as well as the avoidance of any serious disputes within the business. At the same time, members of the business pay absolute loyalty to it, and are not easily induced by higher offers to leave the company (ibid). This helps provide continuity and stability for family-owned Chinese SMEs (ibid).

Ching-Hwang (2013) seems to argue that the management practices of family-owned Chinese SMEs are strongly influenced by 'people-oriented management'. People-oriented management emphasizes nurturing employees and views arousing people's enthusiasm and tapping their potential as the primary responsibilities of a manager (Wei and Zhang, 2011). Ching-Hwang (2013) notes two advantages of people-oriented management in the context of family-owned Chinese SMEs. Firstly, it provides flexibility for decision makers, as not everything has to be done according to rules and regulations (ibid). Secondly, people-oriented management produces strong bonds of human relationships, reinforced by Confucian values of mutual responsibility (ibid). The drawbacks of family and people-oriented management styles are exhaustion of supply of managerial personnel, conservatism in financial policies (because external interferences are viewed with suspicion), and lack of initiative from lower-level employees (ibid). With respect to corporations, Ching-Hwang (2013, p. 220) notes that the "Chinese managerial system, as part of the Asian managerial system, shares with the Japanese and the Korean managerial
systems the corporate values of group orientation and close interpersonal relationship based on
respect for authority."

In conclusion, the nature of how business is done, the nature of firms, and perspectives on the
nature of management seem to differ considerably between China and the West. This suggests
that expanding into China is likely to be a challenging task for Western - and herein Norwegian
-firms. These challenges are addressed in the following.

2.2 Challenges for Norwegian firms expanding into China

Two well-known concepts in the internationalization literature are 'psychic distance' and 'liability
of foreignness'. Psychic distance can be conceived of as dissimilarities "in language, culture,
political system, level of education, level of industrial development, etc. between two coun-
tries" (Ojala, 2009, p. 51). Larger psychic distances make it more difficult for firms to expand
abroad, leading to a liability of foreignness (Johanson and Vahlne, 1977; Ojala, 2009; Santos
et al., 2012). Zhou and Guillén (2015, p. 909) argue that the "liability of foreignness is higher
if the host country is more distant, i.e. more different from the home country along a number
of relevant dimensions." They also note that research has demonstrated that a greater distance
between host and home countries decreases the probability of entry, suggesting that psychic
distance constrains the internationalization process of firms (ibid). Based on the description
of the Chinese business environment in the above, the psychic distance between Norwegian
and Chinese firms is apparent. In this section the challenges posed to Norwegian firms by this
distance is addressed.

In the context of foreign firms entering the Chinese market, Gao et al. (2012) argue that
China is an extremely complex and regulated market. The regulatory barriers preventing
foreign firms from successfully entering the Chinese market consist of both tariff and non-tariff
barriers (ibid). The latter includes quotas and licenses, technical barriers, lack of transparency
in industrial policies, and inadequate enforcement of laws, particularly regarding intellectual
property rights (ibid). Moreover, the diversity of the market and strong regional protectionism
also serve as challenges to foreign entrants (ibid). Therefore, Norwegian firms, which usually
operate in freer markets with effective enforcement of contractual obligations and protection of
intellectual property rights, may find it difficult to cope with the complexities and uncertainties
of the Chinese regulatory environment.

Kiss and Danis (2008) note that nascent entrepreneurship studies undertaken in countries with
high levels of institutional development, such as Norway, show that entrepreneurs often rely on
arm’s length relations when conducting business, which implies little emotional commitment
to business relationships. Conversely, entrepreneurs in countries with low institutional development, such as China, rely more on strong ties built on mutual commitment and trust (ibid). Therefore, the very nature of business relationships may differ significantly between Norway and China, which is likely to make it challenging for Norwegian firms to expand into China.

In addition to regulatory barriers, Gao et al. (2012) argue that cultural barriers pose difficulties for foreign firms trying to enter the Chinese market. In comparison to regulatory barriers, cultural norms that are not comprehended are more difficult to deal with (ibid). Therefore, the uniqueness of Chinese business culture may make it difficult for Norwegian firms to understand the ‘rules of the game’ in the business environment they are expanding into, unless their employees have extensive experience with Chinese business culture. As noted in the above, relationships between Western - and herein Norwegian - firms may be more business-oriented than relationships between Chinese firms. Consequently, building relationships to actors in China may prove a challenging task for Norwegian firms, as Norwegian and Chinese firms may not have a shared understanding of the nature of their relationship and their respective roles and responsibilities therein.

With respect to Norwegian firms entering China, it is important to note that Norway is a small country with a population of approximately 5 million. This suggests a small domestic market for many Norwegian SMEs focusing on niche segments. The lack of demand in the domestic market may prompt Norwegian SMEs to internationalize early and rapidly for strategic reasons (Ojala, 2009), as they may not have time to gradually accumulate knowledge and experience in foreign markets as suggested by the Uppsala model (Johanson and Vahlne, 1977). Therefore, many Norwegian SMEs are likely to be confronted with the liability of foreignness when expanding into China, as they may not possess or have time to develop experience with - or knowledge about - the Chinese business environment.

In conclusion, differences in terms of regulations, institutional development and business culture between Norway and China suggest a large psychic distance between them. Such a large psychic distance can lead to uncertainty amongst Norwegian firms and entrepreneurs with respect to how they should enter China. Moreover, the lack of an adequate domestic market may force Norwegian firms to internationalize rapidly to China without having accumulated the necessary experience and knowledge to do so with a low degree of risk, which amplifies the liability of foreignness. This suggests that Norwegian firms need to thoroughly consider how they should cope with potential difficulties and hazards arising from the large psychic distance between Norway and China, which I turn to next.
2.3 Overcoming the barriers of internationalization to China

Gao et al. (2012) argue that the complexity of the Chinese business market can be overcome by what they term ‘guanxi gateway ties’. These guanxi gateway ties can "assist Western companies and individual business actors to find a way through perceived delays and bureaucratic constraints by means of activating personal relations across the cultural divide between China and the West" (ibid, p. 457). Davies et al. (1995, p. 213) agree, arguing that "Western businessmen should appreciate that they themselves need to establish guanxi of their own, which requires looking beyond the transaction at hand to its implications for the development of personal relationships.”

Interestingly, leveraging relational resources to facilitate the internationalization process has been increasingly recognized in the internationalization literature during the last ten years (Cavusgil and Knight, 2015). Chetty and Stangl (2010, p. 1726) argue that "SMEs tend to compensate for fewer internal resources available for innovation and for internationalization by acquiring external resources and complementary assets through their network relationships”, which suggests that resources embedded in networks can be used to overcome the challenges of internationalization. With respect to using networks to overcome the liability of foreignness, Santos et al. (2012) argue that network membership, in relevant networks in the target country, may reduce possible hazardous effects of psychic distance. This suggests that Norwegian firms should consider managing their relationships to Chinese actors and networks effectively, in order to cope with the cultural distance between Norway and China as they enter Chinese markets.

Based on the literature on the Chinese business environment, the challenges for Norwegian firms aspiring to enter China, and how these challenges should be overcome, it appears that Norwegian firms should emphasize building strong and personal relationships to Chinese actors, due to such ties or ‘guanxi’ being the glue which holds Chinese businesses together. As previously mentioned, with respect to the nature of ties between Chinese actors, Zhang et al. (2016) contend that in China political and commercial ties offer distinct benefits. This suggests that Norwegian firms, seeking to enter China, need to develop the ability to determine which kind of ties they should build, with which specific political or commercial actors they should build them, and the manner in which these should be built. Moreover, as many private enterprises in China are family-owned and family-run enterprises, characterized by an outright distrust of strangers (Zhou et al., 2007), Norwegian firms need to be able to manage and nurture their relationships with such firms, as such firms may prove to be vital partners in Norwegian firms’ entry. Consequently, it is very likely that Norwegian firms need to develop their network
management capabilities to enter China effectively.

In the next chapter, the theoretical background of the master thesis is considered. Network management is placed within its larger theoretical context, and the theory on entry strategies and the role of network management therein is addressed.
In this chapter I consider the theoretical background of the master thesis\(^1\). In order to frame the issue of network management within its larger theoretical context, I begin by addressing industrial network theory - its origins, assumptions and influence on contemporary internationalization theory. I then turn to addressing the role of network management in industrial network theory. Subsequently, I turn to addressing entry strategies. I consider what determines which entry strategies are the most effective and the role of network management in entry strategies. This is done in order to provide a theoretical foundation for the discussion on Western entry strategies into China and the role of network management therein, which I consider in the next chapter.

3.1 Industrial network theory - "No business is an island"

Håkansson and Snehota (1989), in their seminal article 'No Business is an Island: The Network Concept of Business Strategy', criticize some of the assumptions underlying the 'strategy management doctrine', pertaining to the issues of organizational boundaries, determinants of organizational effectiveness and the process of managing business strategy. They argue that research on strategic management "has been concerned with the opportunities for directing and managing the behaviour of the individual organization, consequently assuming that the organization possesses a certain degree of freedom of choice" (ibid, p. 187). Conversely, organizational theory studies conclude that "the individual organization is often embedded in its environment and that its behaviour is thus greatly constrained if not predetermined, which means that it is not a free and independent unit" (ibid, p. 187).

Building on organizational theory, Håkansson and Snehota (1989) develop the 'network concept

\(^1\)Relevant material from the project thesis on the role of networks in internationalization processes to China (Colclough, 2016) are reproduced in this chapter and relevant articles from the thesis considered.)
of business level strategy’. This concept implies that continuous interaction with other parties constitutes the context in which the organization interacts and endows the organization with a meaning and a role’ (ibid, p. 187). This suggests "a shift in focus away from the way the organization allocates and structures its internal resources and towards the way it relates its own activities and resources to those of the other parties constituting the context” (ibid, p. 187). Therefore, no business is an island, and firms should not be viewed as self-contained entities which are isolated from other firms and the environment in which they operate (ibid). Consequently, they conclude that all of the three assumptions underlying the strategic management doctrine must be changed, and that the network concept of business level strategy should supplement economic models of strategic management, which assumes that organizations have a certain degree of freedom independent of the network they are embedded in (ibid).

17 years later, in a retrospective article on their 1989 article, Håkansson and Snehota (2006, p. 272) claim that empirical "studies of innovation and technological development have all pointed to the importance of combining interfaces between various types of resources across firm boundaries in order to create positive economic outcomes.” They argue that business "relationships appear to have, with respect to these interfaces, a very central role” (ibid, p. 272). Indeed, industrial network theory has become an extensive and highly influential academic discipline during the last 25 years (Håkansson et al., 2009). Industrial network theory has also been influential with respect to contemporary internationalization theory (Cavusgil and Knight, 2015; Johansson, 2009), as previously noted. In this regard, it has been especially influential with respect to theory on the internationalization process of young and small firms, as these firms must often rely on networks to overcome problems of limited resources, experience, and credibility (Musteen et al., 2014; Chetty and Stangl, 2010; Zhang et al., 2016). With respect to utilizing networks to internationalize effectively, the ability to manage networks properly is likely to be crucial (Håkansson et al., 2009), which I address in the next section.

3.1.1 Network management

Network management, or network competence (Torkkeli et al., 2012), can be defined as ”the ability of firms to develop and manage relations with key partners, such as suppliers, customers, and other organizations, and to deal effectively with the interactions among these relations” (ibid, p. 26). Torkkeli et al. (2012) argue that the basis of a network competence is not gut feelings, but an analytical and proactive approach towards networking (ibid).

According to Jian and Wang (2013, p. 26), ”strategic alliances are solutions to long-term needs, rather than temporary fixes.” Due to the heterogeneity of resource endowments amongst firms, pooling complementary skills, technologies and sharing knowledge in a network may be
conducive to the firms therein collectively gaining a competitive advantage through superior innovation (ibid; Wit and Meyer, 2014). Consequently, Jian and Wang (2013, p. 28) argue that network competence “is a core competence of a firm - one that has a direct bearing on a firm’s competitive strength and performance.” They also note that although many managers regard alliances as shortcuts to obtaining competitive advantages by borrowing resources from other firms, they neglect the costs or inefficiencies of alliances (ibid). Based on the findings of their study, Jian and Wang (2013) urge managers to develop a network competence, as they find that networks consisting of firms with higher network competences have higher performances. With respect to enhancing innovation through effective networking, they argue that firms need to develop the ability to critically assess the suitability of their partners (ibid). They also note that in order to enhance innovation through networking, the quality of the relationships matter (ibid). Therefore, firms need to develop the ability to build stable and enduring relationships with suitable partners to innovate effectively through networking (ibid). Such relationships should be built on mutual commitment and trust to enhance the sharing of vital knowledge and resources (Johanson and Vahlne, 2009; Morgan and Hunt, 1994).

The findings of Chiu (2009) and Ritter and Germ¨ unden (2003) echo those of Jian and Wang (2013). Chiu (2009) argues that in the high-tech sector, firms are forced to collaborate because of short product life cycles, increasing R&D costs, and a growing tendency towards knowledge specialization. His findings indicate that network competence, alongside other network characteristics, are ingredients to innovation success (ibid). Similarly, Ritter and Germ¨ unden (2003) find the impact of network competence on innovation to be significant. Consequently, they implore managers to develop the "ability to initiate, handle, and use a portfolio of interorganizational relationships" to achieve their strategic objectives in the networked economy of the 21st century (ibid, p. 753). Moreover, they argue that the responsibility for managing networks cannot be delegated to a small group (ibid). Rather the whole organization must be involved in network management (ibid). Ritter and Germ¨ unden (2003, pp. 753-754) conclude their study by arguing that it is "not a company’s choice whether relationships are there or not. Relationships and networks exist and a company is embedded into a network. However, it is a company’s choice to develop network competence in order to survive in the networked economy. As our research shows, organizations can turn the burden of relationships into competitive advantage.”

Ojasalo (2004) develops a useful framework to help firms manage their networks effectively. The first step is to identify a key network. This consists of identifying opportunities that are realizable through networked cooperation and selecting the actors of the key network that can realize these (ibid). Once an opportunity has been discovered, the firm must develop a strategy
to create value for itself and its partners through the network (ibid). Lastly, the firm must
develop and apply operational level methods to manage the actors in the key network (ibid).
Although Ojasalo (2004) provides a general framework for network management, he argues that
the explicit manner in which networks should be managed are highly case specific. However,
he does offer some generic advice with respect to the three stages of his framework. For
instance, with respect to identifying opportunities realizable through networked cooperation,
he lists 'what kind of new value could be created, and how should this be created?' as a
question to guide the identification of a key network; with respect to selecting actors of a
key network, he lists 'are the capabilities brought by an actor in the key network difficult to
replicate?' as a question to guide the selection process; with respect to selecting strategies
for managing the actors in a key network, he suggests that the focal firm needs to determine
to what extent an actor is able to contribute to the network’s goals and to what extent the
network is able to contribute to its goals, and develop a network management strategy to said
actor accordingly (ibid). With regard to developing strategies for managing actors Ojasalo
(2004) proposes four generic strategies: 1) helping actors grow 2) selectively developing actors
3) maintaining relationships and 4) abandoning relationships. However, Ojasalo (2004) notes
that the operational-level methods to implement these strategies in practice is highly case-
specific. It appears that most research on network management echo these generic approaches
towards network management, with few studies providing explicit recommendations on how to
effectively manage networks in different settings. For instance, Chiu (2009) also proposes four
generic network management strategies to enhance performance, depending on a firm’s network
competence and the characteristics of the network in which it is embedded.

The lack of operational-level network management strategies in the literature may be because
systematic "approaches for business network management are still in their infancy" (Ojasalo,
2004, p. 195). Therefore, from a managerial perspective, present research on network man-
agement may suffer from a 'so-what' syndrome, being unable to offer concrete guidance to
managers on how to effectively manage their networks to achieve their strategic objectives.
Therefore, I argue that an important area for the development of network management theory
is conducting operational studies to discover best practices for managing networks in different
contexts. Such an approach is likely to advance actionable research on network management,
which may aid managers determine the manner in which they should manage their networks
to achieve their strategic objectives.

Consequently, conducting exploratory case studies on the role of network management in entry
strategies is likely to be a valuable contribution to developing theory on the role of network
management in different contexts. As the focus of the master thesis is on the role of net-
work management in different entry strategies, I next consider contemporary theory on entry strategies.

3.2 Entry strategies

Entry strategies can be distinguished according to different modes of entry. A mode of entry can be defined as an "institutional arrangement that makes possible the entry of a firm’s products, technology, human skills, management, or other resources into a foreign country" (Sharma and Erramilli, 2004, p. 2). Scholars on internationalization theory generally distinguish entry modes according to their degree of risk and control, as well as the amount of resources that must be spent to implement the entry mode (Nisar et al., 2012; Li and Qian, 2008; Shukla et al., 2012; Holtbrügge and Baron, 2013; Taylor et al., 1998; Laufs and Schwens, 2014; Ahsan and Musteen, 2011; Sanchez-Peinado et al., 2007; Chen et al., 2006; Ulrich et al., 2014). The literature generally distinguishes between the following modes of entry, from low commitment to high commitment modes of entry: exporting, contractual arrangements (e.g. licensing and franchising), strategic alliances or joint ventures and establishing wholly owned subsidiaries (Laufs and Schwens, 2014; Taylor et al., 1998; Raff et al., 2009; Ekeledo and Sivakumar, 2004; Ling et al., 2005, Li and Qian, 2008).

Taylor et al. (1998) offer concise definitions of these: exporting consists of selling products manufactured in the home country - to the target country; contractual arrangements, such as licensing and franchising, involves the transfer of technology and management structures from the home country to the target country; joint ventures require firms to enter into contractual arrangements in which the equity and control of the venture are shared between the firm in the home country and target country; establishing wholly owned subsidiaries consists of the firm from the home country enjoying full ownership of production facilities in the target country. Full ownership can be acquired through an acquisition of existing production facilities in the target country or through investments in new production facilities (ibid), commonly referred to as greenfield investments (Laufs and Schwens, 2014; Raff et al., 2009; Tan, 2009; Holtbrügge and Baron, 2013).

Although the definitions of different modes of entry seem to be a fairly uncontroversial issue, which entry modes firms should utilize in their entry into foreign countries is strongly disputed. As the role of network management in entry strategies is likely to differ, depending on which entry strategies are chosen, the next sections deal with the issue of the determinants of which entry strategies are the most efficient. First, I consider the theoretical frameworks developed for assessing which entry modes firms should employ. Subsequently, the findings of a literature review, conducted to determine which contingencies affect which entry strategies are appropri-
ate, are discussed. In this manner, a theoretical basis on which to discuss the appropriate role of network management in entry strategies is produced.

3.2.1 Which theoretical frameworks are used to determine which entry modes firms should employ?

With respect to theoretical frameworks developed to address which entry modes firms should employ, the *stages approach* was highly influential on internationalization theory in the latter half of the 20th century (Andersen, 1992). The two major models in this regard are the Uppsala model (Johanson and Vahlne, 1977) and the innovation model of internationalization (Bilkey and Tesar, 1997; Czinkota, 1982; Cavusgil, 1980), which are often referred to as the U-model and I-model, respectively (Andersen, 1992). According to Andersen (1992) the U-model and I-model are similar in that they both suggest that firms expand gradually from low commitment modes of entry, such as exporting, to higher commitment modes of entry, such as establishing wholly owned subsidiaries. They both claim that the internationalization process is gradual because of firms' initial lack of knowledge of foreign markets, particularly 'experiential knowledge', and because of the uncertainty associated with the decision to internationalize (ibid). Andersen (1992) states that Johanson and Vahlne (1977), in their seminal article on the Uppsala model, provide an extensive argument for the gradual expansion pattern. The authors of the I-model "explicitly or implicitly build on Johanson and Vahlne's contribution" (ibid, p. 212). Therefore, I will contain myself to explaining the contentions and criticisms of the Uppsala model in the following to assess the influence of the stages approach on contemporary internationalization theory.

Johanson and Vahlne (1977) argue that firms gradually move from low-risk entry modes to high-risk entry modes - exporting being the least risky entry mode and establishing wholly owned subsidiaries being the riskiest mode of entry - gradually committing more and more resources to the foreign market. Firms expand sequentially because of their need to overcome psychic distance, which can be defined as "the sum of factors preventing the flow of information from and to the market. Examples are differences in language, education, business practices, culture, and industrial development" (ibid, p. 24). Psychic distance makes it more difficult to expand to countries that are dissimilar to the home country, leading to a liability of foreignness (ibid). This liability is combated by expanding gradually and sequentially (ibid). As firms accumulate experiential knowledge through their current business activities in foreign markets, the perceived psychic distance and risk is reduced, thereby causing firms to commit more resources to these markets and employing riskier modes of entry, which leads to further development of experiential knowledge, leading to a virtuous cycle of increased commitment (ibid). Consequently, the
Uppsala model suggests that firms should expand incrementally according to the *establishment chain*: from no regular export activities, to exporting via independent representatives, to setting up a sales subsidiary, and finally to domestic production or manufacturing in the foreign market (Johanson and Wiedersheim-Paul, 1975).

The empirical support for the Uppsala Model is mixed, with many studies criticizing the model’s suggestion that firms expand incrementally (Hadjikhani et al., 2014). In this regard it is important to note that the Uppsala Model was developed in 1977, whereas the phenomenon of early and rapid internationalization of firms was observed in the beginning of the 1980s (Cavusgil and Knight, 2015; Oviatt and McDougall, 1994). Cavusgil and Knight (2015, p. 3) state that ”especially notable was the increasing number of young, entrepreneurial firms intently pursuing customers in foreign markets that populated the business landscape. They were characterized as young, entrepreneurial start-ups that initiate international business soon after their inception.” Scholars and management consultants alike referred to this breed of firms as ‘born global’ firms, and the theory describing these is often referred to as the international entrepreneurship approach (Andersson, 2011). The principal argument of the international entrepreneurship approach is that in the 21st century, firms don’t have time to expand gradually. Firms must rapidly seize and capitalize on opportunities to internationalize, which may involve utilizing high commitment modes of entry to countries where the psychic distance between home and target country is large (Cavusgil et al., 2012).

With respect to solving this seemingly contradictory tension between the predictions of the Uppsala model and the international entrepreneurship approach, Verbeke et al. (2014) argue that the different expansion patterns predicted by these models are in fact *special cases* of internationalization. They argue that *internalization theory*, which draws on resource-based theory, transaction cost economics, and entrepreneurship theory, serves as a comprehensive framework that is capable of explaining which entry modes firms should utilize when expanding abroad (ibid). The theory is based on Coase’s (1937) concept of internalization, which contends that in imperfect markets firms have an incentive to internalize their activities in foreign countries. If firms are able to reduce their transaction costs by internalizing their activities in the target country, as opposed to engaging with firms, who are conducting such activities in the target country, on the free market, then firms will choose to internalize their activities in the target country (ibid). Another comprehensive framework, which is similar to internalization theory, is the *eclectic theory*, which emphasizes ownership advantage, location advantage, and internalization advantage when addressing which modes of entry firms should utilize (Dunning, 1977).

Consequently, Ekeledo and Sivakumar (2004, p. 94) argue that the ”diversity and number of extant theories of international trade, together with their often narrow and conflicting prescrip-
tions for resolving entry mode issues, have created a great deal of ambiguity and confusion for managers.” Likewise, Sanchez-Peinado et al. (2007, p. 67) claim that the “existing literature has not reached an agreement on which theoretical framework should be used to explain a firm’s foreign market entry mode.” Morschett et al. (2010, p. 71) concur, arguing that, with respect to entry mode research, it has become “evident that ambiguous results in primary studies are not the exception but the rule.” In light of this trend, it seems fruitful to adopt a contingency approach towards determining which entry strategies are the most effective, in which the contingencies for which the prescriptions are valid are strongly highlighted. Therefore, a literature review was conducted in order to determine which contingencies influence which entry modes a firm should employ, the findings of which I turn to next.

3.2.2 Literature review on the contingencies that influence which entry modes firms should employ

As previously mentioned, entry modes may be differentiated according to different levels of control, ownership, risk and resource commitment (Nisar et al., 2012; Li and Qian, 2008; Shukla et al., 2012; Holtbrügge and Baron, 2013; Taylor et al., 1998; Laufs and Schwens, 2014; Ahsan and Musteen, 2011; Sanchez-Peinado et al., 2007; Chen et al., 2006; Ulrich et al., 2014). Consistent with distinguishing entry modes according to these criteria, the literature reviewed often further distinguishes these into equity and non-equity modes of entry (Hollender et al., 2017; Taylor et al. 1998; Nisar et al., 2012). According to Hollender et al. (2017), equity modes of entry, such as joint ventures or wholly owned subsidiaries, require direct investments into the host country. Although equity modes require higher degrees of resource commitment, they offer a closer proximity to the market in the host country and greater control of foreign operations (ibid). Non-equity modes, such as exporting and contractual arrangements, e.g. licensing and franchising, require fewer resources and offer greater flexibility to firms, but at the cost of losing proximity to the host country’s markets and control of foreign operations there (ibid). Consequently, which modes of entry are successful is dependent upon which degrees of control, ownership, and resource commitment are needed to enter the target country successfully, which the literature reviewed suggests depends on several contingencies.

An overview of the results from the literature review on which contingencies influence which entry modes firms should employ is provided in table 3.1 below. The overview shows when the articles were written, who they were written by, the methodology used, as well as the focus and main conclusions of the articles²

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²h-index based on Scimago’s ranking of journals (Scimago, 2016). An asterisk (*) indicates that the ranking of a journal was not listed.
<table>
<thead>
<tr>
<th>Articles</th>
<th>Author (year)</th>
<th>Journal</th>
<th>Methodology</th>
<th>Focus</th>
<th>Main conclusions</th>
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<tr>
<td>Acquisition entry strategy of Nordic multinational enterprises in China: An analysis of key determinants</td>
<td>Arslan and Wang (2015)</td>
<td>Journal of Global Marketing (23)</td>
<td>Quantitative study of 106 acquisitions made by 65 Nordic MNEs during the period 1987-2012.</td>
<td>The key determinants of acquisition entry strategy (i.e., the choice between full versus partial acquisition) for Nordic MNEs in China.</td>
<td>High target country experience, high cultural distance, high level of product diversification, and subsidiary location in institutionally developed open cities in China were positively correlated with Nordic MNEs opting for full acquisition modes of entry. Conversely, high industry research, high development intensity and the opportunity to opt for a full acquisition in later investments led to Nordic MNEs opting for partial acquisitions.</td>
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<tr>
<td>Choice of foreign market entry mode in service firms</td>
<td>Blostenmo et al. (2006)</td>
<td>International Marketing Review (57)</td>
<td>Quantitative study of 140 Swedish service firms using questionnaires filled in by the president or vice-president of the company.</td>
<td>The relationship between foreign market entry modes and hard- and soft-service firms.</td>
<td>Whereas hard service suppliers can learn from the experience of manufacturing firms going abroad and use lower control entry modes, soft services suppliers, due to the importance of interacting with foreign customers, should opt for a high degree of control over their foreign market entry mode.</td>
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<td>Entry strategies into China: The choice between joint ventures and wholly foreign-owned enterprises - An application to the Italian manufacturing sector</td>
<td>Boniemi and Prodi (2009)</td>
<td>International Review of Economics and Finance (30)</td>
<td>Quantitative and qualitative study of 78 Italian companies in China. Both interview and questionnaires were utilized.</td>
<td>How the variables internationalization, innovation and corporate social structures affect entry mode decisions.</td>
<td>Mature products need no special protection, which compels firms offering mature products to utilize joint ventures as an entry mode. Conversely, firms offering high-tech products establish wholly owned subsidiaries to protect their technology. For small companies the support of a partner is essential to face expensive and risky investments, such as entries into the Chinese market. Previous experience abroad and the degree of integration/penetration in the target market is positively associated with firms opting for JVs.</td>
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<td>SME entry mode choice and performance: A transaction cost perspective</td>
<td>Brotherson and Nakos (2004)</td>
<td>Entrepreneurship Theory and Practice (39)</td>
<td>Quantitative study of small and medium-sized Dutch and Greek companies, involved in Central and Eastern Europe, using questionnaires.</td>
<td>Whether or not SME entry mode choices, made on the basis of transaction cost theory, lead to superior performance.</td>
<td>SMEs that choose entry modes, based on a transaction-cost framework, perform significantly better than firms that use other frameworks to choose an appropriate entry strategy.</td>
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<tr>
<td>How cultural distance influences entry mode choice: The contingent role of host country's governance quality</td>
<td>Chang et al. (2012)</td>
<td>Journal of Business Research (114)</td>
<td>Quantitative study of 2451 entries made by Taiwanese MNES into 13 different countries. Financial data and information were taken from the Taiwan Economic Journal database.</td>
<td>How host country's governance impacts how cultural distance affects entry mode choice.</td>
<td>Governance quality moderates the impact of cultural distance on MNES' entry mode choice. Both cultural- and governance hazards directly or indirectly impede upon MNES' entry mode decision and foreign activities. If informal institutions (culture) and formal institutions (governance quality) of the host country are both unfavourable to the foreign MNES, they will choose full control arrangements of wholly owned subsidiaries as entry strategies.</td>
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<tr>
<td>An analysis of determinants of entry mode and its impact on performance</td>
<td>Chen and Hu (2002)</td>
<td>International Business Review (63)</td>
<td>Quantitative study of foreign investments in China from 1979 to 1992 using several Chinese databases.</td>
<td>The determinants of entry choice by multinationals and the impact of entry mode choice on performance, based on the transaction cost framework.</td>
<td>The findings support the hypothesized effects of transaction cost theory. Foreign investment projects, in which the entry strategy is chosen according to the prescriptions of transaction cost theory, are more successful than entry strategies chosen on the basis of other frameworks.</td>
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<td>International market entry strategies of manufacturing firms and service firms: A resource-based perspective</td>
<td>Ekeledo and Sivakumar (2004)</td>
<td>International Marketing Review (57)</td>
<td>Quantitative study based on a mail survey of top US managers in the manufacturing sector, in which perceptions of appropriate entry strategies were measured. Participants were selected using a convenience sample, based on a mailing list from previous publications.</td>
<td>The explanatory power of a resource-based framework on choice of entry mode.</td>
<td>The nature of firm-specific resources impact entry mode decisions. If a firm possesses resources that require strong protection in order to sustain their competitive advantage, then they should opt for higher-commitment entry modes such as establishing wholly owned subsidiaries.</td>
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<td>The impact of market-related factors on the entry mode of small and medium enterprises</td>
<td>Ferreira et al. (2013)</td>
<td>Journal of International Management (7)</td>
<td>Quantitative study of 71 Portuguese firms using an online survey.</td>
<td>The influence market determinants have on the entry mode choice of exporting small and medium enterprises.</td>
<td>SMEs have a preference for export as an entry mode as opposed to contractual and investment modes of entry. The findings suggest that market-related influence do not influence the choice between exports and contractual entry modes.</td>
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<td>Table 3.1: Overview of the results from literature review on which contingencies determine entry strategy.</td>
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<td>Articles</td>
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<td>SME foreign market entry mode choice and foreign venture performance: The moderating effect of international experience and product adaptation</td>
<td>Hollender et al. (2017)</td>
<td>International Business Review (63)</td>
<td>Quantitative study of 133 German SMEs using online surveys.</td>
<td>The performance implications of entry mode choices.</td>
<td>International experience improves the performance of non-equity entry modes by mitigating liabilities of smallness, which are inherent to SMEs. Because of the resource deficiencies of SMEs, they are limited in their strategic choices and therefore often prefer non-equity entry modes. Similar to international experience, product adaptation enhances the performance of non-equity entries into foreign markets. Consequently, pairing non-equity modes of entry with international experience and product adaptation make resource-constrained SMEs able to compensate for their resource constraints in their entries into foreign markets.</td>
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<tr>
<td>A theoretical framework on factors affecting entry mode choices of MNCs</td>
<td>Khan (2016)</td>
<td>Journal of Arts, Science &amp; Commerce (N/A)*</td>
<td>Conceptual study using secondary data from numerous journals.</td>
<td>How different contingencies influence a firm's choice of entry strategy.</td>
<td>The same contingencies can affect the entry mode decision differently, depending on which foreign location the multinational enters. The impact of the contingencies on choice of entry strategy varies dramatically based on the nature of the industry, differences between companies' internal policies and their perceived risks of entering different regions.</td>
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<tr>
<td>Partnership or self-reliance entry modes: Large and small technology-based enterprises' strategies in overseas markets</td>
<td>Li and Qiu (2008)</td>
<td>Journal of International Entrepreneurship (23)</td>
<td>Quantitative study of 166 large, small and medium-sized firms in technology industries through questionnaires. Questionnaires were filled by CEOs or highest ranking officer of each firm.</td>
<td>How innovative advantage, market dynamics, and needed promotional effort influence the entry mode choice of large and small technology-based enterprises.</td>
<td>The presence of innovative advantage urges both small and large technology firms to use self-reliance entry modes. A violent market dynamism compels large technology firms to opt for self-reliance entry modes and small firms to opt for partnerships. High promotional effort is conducive to both large and small technology-based firms to utilize partnerships.</td>
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<tr>
<td>Asset specificity and foreign market entry mode choice of small and medium-sized enterprises: The moderating influence of knowledge safeguards and institutional safeguards</td>
<td>Mackelburger et al. (2012)</td>
<td>Journal of International Business Studies (130)</td>
<td>Quantitative study of 206 German small and medium-sized enterprises on the basis of surveys filled out by firm owners and CEOs.</td>
<td>How knowledge safeguards (international experience, host-country networks, and imitation) and institutional safeguards (property rights protection and cultural proximity) protect a firm's specific assets.</td>
<td>Both knowledge safeguards and institutional safeguards weaken the impact of asset specificity compelling firms to opt for for equity modes of entry.</td>
</tr>
<tr>
<td>Decades of research on market entry mode: What do we really know about external antecedents of entry mode choice?</td>
<td>Morschett et al. (2010)</td>
<td>Journal of International Management (46)</td>
<td>Meta-analysis of 72 independent primary studies on the external antecedents of entry mode choice.</td>
<td>How external antecedents affect entry mode choice.</td>
<td>There is a positive relationship between power distance in the home country and the propensity of firms from such countries to establish wholly owned subsidiaries. Conversely, a negative association was found between country risk, legal restrictions, market growth, and market size and firms' preference for using wholly owned subsidiaries as a mode of entry.</td>
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<tr>
<td>International strategy for SMEs: criteria for foreign markets and entry mode selection</td>
<td>Musso and Francioni (2014)</td>
<td>Journal of Small Business and Enterprise Development (29)</td>
<td>Quantitative and qualitative study of 221 Italian SMEs. Interviewees included owners, chief executives and managers responsible for the internationalization process.</td>
<td>Examination of the internationalization of SMEs with regard to the international market selection (IMS) and entry mode selection (EMS) processes.</td>
<td>SMEs have a passive and non-systematic behaviour during both IMS and EMS. Furthermore, a high preference was found for performing the two processes without any logic or performing the two processes simultaneously. Lastly, a strong relationship was found between the degree of systematic and active behaviour during the process and the sequentiality of the IMS and EMS.</td>
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<td>How and why Norwegian MNCs commit resources abroad: Beyond choice of entry mode</td>
<td>Randøy and Dibell (2002)</td>
<td>Management International Review (51)</td>
<td>Quantitative study using a mail survey of the 120 largest divisions of the 50 largest Norwegian manufacturing exporters.</td>
<td>The development and testing of a model for MNCs' commitment of resources in foreign countries.</td>
<td>Strategic motives are important to MNCs' choice of entry strategy. Firm-specific, location-specific, transaction-specific and strategic factors significantly influence MNCs' choice of entry mode.</td>
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<td>Strategic variables that influence entry mode choice in service firms</td>
<td>Sánchez-Peñado et al. (2007)</td>
<td>Journal of International Marketing (60)</td>
<td>Quantitative study of Spanish companies with subsidiaries outside of Spain, in which 113 questionnaires were filled out by top management.</td>
<td>How strategic issues influence entry mode choice in service firms.</td>
<td>The determinants of entry mode choice, which have traditionally been analyzed within the context of manufacturing firms, can not be directly transferred to all types of service firms. This is because the entry mode decisions of capital-intensive and knowledge-intensive service firms differ as these are determined by a different set of strategic variables.</td>
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<td>The impact of market-related factors on the choice of foreign market entry mode by service firms</td>
<td>Sarapovas et al. (2016)</td>
<td>Organizations and Markets in Emerging Economies (N/A)*</td>
<td>Quantitative study of 52 Lithuanian service SMEs using an online survey.</td>
<td>The key determinants for entry mode choice. Emphasis is placed on the effects that factor-related factors have on service companies' choice of entry mode.</td>
<td>The higher the market attractiveness, the more firms opt for high commitment entry modes. The higher the cultural distance, the more firms opt for low commitment entry modes.</td>
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<td>The moderating impact of informal institutional distance and formal institutional risk on SME entry mode choice</td>
<td>Schwes et al. (2011)</td>
<td>Journal of Management Studies (19)</td>
<td>Quantitative study of 227 internationally active German SMEs using questionnaires. Questionnaires were filled out by CEOs or firm owners.</td>
<td>How informal institutional distance and formal institutional risk moderate SMEs' choice of entry mode.</td>
<td>The relationship between direct effects, which are well established in the literature, on entry mode choice are dependent upon the institutional context.</td>
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<td>Empirical analysis of distinct entry mode strategies among service firms: Case studies from Australia</td>
<td>Sukla et al. (2012)</td>
<td>Journal of Comparative International Management (N/A)*</td>
<td>Case study of 6-capital intensive service firms and 5 knowledge intensive service firms that have entered Australia.</td>
<td>The market commitment aspect of international service firms' entry into new host markets.</td>
<td>Capital intensive firms enter new host markets with a relatively lower resource commitment than knowledge intensive service firms. Therefore, the capital intensive firms follow the Uppsala model more closely than knowledge intensive service firms.</td>
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<td>Greenfield or acquisition entry? The roles of policy uncertainty and MNE legitimacy in host countries</td>
<td>Slageren (2013)</td>
<td>Global Strategy Journal (N/A)*</td>
<td>Quantitative study of 172 Dutch multinational enterprises (MNEs) using a questionnaire sent to the MNEs' senior executives.</td>
<td>How policy uncertainty affects MNEs' choice between wholly owned greenfield and full acquisition entries, and the function of subsidiary legitimacy with regard to policy uncertainty.</td>
<td>The POLCON index, which is used to measure policy uncertainty, is an incomplete indicator of the policy threats faced by MNEs. This is because it does not consider subsidiaries' legitimacy.</td>
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<td>SME networks and international performance: Unveiling the significance of foreign market entry mode.</td>
<td>Stoian et al. (2017)</td>
<td>Journal of Small Business Management (67)</td>
<td>Quantitative study of 190 British SMEs.</td>
<td>The impact of interorganizational networks on the international performance of small and medium-sized enterprises with respect to the foreign market entry mode selected.</td>
<td>Organizational networks have an indirect impact on the international performance of SMEs. However, differences are found among the two types of SMEs analyzed, namely exporting SMEs and micro/multinational enterprises.</td>
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<td>Entry mode strategies into the Brazil, Russia, India and China (BRIC) markets</td>
<td>Ulrich et al. (2014)</td>
<td>Global Business Review (7)</td>
<td>Quantitative study of 177 Danish SMEs, which have entered one or several BRIC countries. Questionnaires were filled out by the person(s) in charge of the internationalization process.</td>
<td>The relevance of different entry modes for Danish SMEs. How internal and external resources influence the choice of entry modes into the BRIC markets.</td>
<td>More traditional factors, such as control, flexibility and risk, were regarded as less important than personnel and financial resources for the Danish SMEs with respect to choosing an appropriate entry mode into BRIC markets. The most crucial external factor was market potential, whereas factors such as trade barriers, cultural distance, as well as economical and political risks, were viewed as the main obstacles when internationalizing into distant markets.</td>
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<td>External uncertainty and entry mode choice: Cultural distance, political risk and language diversity</td>
<td>Vidal-Suarez and L. Lopez-Duarte (2010)</td>
<td>International Business Review (63)</td>
<td>Quantitative study of 334 Spanish FDI's located in 34 different host countries and made up by 63 different firms using different national databases.</td>
<td>The effect external uncertainty has on entry mode choice when investing abroad.</td>
<td>Language diversity significantly affects entry mode choice. This diversity affects the potential role of a local partner with respect to decreasing the external uncertainty, with regard to both the informal and formal environment of the host country. When there is no language diversity, local partners should primarily be used to share investment costs and risks. When there is a language barrier, problems and costs derived from investing in a highly uncertain environment are aggravated. In such circumstances, it is important to develop effective communication in order to achieve effective cooperation between the partners, in which a balanced distribution of contributions, benefits and roles is sought.</td>
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With regard to methodology, it is clearly seen that the dominating research methodology is quantitative studies of internationalizing firms. The research in these studies is often based on surveys. These are usually filled out by the CEO, the owner of the firm, or other high-ranking officers, which may be because they are "believed to be the most knowledgeable about their firm’s overall operations" (Li and Qian, 2008, p. 199). However, in this regard, the study of Ulrich et al. (2014) is of interest. With respect to the respondents of their survey, they ensure that "the person in the company that is directly responsible for internationalization processes in company" (ibid, p. 431), such as the director, owner, marketing, sales or export manager (ibid), is the person that fills out the survey. As senior management in a firm may not necessarily be as involved in the internationalization process as other members of the organization, such an approach seems warranted with regard to gathering accurate and reliable data. Consequently, ensuring that an emphasis is placed on the data being collected from the person(s) most involved in the internationalization process, consistent with the methodology of Ulrich et al. (2014), seems appropriate.

With regard to focus, most of the articles emphasize explaining how firms make entry mode decisions, and not which entry modes they should choose. Although most of the articles are of a descriptive nature, they usually include normative implications and conclusions. Only three articles are of a normative nature (Brouthers and Nakos, 2004; Chen and Hu, 2002; Hollender et al., 2017). Brouthers and Nakos (2004) and Hollender et al. (2017) focus on which entry modes lead to superior performance for small- and medium enterprises (SMEs). The broadest study with regard to a normative assessment of entry modes is the study of Chen and Hu (2002). Chen and Hu (2002) provide an extensive overview of how several contingencies should affect a firm’s entry mode choice and subsequently test their propositions empirically, using various data sources on FDI investments in China during the period 1979-1992. Chen and Hu (2002) conclude that firms, which approach the contingencies according to a transaction cost framework, have superior performance. However, as was noted in the above, scholarly disagreement persists on definitions of different theoretical frameworks and their relationship to each other. Consequently, delineating these appropriately appears important with regard to providing a basis on which to conduct normative research.

The articles reviewed differ strongly with regard to the contingencies they examine, which implies that the nature of their conclusions, which include normative implications, differ strongly as well. In the next section, these conclusions are systematized and discussed, according to the contingencies they examine. Insights from other articles, found through the literature review conducted for a project thesis on the role of networks in internationalization (Colclough, 2016), are also included in the discussion where relevant.
3.2.2.1 How do different contingencies affect the entry mode decision?

In this section what the literature reviewed says about how different contingencies affect which entry modes firms should employ is addressed. Subsequently, how these contingencies relate to each other, and how firms should reconcile contingencies that pull them towards different entry modes, is discussed.

What is the effect of proprietary assets on firms’ choice of entry strategies?

Ekeledo and Sivakumar (2004) highlight protection of assets in their study of which entry modes are appropriate. They argue that the ”protection of resources that are the source of a firm’s competitive advantage should also be an important consideration when choosing entry mode” (ibid, p. 94). Similarly, Sanchez-Peinado et al. (2007, p. 86) states that entry ”mode choice patterns in knowledge-intensive service firms are determined mainly by the protection of tacit know-how and strategic considerations.” Consequently, proprietary assets seems to be an important contingency when choosing an appropriate entry mode.

Ekeledo and Sivakumar (2004) find that full commitment- and control modes, such as wholly owned subsidiaries, offer the best protection for a competitive advantage when expanding abroad (ibid). Schwens et al. (2011, p. 348) seem to agree, arguing that in order ”to safeguard internal know-how, SMEs with high proprietary know-how should opt for equity based entry modes even in situations of large informal institutional distance and high formal institutional risk.” Similarly, Li and Qian (2008) find that both large firms and SMEs in the technology sector prefer self-reliance entry modes if they possess an innovative advantage, in order to protect their assets effectively (ibid). Anderson and Gatignon (1986) agree, arguing that, on the basis of transaction cost theory, modes of entry offering greater control are more efficient for highly proprietary products or processes. Although Sanchez-Peinado et al. (2007) contend that high commitment modes of entry may lead to stronger dissemination of proprietary assets in the target country, it appears that the literature reviewed in general contends that high commitment modes of entry offer greater protection of proprietary assets.

An important issue with respect to proprietary assets is the degree to which assets are specific. Asset specific investments can be considered as ”investments that are specific to a transaction, and which lose value in alternative use. The idiosyncratic nature of these investments makes them vulnerable to opportunism, and safeguarding becomes an important issue” (Maekelburger et al., 2012, p. 460). A means by which to protect highly specific assets, in the context of internationalization, is internalization, in which high-commitment entry modes are used to protect them (Brouthers and Nakos, 2004). However, Brouthers and Nakos (2004) find that
despite a high degree of asset specificity, SMEs tend to opt for low commitment entry modes. This may be because SMEs are constrained in terms of resources compared to multi-national corporations (MNCs), which is an issue I consider below under the firm size contingency. However, despite the literature’s assertion that SMEs need to build partnerships to expand abroad because of their resource constraints (Musteen et al., 2014; Lin et al., 2016), Li and Qian (2008) find that SMEs in the technology sector, who possess an innovative advantage, prefer self-reliance modes of entry despite their smaller size. They note that this may be because they do not need external assets and/or because they want to prevent asset leakages, which prompts them to internalize their foreign operations (ibid).

Lastly, Bontempi and Prodi (2009) argue that for mature products there is little need for special protection, implying that high commitment modes of entry may be less warranted if a firm’s product offering is mature. Conversely, more technologically sophisticated products require higher levels of protection, which only wholly owned subsidiaries alone can provide (ibid).

In conclusion, the stronger the need to protect proprietary assets, the more inclined firms are towards using high commitment modes of entry in order to protect their assets through internalizing their activities abroad. However, a constraining factor in this regard may be the firm’s resource base, as high commitment modes of entry require large investments, which only larger or more resourceful firms may be able to afford.

What is the effect of the nature of firms’ offerings on their choice of entry strategies?

Blomstermo et al. (2006) consider how the nature of the services provided affect which entry modes service firms should utilize. They distinguish between hard services, where production and consumption can be decoupled, e.g. software services where a program can be transferred onto a CD, and soft services, where production and consumption cannot be decoupled, e.g. management consulting services (ibid). Blomstermo et al. (2006) find that soft-service firms should utilize high commitment entry modes because of their need to interact directly with their foreign customers to provide a service. They argue that foreign “presence allows firms to become familiar with the requirements of foreign buyers, and to manage buyer-seller interaction, as well as to adapt services to meet buyer’s requirements” (ibid, p. 222). Conversely, such a presence and frequency of interaction is less vital for hard-service firms, which means that it may not be necessary for them to invest heavily in foreign markets to deliver their services there (ibid).

Li and Qian (2008) find that when high degrees of promotional effort are required to educate consumers about a firm’s offering, both MNCs and SMEs in the technology sector opt for partnerships and externalize their activities in the target country. In technology industries firms
often spend a substantial amount of resources to educate customers and create market awareness (ibid). Therefore, as local partners are likely to know their own culture and home markets better than the internationalizing firm, they are likely to be more able to tailor promotional efforts in the technology industry to the taste of customers in the target country (ibid).

Therefore, when consumption and production of a firm’s offering can be decoupled, low commitment modes of entry seem to be preferable, whereas when consumption and production cannot be decoupled, high commitment modes of entry seem warranted. With respect to promotional efforts, the two articles seem to provide different recommendations. Li and Qian (2008) seem to argue that the higher the promotional effort required to sell a product or service, the stronger the need for local partners and the more inclined firms are towards lower commitment modes of entry. Conversely, Blomstermo et al. (2006) seem to suggest that higher commitment modes of entry should be used in such cases, in order to create strong bonds between buyers and sellers.

In conclusion, if production can be decoupled from consumption, lower commitment modes of entry seem warranted. If production cannot be decoupled from consumption, higher commitment modes of entry may be warranted. Lastly, the link between promotional efforts required to educate consumers and entry mode choice appears uncertain.

What is the effect of firms’ need for internal coordination and partnering on their choice of entry strategies?

A well-known problem in the field of internationalization theory is that firms need to consider whether performance abroad is enhanced through internal coordination of activities or through co-operation with a local partner (Wit and Meyer, 2014). With regard to the literature reviewed, Randøy and Dibrell (2002) find that high commitment modes of entry are more efficient as they allow for enhanced efficiency through internal coordination. Similarly, Sanchez-Peinado et al. (2007) argue that knowledge-intensive service firms should utilize full-ownership control modes of entry because of the hierarchical coordination needed to efficiently coordinate activities to provide such services (ibid). Conversely, Shukla et al. (2012) argue that firms operating in capital-intensive industries tend to opt for low commitment entry modes, which may be because hierarchical coordination is not a vital concern for such firms. Therefore, firms’ preference for internal coordination, which compels them towards higher commitment modes of entry, versus partnering, which compels firms towards lower commitment modes of entry, may be industry dependent.

According to the study of Musteen et al. (2014), high commitment entry modes, such as establishing wholly owned subsidiaries in foreign countries, may deter firms from taking advantage of valuable expertise and connections embedded in local firms, which may be accessed through
partnerships. Similarly, Ojala (2009) and Zhang et al. (2016) argue that building relationships with businesses in the target country is of utmost importance to internationalize effectively, which may be more difficult to do if a firm chooses to internalize its foreign activities by establishing a wholly owned subsidiary. Li and Qian (2008) argue that partnerships in overseas markets are necessary primarily because firms may not possess all the assets required for an overseas expansion, such as country-specific knowledge. Consistent with this view, Ulrich et al. (2014) argue that Danish SMEs prefer low commitment modes of entry and emphasize nurturing relationships with their local partners in their entry strategies. Such an approach may indicate a deliberate division of labour as suggested by Ling et al. (2005), in which the firm from the home country contributes with its technology and the partner firm in the target country contributes with its local knowledge and connections.

It should be noted that the lack of access to local resources through partnerships, associated with full commitment modes of entry, may be remedied by the use of acquisitions as opposed to greenfield investments in the entry, as this may allow the firm to embed local knowledge and connections into the parent organization. Arslan and Wang (2015, p. 33) argue that “acquisitions can be presumed as a preferred entry strategy of investing MNEs in order to gain a relatively quick foothold in local market by accessing needed local networks, as well as to avoid problems associated with liability of foreignness and newness associated with greenfield subsidiaries established by foreign MNEs.” However, a cautionary note is warranted with respect to utilizing acquisition as an entry mode to retain control over operations in the target country whilst avoiding some of the drawbacks of high commitment entry modes. Holtbrügge and Baron (2013) claim that the institutional and cultural distance between the home- and target country may be so large that the restructuring after the acquisition becomes very costly. This causes the new operation to resemble a greenfield investment, rather than an acquisition (ibid). Consequently, the likelihood of an acquisition capturing similar benefits as partnerships for a reasonable cost seems to be be proportional to the psychic distance between the home- and target country. Such a view seems to be consistent with the findings of Slangen (2013), who finds that an uncertain institutional environment significantly increases the likelihood that MNCs opt for greenfield investments as opposed to full acquisitions as an entry strategy.

In conclusion, the literature seems to suggest that the stronger the need for internal coordination, the more firms should opt for high commitment modes of entry. Conversely, the stronger the need for access to local resources, such as local knowledge, connections, and distribution partners, the more firms should opt for low commitment modes of entry. Given that the the there is a strong need for internal coordination, a small cultural distance between the target- and home country suggests that a full acquisition can effectively be used as an entry strategy to
also reap the benefits of having access to local resources. If the distance is large, then greenfield investments seem to be more appropriate.

**What is the effect of firm size on firms’ choice of entry strategies?**

The literature seems to suggest that MNCs and SMEs have different preferences for entry modes. It seems to suggest that MNCs should utilize high commitment modes of entry in order to protect their assets, or if internal coordination is conducive to the MNCs’ products or services being provided more effectively in the target country (Ekeledo and Sivakumar, 2004; Li and Qian, 2008). Taylor et al. (1998) note that U.S. SMEs have a preference for partnerships, whereas larger firms have a preference for self-reliance entry modes. Consistent with this view, Brouthers and Nakos (2004) argue that most SMEs prefer non-equity modes of entry because they are limited in their strategic choices because of their resource deficiencies. Bontempi and Prodi (2009) also agree, noting that partnerships are essential for the expansion of SMEs, because they do not possess the resources to expand on their own. Although Li and Qian (2008) argue that SMEs in the technology industry should opt for high commitment entry modes to protect their assets, it seems reasonable to assume that not all SMEs in the technology industry possess the necessary resources to establish wholly owned subsidiaries in foreign countries. Consequently, I argue that the contention of Li and Qian (2008), namely that SMEs in the technology sector should utilize high commitment modes of entry, such as establishing wholly owned subsidiaries abroad, should be met with a healthy dose of skepticism, as there exists strong support for the contention that SMEs in general need to rely on networks when expanding abroad, due to their resource constraints (Hånell and Ghauri, 2016; Han, 2006; Zhang et al., 2016; Zhou et al., 2007; Torkkeli et al., 2012; Santos et al., 2012, Musteen et al., 2014; Oehme and Bort, 2015; Cavusgil and Knight, 2015; Lin et al., 2016). Musso and Francioni (2014, p. 308) expand on this issue, arguing that SMEs’ preference for low commitment modes of entry, linked with effective networking, may be because SMEs ”must cope with scarce resources, limited expertise, and lack of information in their international development.” Consequently, the information required to cope with the uncertainties of internationalization ”must be acquired at the lowest possible cost, and patterns of internationalization need to be based on organizational processes that can facilitate learning and adaptation of strategies to the evolution of the firm’s experience. Then, within models adopted by SMEs, there must be room for ‘test and learn’ models, rather than fully rational and systematic approaches” (Musso and Francioni, 2014, p. 309).

In conclusion, the literature reviewed suggests that the larger the firm, the more the firm should opt for a high commitment mode of entry. Conversely, the smaller the firm, the more the firm should opt for a low commitment mode of entry.
What is the effect of capital- and knowledge intensity on firms’ choice of entry strategies?

Shukla et al. (2012) argue that in the context of capital-intensive industries, expansions abroad require large investments. This prompts firms operating in such industries to reduce the risk of the expansion by initially committing few resources to the market, followed by gradually increasing commitments (ibid), as predicted by the Uppsala model (Johanson and Vahlne, 1977). This is consistent with the arguments of Chen and Hu (2002, p. 197), who argue that capital-intensive investments abroad ”not only strains a company’s capital and human resources, but also increases business and political risk.” This suggests that firms expanding in capital-intensive industries should share both the investment and risk with local firms by opting for lower commitment modes of entry (ibid). Similarly, Sanchez-Peinado (2007, p. 86) argue that capital-intensive service firms may be especially prone to low commitment entry modes in uncertain environments as they ”prefer to hold a flexible position in countries with high levels of political and economic instability and high cultural distance”, compelling their expansion patterns to resemble those of manufacturing firms, who enter target countries by low commitment modes of entry and gradually commit more resources to the entry as they accumulate experience and knowledge in the target countries (ibid). Conversely, knowledge-intensive firms have lower start-up costs and often smaller windows of opportunity, which suggests that they should expand through higher commitment modes of entry in order to effectively seize international opportunities, thereby deviating from the expansion process predicted by the Uppsala model (Shukla et al., 2012).

In conclusion, the stronger the capital intensity of the industry in which the firm competes, the more it should opt for low commitment modes of entry. Conversely, if the firm operates in a knowledge-intensive industry, which is not capital-intensive, higher commitment modes of entry may be appropriate as they have relatively low investment costs.

What is the effect of strategic orientation on firms’ choice of entry strategies?

With respect to other contingencies which may affect which entry mode internationalizing firms should utilize, Nisar et al. (2012) appear to emphasize the strategic purpose of the entry as the guiding post for which entry mode should be used. They argue that joint ventures or mergers and acquisitions should be used as entry modes if the purpose of the entry is to increase or protect market share, whereas establishing fully-owned subsidiaries are appropriate if the strategic purpose of the expansion is to gain access to natural resources, R&D or achieving economies of scale (ibid). This is consistent with the arguments of Khan (2016, p. 55), who claim that ”a firm opts for equity modes in a country blessed with adequate natural resources
in order to benefit from it." However, such a perspective appears somewhat narrow, as it seems unlikely that resource-constrained SMEs, who wish to gain access to natural resources in a foreign country, have the resources necessary to establish wholly owned subsidiaries in such countries. Indeed, Hollender et al. (2017, p. 260) note that most "SMEs are limited in their strategic choices due to resource deficiencies and therefore often prefer non-equity entry modes."

In conclusion, depending on the strategic purpose of the entry into a foreign market, different modes of entry appear appropriate. However, contingencies such as firm size, may restrict the number of strategic choices available for the entering firm.

What is the effect of cultural distance on firms’ choice of entry strategies?

Blomstermo et al. (2006) and Randøy and Dibrell (2002) both argue that the higher the perceived cultural distance between home and target country, the more firms opt for high commitment modes of entry. Conversely, Sarapovas et al. (2016) find that the higher the perceived cultural distance, the more firms opt for low commitment entry modes. Thus, there seems to exist disagreement in the literature reviewed on the effect of cultural distance on entry mode choice.

In contrast to the above authors, Chen and Hu (2002) are reluctant to postulate a relationship between cultural distance and low- or high commitment modes of entry. They argue that on the one hand unfamiliarity "with the host country’s culture and local management gives investors incentives to internalize so that they can control their foreign affiliates more effectively" (ibid, pp. 196-197), but that "the unfamiliarity may also lead investors to share control with local partners. Thus, the foreign investors can share risk with local partners and avoid costly mistakes in the new environment" (ibid, p. 197). Their findings are consistent with their arguments, as they find that neither low commitment nor high commitment entry modes are more efficient with regard to overcoming psychic distance. The findings of Ferreira et al. (2013) also indicate that there is no relationship between cultural distance and entry mode choice per se. Vidal-Suárez and López-Duarte (2010) refer to the contradictory results on the impact of cultural distance on entry mode choice as the cultural distance paradox. Khan (2016, p. 54) notes that the divergent results in the literature on the relationship between cultural distance and entry modes "are indicative of the fact the companies perceive the risk associated with cultural distance differently."

In conclusion, it appears that cultural distance, by itself, should not compel firms to opt for either either low commitment or high commitment modes of entry.
What is the effect of international experience and networks on firms’ choice of entry strategies?

The study of Maekelburger et al. (2012) suggest that higher degrees of international experience and connections reduce the uncertainty associated with entries and provides a more accurate assessment of risks in target countries. This implies that firms with a lot of international experience and connections can opt for less expensive non-equity modes of entry, as they do not need to control foreign activities to reduce the uncertainty of operating in foreign markets (ibid). They note that although "it may be difficult for managers to build up international experience when needed, international chambers of commerce may furnish network partners in target countries" (ibid, p. 473). Hollender et al. (2017) argue that SMEs should develop international experience, as it particularly enhances the performance of non-equity entry modes. They argue that linking international experience with product adaptation to foreign markets’ demand enhances the performance in the case of non-equity entries. Thus, it seems that such international experience may replace the need for local partners to adapt one’s offering to local tastes. The findings of Blomstermo et al. (2006) suggest that international experience and networks are interconnected. In their study, they find that the more experience service firms accumulate, the less prone they are towards high commitment entry modes (ibid). They argue that "these firms may be engaged in a wide network of business and social relationships abroad, which are a source of knowledge on foreign clients and institutions. These firms, thus, possess more and better quality information on foreign markets and foreign clients. Moreover, based on their accumulated foreign experience, these firms have developed search routines and screening processes that facilitate selecting the right business partner and the right business market abroad" (ibid, pp. 222-223).

With regard to networks, Stoian et al. (2017, p. 129) argue that "interorganizational networks have been recognized to influence the foreign market entry mode. Specifically, networks are likely to determine whether a firm participates in international operations solely by exporting as opposed to engaging in more committed international activities such as international licensing/franchising/joint ventures/strategic alliances and/or setting up subsidiaries abroad" (italics added). In their study, they distinguish between two types of SMEs: exporting firms and micromultinational enterprises (mMNEs) (ibid). The latter type of SMEs resemble MNCs in that they often opt for high commitment modes of entry (ibid). They argue that with regard to mMNEs, networks are relied upon to enhance innovative behaviour and for access to foreign market knowledge, which is used to boost international performance (ibid). They find that mMNEs seem to have developed a more sophisticated networking capability and capacity to utilize foreign market knowledge to compete effectively compared to exporting SMEs (ibid).
Therefore, it appears that mMNEs, despite opting for high commitment modes of entry, rely strongly on their network management skills to enter foreign markets. Therefore, it seems that Stoian et al. (2017) contends that the stronger a firm’s access to resources through networks, the more likely it is to employ higher commitment modes of entry. However, Ulrich et al. (2014), considering exporting SMEs’ entry into China, argue that effective networking was one of the principal reasons as to why low commitment modes of entry were chosen, thereby disputing the arguments of Stoian et al. (2017).

In conclusion, there is disagreement in the literature on the relationship between international experience and connections vis-à-vis the selection of low or high commitment modes of entry. It may be that the manner in which international experience and connections affect entry mode choice may depend on other factors, which contemporary research has yet to discover.

**What is the effect of the institutional environment in the target country on firms’ choice of entry strategies?**

Maekelburger et al. (2012) argue that the higher the institutional development in the target country, the stronger the protection of intellectual property rights, and the more protected the assets of entering firms are. Considering the literature on the manner in which firms’ need to protect proprietary assets affect the entry mode decision, this implies that the higher the development of the institutional environment, the less vital high commitment modes of entry become to protect assets. Consistent with this view, Chang et al. (2012) argue that the more developed the institutional environment, the more MNCs prefer joint ventures as entry modes, and the lower developed the institutional environment, the more MNCs prefer establishing wholly owned subsidiaries as an entry mode. This seems to suggest that the more uncertain and poorly developed the institutional environment is, the more MNCs opt for wholly owned subsidiaries as an entry mode to retain control and reduce its risk. Consistent with this view, Schwens et al. (2011, p. 348) find that even "when the political, governmental, and legal situations in the host country are challenging, internationally experienced SMEs may prefer to choose equity based market entries.” Li and Qian (2008) agrees, arguing that institutional uncertainties may cause SMEs in the technology sector to utilize self-reliance modes of entry to protect their assets. Of the articles reviewed that deal with this issue, only Morschett et al. (2010) argue that institutional uncertainties should prompt SMEs to avoid self-reliance modes of entry, as they may be dependent on partners to navigate the institutional environment.

Although there is some disagreement in the literature on the manner in which the institutional environment in the target country should affect the entry mode decision, it appears that most of the literature reviewed suggests that the lower the institutional development of the target
country, the more firms should opt for high commitment modes of entry, and vice versa.

What is the effect of market attractiveness on firms’ choice of entry strategies?

According to the findings of Chen and Hu (2002), firms should opt for higher commitment entry modes to reap the profits in attractive markets. They argue that when "the market size increases, benefits of internalization will increase. The fixed setup costs of internalization can be spread across wider markets, thus bringing the benefits associated with the investments to a higher level" (ibid, p. 196). Many studies confirm that the higher the attractiveness of the market in the target country, the more a firm should opt for high commitment entry modes (Khan, 2016; Sarapovas et al., 2016).

In conclusion, it seems that the more attractive the market, the more firms should opt for high commitment modes of entry, and vice versa.

What is the effect of duration of foreign operations on firms’ choice of entry strategies?

Chen and Hu (2002) find strong support for their contention that the longer the stipulated duration of the project abroad, the more efficient higher commitment modes of entry are. They argue that a "longer duration also gives them sufficient time to recover and profit from the planned investments. This favorable risk and reward ratio suggests that foreign investors prefer longer durations and higher share of ownership for higher potential profits with less risk" (ibid, pp. 197-198).

In conclusion, it seems that the longer the planned duration of the firm’s activities in the target country, the more it should opt for high commitment modes of entry, and vice versa.

What is the effect of market dynamism on firms’ choice of entry strategies?

According to Li and Qian (2008), given a violent market dynamism in the target country, MNCs in the technology sector prefer self-reliance entry modes whereas SMEs prefer partnerships. This may be because MNCs need to have strict control of their R&D, production, and promotional activities, and have a strong need to coordinate their activities effectively, which urges them to rely on self-reliance entry modes in violent markets (ibid). Conversely, Li and Qian (2008) argue that dynamic markets make the process of internalizing activities too costly for SMEs, which prompts them to utilize partnerships to manage the turbulence in such markets.

In conclusion, it seems that the more turbulent the market in the target country, the more the firm should opt for high commitment modes of entry. However, firm size appears to be
a constraining factor in this regard. SMEs, which do not have the resources to establish subsidiaries abroad, may have to rely on partnerships to handle the turbulence in foreign markets.

Conclusion

Based on the literature considered thus far, it appears that internationalizing firms face a tension between forces drawing them towards low commitment entry modes and forces drawing them towards high commitment entry modes. These forces all orbit the issues of control, ownership, risk and resource commitment. However, the literature also shows that the manner in which some contingencies should affect entry mode decisions is unclear. Below, an overview of the forces drawing internationalizing firms towards different modes of entry is provided:

Figure 3.1: Forces pulling firms towards different modes of entry.

It is important to note that although the contingencies considered in the above are done so independently of one another, they should not be viewed in isolation. For instance, supposing a resourceful firm possesses valuable know-how and expands into a country with high institutional development. Then, according to the literature reviewed on these contingencies in the above, even though the firm is resourceful, it may prefer to use a low commitment mode of entry. This is because a country with a highly developed institutional environment is likely to possess regulations that protect the firm’s proprietary assets, which weakens the case for using a high commitment mode of entry to shield these from dissemination. With respect to the literature reviewed, Li and Qian (2008) implicitly consider the interrelational nature between the size of a firm’s resource base and market dynamism, as they argue that, given a violent market,
SMEs in the technology industry, primarily due to their weak resource base, should opt for low commitment entry modes, whereas MNCs should opt for high commitment entry modes. However, the interrelational nature between the different contingencies, and the manner in which they in liaison affect which entry modes firms should employ, does not appear to be strongly emphasized in the literature reviewed. Moreover, none of the the articles reviewed emphasize how firms should reconcile the forces drawing them towards different commitment modes of entry.

In conclusion, choosing the right entry strategy appears to involve solving the tension between these conflicting forces intelligently, based on a thorough analysis of the particular circumstances of the firm and the challenges it is facing. Such an approach seems consistent with recent trends in strategic management theory, namely effectuation theory, which emphasizes that actors should creatively utilize their means to both discover and seize opportunities, rather than using their means to reach pre-determined objectives (Sarasvathy, 2001). In the context of internationalization theory, effectuation theory seems to suggest that firms should highlight their particular circumstances - for which an overview of the conflicting forces drawing the firm towards different modes of entry is likely to be useful - and use their means to creatively develop appropriate entry strategies. Such a view is also consistent with Mintzberg and Waters’ (1985) seminal work on deliberate and emergent strategies, in which they argue that emergent strategies, which are characterized by being open, flexible and responsive, may be more appropriate when venturing into areas in which strategic learning and continual adaptation of one’s strategy is needed. Due to the complexities of internationalization, an emergent approach to both selecting and developing an entry strategy may be warranted.

It appears then, that the role of network management in the internationalization process, and its relationship to the entry mode contingencies, examined in the above, is likely to be highly context dependent. In the next section, I turn to the role of network management in entry strategies.

### 3.3 The role of network management in entry strategies

The role of network management in the context of different entry strategies seems to be a relatively unexplored issue in the field of internationalization theory, cf. section 5.1.2.1. Consequently, the interdependencies between network management and the contingencies influencing which modes of entry are appropriate, do not appear to have been explored. However, some connections have been made on the intersection between internationalization theory and network management theory, which I consider in the following.
Torkkeli et al. (2012) conduct a quantitative study of 298 Finnish SMEs operating in various industries, in which they explore the relationship between network competence and internationalization propensities. Their results illustrate "that the higher level of network competence in SMEs, the more likely they are to have become international and the better international performance they have reached. These findings are in line with those reported in earlier studies indicating that the ability of firms to manage business relationships opens up new avenues through which to internationalize and perform in foreign markets" (ibid, p. 42). It seems that Torkkeli et al. (2012) do not consider network competence as an 'either-or factor', pulling firms towards lower or higher commitment modes of entry. Rather, they appear to consider it as a contextual factor that merely facilitates the internationalization process in general.

The study of Stoian et al. (2017), which was considered in the previous section, consider the relationship between SME networks and international performance through a quantitative study of 190 British SMEs. Although the study does not emphasize network management, Stoian et al. (2017, p. 143) argue that networks "should be proactively used to gain/enhance foreign market knowledge and foster innovative behavior in order to attain improved international performance. Hence, managers should nurture and cultivate their business relationship developing skills" (italics added). In their study, they distinguish between two types of SMEs: SMEs that internationalize through exports and SMEs that, despite their resource constraints, utilize high commitment modes of entry, which they term micromultinational enterprises (mMNEs) due to their resemblance to MNCs with regard to their entry strategies. They argue that "active networking distinguishes the activities of mMNEs from those of exporting firms" (ibid, p. 129), which seems to suggest that network management is vital with regard to using high commitment modes of entry. However, in the study of Ulrich et al. (2014) - which was also considered in the previous section - on Danish SMEs, that have entered BRIC countries (Brazil, Russia, India, China), the exporting SMEs studied highlight networking and relationship management as the key factors that caused them to opt for using exports as a means of entry, which seems to contrast with the perspectives of Stoian et al. (2017). It is difficult to determine the cause of this discrepancy as neither of these studies offer a concrete examination of the explicit role of network management in the entry strategies of the firms studied.

Lavie and Miller (2008) and Fletcher (2008) indirectly touch on the issue of network management in the context of internationalization in their qualitative studies. Lavie and Miller (2008) argue that firms should develop networking skills to expand effectively, whereas Fletcher (2008, p. 963) argues that "it is desirable that firms should undertake a detailed analysis of the international networks in which they are embedded so as to spot the strengths and weaknesses that might assist their internationalisation and isolate the weaknesses they may need to overcome
by developing new relationships.

Based on the articles considered above, it appears that network management may be more of a contextual factor in the context of internationalization, which affects the manner in which entry strategies are implemented, rather than a factor that pulls firms towards lower or higher commitment modes of entry. Thus, it seems that it cannot be decomposed into forces that pull firms towards different modes of entry, unlike the other entry mode contingencies (cf. figure 3.1). Little explicit research appears to have been done on this issue.

Lastly, the issue of network management appears to be highly relevant with respect to the manner in which opportunities to enter new markets are discovered and seized. Some researchers argue that opportunities are primarily developed through networks (Chen and Afolabi, 2014; Chetty and Stangl, 2010; Evers and O’Gorman, 2011; Han, 2006; Hånell and Ghauri, 2016; Kiss and Danis, 2008; Lavie and Miller, 2008; Lin et al., 2016; Musteen et al., 2014; Osarenkhoe, 2009), whereas others argue that opportunities to enter new markets are developed by both networking and non-networking means, such as proactive market research (Cavusgil and Knight, 2015; Ellis, 2010; Hadjikhani et al., 2014; Ojala, 2009; Osarenkhoe, 2009; Zhang et al., 2016, Zhou et al., 2007). Thus, there appears to exist a consensus with respect to networks being a means by which opportunities to internationalize are developed, suggesting that effectively managing one’s network is important with regard to developing opportunities to internationalize. However, the role of network management vis-à-vis non-networking means of developing opportunities, and the relationship between these, appears to have yet to be explored in the literature.

In conclusion, although some research has been conducted on the role of network management in the context of internationalization, its explicit role appears unexplored. Some generic advice on how to utilize networks to internationalize effectively has been produced, but little operational research appears to have been conducted on this issue. Not surprisingly, the relationship between network management and the entry mode contingencies considered in the previous section, is also not an issue that seems to have been subject to much research. However, it appears that network management may serve as a contextual factor, which affects the dynamic of the aforementioned contingencies. This is an issue that will be considered in the discussion of the findings of the case studies. Lastly, effectively managing one’s network appears to be vital with respect to sensing and seizing opportunities to internationalize, regardless of which entry mode is eventually chosen. This issue is also considered in the discussion of the findings of the case studies.

In the next chapter, I consider the literature on Western entry strategies into China, in which I
emphasize the determinants of which entry strategies are the most effective. I then consider the likely role of network management in Western entry strategies into China. This is done in order to provide insight on how the issues of entry strategies and the role of network management therein pertain to the *Sino-Norwegian context*, which is the empirical focus of the master thesis and the research question.
Western entry strategies into China and the role of network management therein

As the Sino-Norwegian business context serves as the empirical context of this master thesis, this chapter relates the theory considered in the previous chapter to Western entry strategies into China\(^1\). This is done in order to produce a theoretical basis on which to discuss the findings of the case studies.

4.1 Western entry strategies into China

As the Sino-Norwegian context serves as the empirical setting of the master thesis, a literature review was conducted on Western entry strategies into China. In the discussion of the findings of the review, how Western firms’ choice of entry strategies into China pertain to the entry mode contingencies considered in the previous chapter are highlighted. Other factors, that the literature deem important with regard to choosing an appropriate entry strategy to enter China, are considered as well.

4.1.1 Literature review

A literature review was conducted on Western entry strategies into China. The articles by Holtbrügge and Baron (2013) and Chen and Hu (2002), which were discovered during the literature review on entry strategies in general, were included in the review as they pertain to Western entry strategies into China. Below, an overview of the results of the literature review are provided \(^2\).

\(^1\) Relevant articles from the project thesis on the role of networks in internationalization processes to China (Colclough, 2016) are here considered.

\(^2\) h-index based on Scimago’s ranking of journals (Scimago, 2016).
<table>
<thead>
<tr>
<th>Articles</th>
<th>Author (year)</th>
<th>Journal (h-index)</th>
<th>Methodology</th>
<th>Focus</th>
<th>Main conclusions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition entry strategy of Nordic multinational enterprises in China: An analysis of key determinants</td>
<td>Arslan and Wang (2015)</td>
<td>Journal of Global Marketing (23)</td>
<td>Quantitative study of 106 acquisitions made by 65 Nordic MNEs during the period 1987-2012.</td>
<td>The key determinants of acquisition entry strategy (i.e., the choice between full versus partial acquisition) for Nordic MNEs in China.</td>
<td>High target country experience, high cultural distance, high level of product diversification, and subsidiary location in institutionally developed and open cities in China were positively correlated with Nordic MNEs opting for full acquisition modes of entry. Conversely, high industry research, high development intensity and the opportunity to opt for a full acquisition in later investments led to Nordic MNEs opting for partial acquisitions.</td>
</tr>
<tr>
<td>Entry strategies into China: The choice between joint ventures and wholly foreign-owned enterprises - An application to the Italian manufacturing sector</td>
<td>Bonnetti and Prodi (2009)</td>
<td>International Review of Economics and Finance (10)</td>
<td>Quantitative and qualitative study of 78 Italian companies in China. Both interview and questionnaires were utilized.</td>
<td>How the variables internationalization, innovation, and corporate social structures affect entry mode decisions.</td>
<td>Mature products need no special protection, which compels firms offering mature products to utilize joint ventures as an entry mode. Conversely, firms offering high-tech products establish wholly-owned subsidiaries to protect their technology. For small companies the support of a partner is essential to face expensive and risky investments such as entries into the Chinese market. Previous experience abroad and the degree of integration/penetration in the target market is positively associated with firms opting for JVs.</td>
</tr>
<tr>
<td>An analysis of the determinants of entry mode and its impact on performance</td>
<td>Chen and Hu (2002)</td>
<td>International Business Review (51)</td>
<td>Quantitative study of foreign investments in China from 1979 to 1992 using several Chinese databases.</td>
<td>The determinants of entry chosen by multinationals and the impact of entry mode choice on performance, based on the transaction cost framework.</td>
<td>The findings support the hypothesized effects of transaction cost theory. Foreign investment projects, in which the entry strategy is chosen according to the prescriptions of transaction cost theory, are more successful than entry strategies chosen on the basis of other frameworks.</td>
</tr>
<tr>
<td>The influence of liability of foreignness on market entry strategies: An illustration of market entry in China</td>
<td>Chen et al. (2006)</td>
<td>International Marketing Review (57)</td>
<td>Quantitative study using foreign investment data in China, namely an Almanac of China's Foreign Economic Relations and Trade, for the period 1979-1992.</td>
<td>How the liability of foreignness influences multinational enterprises' market entry strategies.</td>
<td>MNEs from low liability of foreignness countries employ resource-seeking strategies to a greater extent than MNEs from high liability of foreignness countries. This implies that the shorter spatial distance between markets, linked with low environmental uncertainty and a strong familiarity with the target market, allow firms from low liability of foreignness countries to take advantage of complementary resources when entering the target country. Conversely, MNEs from high liability of foreignness countries more frequently employ market-seeking and control-oriented entry strategies than MNEs from low liability of foreignness countries because the aforementioned MNEs have limited market knowledge and face discriminatory customer attitudes.</td>
</tr>
<tr>
<td>WFOEs: The most popular entry mode into China</td>
<td>Deng (2001)</td>
<td>Business Horizons (54)</td>
<td>Conceptual study based on prior literature.</td>
<td>Why foreign firms prefer using wholly foreign owned enterprises (WFOEs) as a means of entering China.</td>
<td>The main reason as to why foreign firms prefer establishing WFOEs is because they offer the foreign firm high levels of control and a low dissemination of risk. It also offers the foreign firm an ability to effectively react and adapt to China's changing market dynamics.</td>
</tr>
<tr>
<td>Market entry strategies in emerging markets: An institutional study in the BRIC countries</td>
<td>Holofrige and Bacon (2003)</td>
<td>Thunderbird International Review (20)</td>
<td>Quantitative study based on an online survey of 564 firms headquartered in Europe, America, Asia and Africa.</td>
<td>How to and when to enter BRIC markets. The relationship between market entry strategies and market success.</td>
<td>Entry strategies are found to have a significant effect on market success, demonstrating the greatest market success in India and the lowest in China. Most firms entering China do so through wholly owned subsidiaries and this entry strategy is positively correlated with performance in Chinese markets. Lastly, it is found that the longer the length of the firm's operations in BRIC countries, the higher the international performance the firm has.</td>
</tr>
<tr>
<td>Entry and business strategies used by international architectural, engineering and construction firms in China</td>
<td>Ling et al. (2005)</td>
<td>Construction Management and Economics (60)</td>
<td>Quantitative and qualitative study based on surveys of senior management in 70 Asian and American firms supplemented with interviews.</td>
<td>Which entry mode strategies are effective for architectural, engineering and construction (AEC) firms expanding into China. How such firms should manage projects in China.</td>
<td>Establishing wholly owned subsidiaries in the most effective market entry mode, foreign firms need to adopt a differentiation strategy by providing niche and superior service. They must also pay great attention to customer satisfaction to gain competitive advantage and clinch and manage projects. To succeed in China, foreign firms need to set up a physical office there, in order to develop a good understanding of local by-laws, understand client requirements better and therefore provide them with a superior product or service.</td>
</tr>
<tr>
<td>Market entry in China - Case studies on strategy, marketing and branding</td>
<td>Prange (2006)</td>
<td>N/A</td>
<td>Book based on a qualitative study of literature on entry strategies to China.</td>
<td>Entry strategies into China.</td>
<td>N/A</td>
</tr>
<tr>
<td>Business insights: China - Practical advice on entry strategy and engagement</td>
<td>Rowland (2008)</td>
<td>N/A</td>
<td>Book based on a qualitative study of literature on entry strategies to China.</td>
<td>Entry strategies into China.</td>
<td>N/A</td>
</tr>
<tr>
<td>Entry mode strategies into the B3RC, Russia, India and China (BRIC) markets</td>
<td>Ulrich et al. (2014)</td>
<td>Global Business Review (7)</td>
<td>Quantitative study of 177 Danish SMEs, which have entered one or several BRIC countries.</td>
<td>The relevance of different entry modes for Danish SMEs. How environmental and cultural factors influence the choice of entry modes into the BRIC markets.</td>
<td>More traditional factors such as control, flexibility and risk, were regarded as less important than personnel and financial resources for the Danish SMEs with respect to choosing an appropriate strategy into BRIC markets. The most crucial external factor was market potential, whereas factors such as trade barriers, cultural distance, as well as economical and political risks, are viewed as the main obstacles when internationalizing into distant markets.</td>
</tr>
</tbody>
</table>
The review revealed that literature on which entry strategies Western firms should use when expanding into China is modest. It appears that there exists a stronger emphasis on Asian entry strategies into China in the literature (e.g. Glowik, 2009; Hu et al., 2012; Papyrina, 2007), rather than Western entry strategies.

The most extensive works considered in the literature review, which offer valuable insights to Western firms wishing to expand into China, are the books written by Prange (2016) and Reuvid (2008). The core of both of these books are lessons learned from case studies.

With regard to methodology, all of the articles reviewed but one (Deng, 2001) include a quantitative component, and two of the articles supplement their quantitative studies, based on surveys, with interviews (Bontempi and Prodi, 2009; Ling et al., 2005). Two of the articles reviewed consider the entry strategies into China used by Nordic firms (Ulrich et al., 2014; Arslan and Wang, 2015); one considers entry strategies used by Italian firms (Bontempi and Prodi, 2009); one considers the entry strategies used by American and Asian firms (Ling et al., 2005); one considers the entry strategies used by European, American, African and Asian firms to enter China (Holtbrügge and Baron, 2013); and two consider entry strategies into China used by firms from all over the world (Chen and Hu, 2002; Chen et al., 2006).

With respect to the focus of the literature reviewed, three of the articles reviewed consider an explicit entry mode (Arslan and Wang, 2015; Deng, 2001; Ulrich et al., 2014), whereas the other articles consider different kinds of entry strategies (Bontempi and Prodi, 2009; Chen and Hu, 2002; Chen et al., 2006; Holtbrügge and Baron, 2013; Ling et al., 2005). Two of the studies focus on entry strategies into BRIC (Brazil, Russia, India and China) countries (Ulrich et al., 2014; Holtbrügge and Baron, 2013). Only one study emphasizes entry strategies within the context of a specific industry, namely the study by Ling et al. (2005), who consider which entry strategies into China by architect, engineering and construction firms are efficient. Although most of the articles seek to describe which entry strategies firms choose (Arslan and Wang, 2015; Bontempi and Prodi, 2009; Chen et al., 2006; Deng, 2001; Ulrich et al., 2014), they nonetheless include normative implications. Three studies strongly emphasize a normative approach (Chen and Hu, 2002; Holtbrügge and Baron, 2013; Ling et al., 2005). In this regard, the article by Chen and Hu (2002) is the only article to consider a multitude of entry mode contingencies and strongly emphasize the extent to which these draw firms towards low or high commitment modes of entry. Lastly, the books by Prange (2016) and Reuvid (2008) offer a comprehensive overview of different entry strategies, but seem to refrain from offering concrete suggestions on how to enter China effectively, nor do they place an emphasis on the determinants of effective entry strategies into China.
It is important to note that none of the books or articles reviewed stem from scholars from Chinese academic institutions. This may lead to a Western bias with respect to assessing which entry strategies to China are the most effective. As previously noted, Chinese and Western perspectives on business relationships may differ considerably. As Western perspectives on the nature of business relationships are naturally more likely to be emphasized in Western academic institutions, this may have lead to Western perspectives on business relationships permeating the literature on Western entry strategies to China. Consequently, Chinese perspectives on the nature of business relationships may be lacking in this field of research, suggesting that the effectiveness of Western entry strategies, and herein - Western approaches towards relationship-building - as seen from a Chinese perspective is lacking. Therefore, the literature on Western entry strategies to China should be met with some skepticism as one side of the equation may be missing on Western and Chinese perspectives on the nature and role of business relationships in Western entry strategies into China.

In the next section, the literature on Western entry strategies into China is related to the entry mode contingencies considered in the previous chapter. Other factors, that the literature deem important, when choosing an appropriate entry strategy to enter China, are considered as well. This is done in order to provide a theoretical basis for the discussion of the role of network management in Western - and herein Norwegian - firms’ initial entry into China, which is the focus of the master thesis.

4.1.1.1 What determines which entry modes Western firms should employ to enter China effectively?

In this section, I discuss the findings of the literature reviewed pertaining to the determinants of which entry modes Western firms should use to enter China. Although only one of the articles strongly emphasizes the extent to which different contingencies cause firms to opt for either low- or high commitment modes of entry when entering China (Chen and Hu, 2002), some allusions are provided in the other articles and books. In this regard, none of the articles or books reviewed appear to explicitly consider the influence nature of offerings, strategic orientation, and market dynamism has on Western firms’ choice of entry strategies into China. However, the literature reviewed appears to emphasize institutional environment, proprietary assets, internal coordination, cultural distance, market attractiveness, and networks, with regard to Western entry strategies into China. This may suggest that issues pertaining to these particular factors are relatively important to consider when choosing an appropriate entry strategy into China. Interestingly, the literature on Western entry strategies into China appears to emphasize the interrelational nature between the entry mode contingencies to a greater extent than the literature on entry strategies in general.
In this section I consider the entry mode contingencies considered in the literature on Western entry strategies into China and highlight their interdependencies. I have chosen to consider how these contingencies relate to MNCs and SMEs, respectively, as the manner in which the contingencies affect which entry modes MNCs and SMEs should employ in their entry into China, differs considerably according to the literature reviewed. This suggests that the contingency firm size is vital with regard to Western firms’ choice of an appropriate entry strategy into China.

4.1.1.2 The contingencies vis-à-vis MNCs

A contingency emphasized in the literature reviewed, is the role of the Chinese institutional environment with regard to which entry strategies Western firms should utilize. In this regard, the study of Holtbrügge and Baron (2013), who emphasize that the institutional environment of the target country strongly influences which entry modes firms should use, warrants further attention. In their study, Holtbrügge and Baron (2013) conduct a quantitative case study on the relationship between market entry strategies and market success of Western entry strategies into BRIC countries. The basis of their study are online surveys of 564 firms headquartered in Europe, America, Asia and Africa (ibid). They argue that the institutional environment in the BRIC countries, herein China, are weak, and characterized by "inexperienced bureaucracies, a lack of reliable businesses information, underdeveloped legal systems, and widespread corruption" (ibid, p. 239). They note that Western firms are discouraged from exporting to BRIC countries because of their poor economic conditions, their lack of consistent government export policies, their tariffs and local-content requirements, and their unpredictable fluctuations in currencies (ibid). The findings of Chen and Hu (2002) support this perspective.

With respect to entry strategies into China, Holtbrügge and Baron (2013) claim that wholly owned subsidiaries are more effective than joint ventures (JVs) in China because of recent institutional changes, primarily liberalization of the Chinese economy, which has made having a local partner less relevant. Indeed, prior to 1997 Chinese regulations prevented foreign firms from establishing wholly owned subsidiaries in China (Puck et al., 2009). Consequently, in 2005, 74% of new FDI entries in China were in the form of wholly owned subsidiaries, while only 24% were joint ventures (Holtbrügge and Baron, 2013). Citing a study by InterChina from the year 2000, Holtbrügge and Baron (2013) find that wholly owned subsidiaries in China generate higher profits and reach their break-even points faster than joint ventures. Deng (2001) agrees, arguing that performance of too many equity joint ventures in China have been disappointing, the main cause of which stems from shared ownership and management. As foreign and Chinese managers often disagree on objectives, have disparate expectations for the venture, have different perspectives on business practices and different social and cultural
backgrounds, perpetual disagreement and conflict characterizes joint ventures. Consequently, Deng (2001, p. 63) argues: "Frustrated with JV performance and a volatile regulatory climate, foreign investors in China are turning to wholly owned enterprises in their search for better control and less risk." He also agrees with Holtbrügge and Baron (2013) that institutional changes has made establishing wholly owned subsidiaries in China a more attractive option (Deng, 2001). With respect to the volatile regulatory climate in China, Holtbrügge and Baron (2013) argue that wholly owned subsidiaries in China allow Western firms to benefit from more effective internal coordination as well as enhanced intellectual property rights (ibid). Similarly, Chen et al. (2006) contend that the greater the psychic distance, the more control-oriented entry market strategies MNCs will utilize when entering China, consistent with the arguments of Holtbrügge and Baron (2013) and Deng (2001).

However, the study of Arslan and Wang (2015), who assess the determinants of Nordic multinational enterprises’ (MNEs) choice between acquisitions (or wholly owned subsidiaries) and joint ventures as entry strategies into China, based on a quantitative study of 106 entries made by 65 Nordic MNEs during the period 1987-2012, appear to dispute the contention that a large cultural distance between China and the West compels Western MNCs to opt for wholly owned subsidiaries. Indeed, they claim that when MNCs operate in culturally distant markets, greater demand is put on the need for flexibility in the Nordic MNCs’ strategy development and operations (ibid). This can be achieved through shared ownership arrangements with a local partner through a joint venture (ibid). Thus, they argue that high cultural distance is negatively associated with Nordic MNCs’ propensities to utilize wholly owned subsidiaries as a mode of entry into China (ibid).

It is important to note that the drawbacks of establishing wholly owned subsidiaries in China do not elude Holtbrügge and Baron (2013). Indeed, they note that foreign production suggests higher management complexity and exposing the firm to political and economic risks associated with the weak institutional environment in BRIC countries (ibid). However, as high commitment entry modes allow for protection of resources and internal control of foreign activities, foreign production is superior to exporting (ibid), as argued by Ekeledo and Sivakumar (2004) and Sanchez-Peinado et al. (2007) in the previous chapter on entry strategies in general.

Similarly, Arslan and Wang (2015) argue that the higher the R&D intensity of the MNE’s business, the more they should opt for wholly owned subsidiaries in order to protect and completely control their proprietary know-how, which also allows them to exploit it more effectively on the international market. This argument is also in line with the logic of Li and Qian (2008), which was considered in the previous chapter on entry strategies in general. Arslan and Wang (2015) also argue that the more diverse the product of the Nordic MNEs the more they will
prefer utilizing joint ventures (ibid). This is because when "the degree of diversification of the MNEs increase, the lack of product-specific knowledge in different industries of their operations become evident, which increases the importance of having a partner in subsidiary management" (ibid, p. 38). Consequently, they suggest that Nordic MNEs should use joint ventures in order to gain access to product-specific market knowledge (ibid). This seems to be consistent with Li and Qian’s (2008) contention that the more promotional effort a product requires, the more firms lean towards lower commitment entry modes to gain access to - amongst other things - vital local market knowledge through partnerships. It is also consistent with the arguments of Prange (2016) and Ling et al. (2015), who argue that often the foreign firm focuses on technology, whereas local partners in the target country focus on marketing the product to local customers. Thus, if the R&D intensity of the MNC’s business is low and if the MNCs’ products or services are of a diverse nature, opting for a JV as a mode of entry may be warranted. Finally, Arslan and Wang (2015) argue that past studies suggest that MNCs with prior investment experience in the target country tend to accumulate local market knowledge, which makes them less dependent on local partners. Thus, if an MNC has extensive experience in China, this may suggest that fully controlling a subsidiary in China is justified.

A contingency that enhances the attractiveness of establishing wholly owned subsidiaries to enter China effectively, in light of the liberalization of the Chinese institutional environment is market attractiveness. Chen and Hu (2002) finds that the greater the perceived attractiveness of Chinese markets, the more inclined firms are towards entering China through high commitment modes of entry. This contention is also consistent with the arguments Khan (2016) and Sarapovas et al. (2016), which were considered in the previous chapter on entry strategies in general. Lastly, the findings of Chen and Hu (2002) suggest that the longer the duration of the MNCs activities in China and the less capital intensive the industry in which the entering firm competes, the more it should opt for high commitment modes of entry.

Juxtaposing the findings and arguments of the above articles, it appears that recent changes in the institutional environment in China has implications for the manner in which the proprietary assets, internal coordination and partnering and cultural distance contingencies, which were considered in the previous chapter, influence which entry modes Western firms should employ when entering China. It seems that the recent liberalization of the Chinese institutional environment has made establishing wholly owned subsidiaries, i.e. using high commitment modes of entry, a possible and more lucrative entry mode. This is reflected in the literature focusing on which high commitment modes of entry are the most appropriate for Western MNCs entering China. Holtbrügge and Baron (2013), Deng (2001), Chen et al. (2006), and Chen and Hu (2002) all contend that full ownership and control of the subsidiary in China is warranted
as it allows for the protection of assets through the internalization of activities, as the Chinese institutional environment by itself is not able to offer protection of Western firms’ proprietary technology. Arslan and Wang (2015) disagree, arguing that joint ventures are warranted in such circumstances, given the large cultural distance between the West and China, which produces a need for flexibility and adaptation in the entry. Holtbrügge and Baron (2013) and Deng (2001) parries by arguing that co-operation between Western and Chinese firms through JVs will likely lead to sub-par performance, due to the large differences in perspectives on business practices. Consequently, they argue that firms expanding into China should internalize their activities in China, suggesting that greater emphasis should be placed on achieving superior performance through internal coordination, rather than through co-operating with Chinese partners and getting access to their local resources (Holtbrügge and Baron; 2013, Deng, 2001). This is consistent with the findings of Chen et al. (2006), who find that the greater the psychic distance between the home country and China, the more firms opt for high commitment entry strategies.

In conclusion, according to the literature reviewed in this section, the manner in which the contingencies affect the entry mode choices of Western MNCs wishing to enter China, seem to be largely consistent with the literature on entry strategies in general. According to the literature on Western entry strategies into China, using high commitment entry modes, such as establishing wholly owned subsidiaries, seems to be an effective means by which to enter China for Western MNCs. However, the impact that the large cultural distance between China and the West has on which entry modes Western firms should employ, is unclear, with three of the four articles reviewed in the literature on this issue leaning towards establishing fully owned subsidiaries to overcome the challenges associated with the distance (Holtbrügge and Baron, 2013; Deng, 2001; Chen et al., 2006), and one arguing that joint ventures are warranted (Arslan and Wang, 2015). Lastly, two articles offer perspectives on entry mode contingencies that no other articles reviewed in this section consider (Arslan and Wang, 2015; Chen and Hu, 2002). Arslan and Wang (2015) argue that given low R&D intensity, high product diversity, and little firm experience in China, JV modes of entry may be more suitable for Western MNCs. Finally, the findings of Chen and Hu (2002) imply that the longer the planned duration of a MNC’s activities in China, and the more attractive the Chinese market is perceived, and the less capital-intensive the industry in which a MNC competes, the more it should opt for a high commitment entry mode.

I next turn to the analysis of the contingencies with respect to SMEs’ entry strategies to China.
4.1.1.3 The contingencies vis-à-vis SMEs

The literature considered in the previous section seems to suggest that establishing wholly owned subsidiaries in China may be the preferred mode of entry to China for those who have the means to do so. However, SMEs may have to use lower commitment entry modes to enter China, as they may lack the financial, managerial and organizational resources to set up a wholly owned subsidiary there (Holtbrügge and Baron, 2013). In this section, I consider the literature on the manner in which the entry mode contingencies, considered in the chapter on entry strategies in general, should influence the entry mode decision of Western SMEs aspiring to enter China.

Ulrich et al. (2014), like Holtbrügge and Baron (2013), consider entry mode strategies into BRIC markets. They base their quantitative study on a sample of 177 Danish SMEs. With respect to China, they find that Danish SMEs’ preferred mode of entry is direct sales to Chinese businesses, which is a low commitment entry mode. Interestingly, they find that traditional factors, such as control, flexibility, and risk, were evaluated to be less important than personnel and financial resources by the managers in the SMEs (ibid). This observation is consistent with the notion of Holtbrügge and Baron (2013) that SMEs do not have the necessary resources to expand using high commitment modes of entry. Ulrich et al. (2014) find that market attractiveness and business networks are the principal contingencies, which serve as the key drivers of internationalization for these firms. Consequently, the implication of the study of Ulrich et al. (2014) is that the higher the attractiveness of the market, and the more well-connected a firm is, the more it will opt for low commitment entry modes. This stands in contrast with the arguments of Chen and Hu (2002), who contend that the more firms perceive the Chinese market to be attractive, the more inclined they are towards employing high commitment modes of entry. Ulrich et al. (2014) note that rather than emphasizing reduced market risk as the justification for using low commitment entry modes, the Danish SMEs surveyed emphasized that low commitment modes allowed them to establish long-term business networks and sustainable relationships with agents and distributors in China (ibid). This finding is puzzling in light of the arguments made by Deng (2001) in the previous subsection. Deng (2001) seems to argue that Sino-Western cooperation is extremely difficult to achieve in practice, but Danish SMEs strongly emphasize network management as the core of their entry strategy to China. The cause of this discrepancy may be that Ulrich et al. (2014) focuses on SMEs, whereas Deng (2001) focuses on MNCs. Chetty and Stangl (2010, p. 1726) note that “SMEs tend to compensate for fewer internal resources available for innovation and internationalization by acquiring external resources and complementary assets through their network relationships.” This contention has received strong support in the literature (Hänell and Ghauri, 2016; Han,
2006; Zhang et al., 2016; Zhou et al., 2007; Torkkeli et al., 2012; Santos et al., 2012, Musteen et al., 2014; Oehme and Bort, 2015; Cavusgil and Knight, 2015; Lin et al., 2016). This seems to suggest that resource-constrained SMEs focus strongly on building networks and cooperating with others in their internationalization processes to compensate for their weak resource base, which seems to imply that the Danish SMEs, examined by Ulrich et al. (2014), may have focused on building relations to and managing relations with - Chinese business entities in their entry strategies. Conversely, the larger internal resource base of MNCs may lead to a lesser need to rely on networks to internationalize effectively to China. This may lead to MNCs having less experience than SMEs in managing networks, which leads MNCs to possessing a lesser ability to manage networks to internationalize effectively. This in turn may lead them to opt for higher commitment entry modes when entering China. Consequently, with respect to entering China efficiently, it may be that SMEs compensate for resource constraints by relying on networks and low commitment entry modes, whereas MNCs compensate for poor network management skills by relying on their strong internal resource base and high commitment entry modes. Consequently, the firm size contingency appears to be a vital factor with regard to explaining which entry modes Western firms should employ.

With respect to the role of the networks contingency considered in the literature on entry strategies, with regard to entering China effectively, the study of Ling et al. (2005) is of interest. Considering the entry strategies of architecture, engineering and construction firms to China, they argue that joint ventures may be an effective entry strategy (ibid). The foreign firm may provide superior technology, while the Chinese partners provide the necessary local knowledge and connections (ibid). Consequently, resource-constrained SMEs, whose core competence is a specific technology, may prefer to partner up with Chinese firms, whose responsibilities are distributing or marketing the product or service in China. Such a view is consistent with the view of Prange (2016, p. 12), who argues that in an equity joint venture in China the product and technology input usually "comes from the foreign partner, whereas the Chinese partner provides market access and manufacturing capability."

It is important to emphasize that Ulrich et al. (2014) recognize that of the four BRIC countries, China has the lowest risk and the highest market potential, which may explain why establishing wholly owned subsidiaries is a more popular entry mode in China compared to other BRIC countries, consistent with the views of Holtbrügge and Baron (2013) and Chen and Hu (2002). Consequently, it seems that Ulrich et al. (2014) recognize the benefits of using wholly owned subsidiaries to enter China, but that resource-constrained SMEs should use networks to enter China through lower commitment modes of entry. Lastly, the findings of Chen and Hu (2002) pertaining to longer planned durations of foreign activities in China and low capital intensity...
leading firms towards higher commitment modes of entry, seems to apply to SMEs as well as MNCs. If the industry in which a SME competes is not capital intensive, then establishing a physical presence in China may be an affordable option.

In conclusion, the literature considered in this section seems to suggest that given the resource-constraints of SMEs, opting for lower commitment modes of entry to enter China may be more appropriate (Ulrich et al., 2014; Holtbrügge and Baron, 2013). In this regard, the literature seems to emphasize that SMEs should utilize networks to compensate for their resource-constraints in their entries into China. Therefore, SMEs, who do not have sufficient resources to establish wholly owned subsidiaries in China, should leverage their networks and international experience to enter China effectively through partnerships (Ulrich et al., 2014; Ling et al., 2005). It is not surprising that the networks contingency is emphasized in the context of SMEs, as the literature on internationalization theory strongly emphasizes SMEs’ need to rely on networks to internationalize effectively. Moreover, according to Ling et al. (2005) and Prange (2016), joint ventures, in which the Western SME contributes with technology, and the local Chinese partner provides local resources, such as access to local markets, may be optimal. Lastly, if the planned duration of the SMEs activities in China is long, or if the industry in which it competes is not capital-intensive, then opting for a higher commitment mode of entry may be suitable (Chen and Hu, 2002).

How to select an appropriate entry strategy to China?

It appears that which contingencies are the most critical with respect to which entry modes Western firms should opt for when entering China, is to a large extent determined by the firm’s size or its resource base. This implies that the manner in which the contingencies influence the entry mode decision is contingent upon whether the firm in question is a MNC or SME. The distinction between firms as MNCs or SMEs in the context of strategic management theory is commonplace, due to their differences with respect to the means they have at their disposal to achieve their strategic objectives.

With respect to resourceful MNCs, the liberalization of the Chinese institutional environment, the need to protect proprietary assets, the advantages of internal coordination when expanding into China because of the large cultural distance between China and the West, together with the attractiveness of the Chinese market, suggest that MNCs should opt for high commitment entry modes, such as establishing wholly owned subsidiaries, when entering China. Therefore, it appears that MNCs in general are well advised to take on the challenges of expanding into China by leveraging their resource base. However, low R&D intensity, high product diversity, little international experience, short planned duration of activities in China, or high capital
intensity, may suggest that MNCs should opt for lower commitment entry modes when entering China. Conversely, SMEs, with their weaker resource base, need to rely on their networks and international experience to enter China effectively. Because of the SMEs weaker resource base, internal coordination of foreign activities is often infeasible, unless it competes in an industry which is not capital intensive. Therefore, it appears that SMEs in general are well advised to leverage their networks and international experience with respect to facing the challenges and uncertainties of entering Chinese markets. As was noted in the previous chapter, the manner in which cultural distance affects which entry modes Western firms should employ when expanding into China puzzles contemporary academics. However, if SMEs are superior to MNCs in terms of network management skills, it may be that they are better able to cooperate with Chinese partners, thereby negating the advantages of internal coordination and enhancing the advantages of partnering with local Chinese firms, which implies that lower commitment modes of entry may be more suitable for these.

It is noteworthy that the premise of industrial network theory and contemporary Chinese business culture appear to be one and the same: effective networking is the key to developing sustainable competitive advantages. As mentioned in chapter 2 on the Chinese business environment, Gao et al. (2012) and Davies et al. (1995) argue that Western firms need to emphasize building relationships to relevant business and political actors in China to enter China effectively, as personal relationships or ‘guanxi’ are the lifeblood of conducting business in China. Although research on networking in the context of internationalization has been strongly focused on SMEs, it seems reasonable that large MNCs also need to network effectively to enter the Chinese market, given the centrality of relationships in Chinese business culture. Therefore, regardless of which entry mode is chosen, it seems that effective networking is a key issue when expanding into China. It is therefore somewhat puzzling that Deng (2001) and Holtbrügge and Baron (2013) seem to argue that tight collaboration with Chinese businesses should be avoided, which intuitively seems to be a risky strategy in a country with a business culture based on personal relationships and mutual commitment and trust. It is possible that effective networking could enhance the manner in which MNCs enter China efficiently, but that the nature of their relations to Chinese businesses and government agencies differ from those of SMEs seeking to enter China.

Although the literature reviewed seems to suggest that in general MNCs should opt for high commitment entry modes and that SMEs should opt for low commitment entry modes when expanding into China, it is clear from the literature reviewed in this section and in the previous chapter on entry strategies in general that the idiosyncratic challenges and circumstances of firms may suggest that other modes of entry are warranted. Consequently, offering generic
prescriptions, without a strong emphasis on the particular context of the internationalizing firms, seems unwarranted. This is reflected in the fact that neither Prange (2016) nor Reuvid (2008) - whose works on Western entry strategies into China are the most extensive amongst the literature considered in the review - offer explicit advice with respect to which entry modes firms should use to enter China. On the contrary, Prange (2016) states that "no defined formula for unlocking the Chinese market exists", and urges firms to arm themselves "with a thorough and in-depth market and resource analysis, a clear understanding of entry mode choices, consumer behavior and the need for an adaptive strategy" (ibid, p. 9). Similarly, Reuvid (2008) does not make clear whether wholly owned subsidiaries are preferable over joint ventures or lower commitment modes of entry.

The results of the literature review and the reluctance of Prange (2016) and Reuvid (2008) to provide explicit recommendations on which entry strategies firms should choose when expanding into China, is consistent with recent trends in strategic management theory, namely effectuation theory, as was noted in the discussion on entry strategies in general in the previous chapter. Expanding from the West to China, with its unique challenges and uncertainties, may be an area in which an emergent approach to developing entry strategies is warranted. Consequently, scholars on Western entry strategies to China should perhaps be reluctant to offer generic prescriptions to Western firms. However, the literature does provide insight into which contingencies should be considered when making this choice, which can aid firms develop suitable entry strategies. Moreover, regardless of which entry strategy is chosen, it appears that the ability to manage networks is paramount when expanding into China, given the strong emphasis on relationships in Chinese business culture. In the next section, I consider the likely role of network management in Western firms’ entry strategies into China, in order to provide a theoretical basis on which to address the role of network management in the two Norwegian case study firms’ initial entry into China.

4.2 The role of network management in Western entry strategies into China

As noted in the previous chapter on entry strategies in general, the role of network management in the context of different entry strategies seems to be a relatively unexplored issue in the field of internationalization theory, much less so the role of network management in Western entry strategies into China. However, some allusions can be produced on the relationship between network management and Western entry strategies into China. These are considered in the following. Issues that should be explored in the case study on the role of network management in Norwegian firms’ initial entry into China, are also highlighted.
As was noted in section 2.3, 'Overcoming the barriers of internationalization to China’, contemporary research on how to expand effectively into China emphasizes effective networking. It is noteworthy that the literature considered in that section does not appear to suggest that only SMEs need to utilize network management skills to enter China effectively, but that all Western firms, regardless of their size, need to do so. Consequently, although networks may be more important in the entry strategies of Western SMEs into China, consistent with the literature on the role of networks in internationalization (Hånell and Ghauri, 2016; Han, 2006; Zhang et al., 2016; Zhou et al., 2007; Torkkeli et al., 2012; Santos et al., 2012, Musteen et al., 2014; Oehme and Bort, 2015; Cavusgil and Knight, 2015; Lin et al., 2016), it seems likely that they also have a role to play in the entry strategies of Western MNCs into China, given the centrality of personal relationships in Chinese business culture. Thus, it appears that for Western firms aspiring to enter China, network management skills is not an either-or-factor, drawing them towards either lower or higher commitment modes of entry, but a contextual factor that affects how a wide array of entry strategies are implemented.

Assuming that network management skills are needed to enter China effectively, Western firms are well advised to be able to distinguish between the benefits of Chinese political and business ties, which offer distinct benefits (Zhang et al., 2016). With respect to the role of political ties in entry strategies it is important to emphasize that although the liberalization of China’s economic policies has led to increases in FDI and the utilization of higher commitment entry modes, the government is still strongly involved in managing the Chinese economy (Shen and Mantzopoulos, 2011). Therefore, Western firms wishing to enter China seem to still need to develop ties to the relevant political actors to enter China successfully. At the same time Western firms need to build relationships to Chinese firms, e.g. for access to local knowledge and distribution channels. It seems likely that which type of entry strategy a firm adopts affects which type of network management capabilities a firm needs to develop. For instance, political ties may be particularly important for firms wishing to establish wholly owned subsidiaries as this requires compliance to regulations such as domestic tax schemes. Conversely, firms opting for lower commitment modes of entry, such as exporting products through an intermediate partner in China, may need to emphasize business ties to a greater extent. With respect to political and business ties to Chinese entities, interesting questions arise: What are the distinct benefits of political ties and business ties in China? What is the relationship between them? With which political and/or business actors do Western firms need to build relationships with? How should firms manage these relationships to enter China effectively? These are questions that contemporary research have yet to answer, but represent issues that Western managers should comprehend if they are to manage their networks effectively to facilitate their entry into China. Therefore, these issues will be considered in the case studies.
Although relationships, built on mutual commitment and trust, are vital in the Chinese context, the literature on Western entry strategies into China has made clear that for high-tech firms it is ideal to enter China through wholly owned subsidiaries, as this allows them to effectively protect proprietary assets. At the same time, such firms may need access to local market knowledge through cooperation with local partners. How should firms manage this tension through network management? In a business culture that emphasizes mutual commitment and trust, how can firms withhold their proprietary technology and know-how without signaling distrust to their Chinese partners? Thus, it appears that the manner in which Western firms effectively approach the internal coordination and partnering contingency depends upon its network management skills. Issues such as these have yet to be explored by contemporary research, but are likely to be fruitful avenues for research, and are therefore considered in the case studies.

The explicit challenges of expanding from Norway to China warrants further attention as the empirical context of the master thesis is Sino-Norwegian business relations. Norway is a small country and many Norwegian SMEs may not have the resources necessary to expand into China on their own. Consequently, Innovation Norway, which is a public organization that - amongst other things - helps Norwegian firms expand abroad, is likely to be important for these. As it has two offices in China (in Beijing and Shanghai), it is likely to be an important mediating partner for resource-constrained Norwegian SMEs aspiring to enter Chinese markets. However, the explicit impact of such mediating partners on the relationship between Norwegian SMEs and local Chinese firms’ remains unexplored. Little is known about the distinct roles, responsibilities, and expectations of the actors in such networks, and how to manage such networks to enter China effectively. These issues will also be considered in the case studies.

Lastly, given the centrality of networks in opportunity development in the context of internationalization (Chen and Afolabi, 2014; Chetty and Stangl, 201; Evers and O’Gorman, 2011; Han, 2006; Hånell and Ghauri, 2016; Kiss and Danis, 2008; Lavie and Miller, 2008; Lin et al., 2008; Musteen et al., 2014; Osarenkho, 2009), I postulate that effectively managing networks is likely to be important with respect to Western and Norwegian firms’ discovering and seizing opportunities to enter China.

In conclusion, the role of network management in Western - and herein Norwegian - firms’ entry strategies into China appears to be an unexplored issue. However, some allusions can be made to the likely role of network management. Firstly, given the centrality of relationships in Chinese business culture, it seems likely that both MNCs and SMEs need to be able to effectively manage their networks to enter China successfully. Network management skills seem to be particularly important with respect to ensuring that ties are developed to the
appropriate actors, e.g. political or business actors, as well as with respect to approaching the internal coordination and partnering contingency appropriately. Managing relations with Western national chambers of commerce in China, such as Innovation Norway for Norwegian firms, is likely to be especially important for resource-constrained Western SMEs aspiring to enter China.

In the chapter on the findings of the case studies, and in the chapter on the discussion of these, the role of network management in the case studies’ entry into China, and the relationship between the case study firms’ network management skills and the entry mode contingencies, are explored, and the postulations made in the above addressed.

In the next chapter, the methodology of the master thesis is discussed.
Methodology

In this section the methodology of the master thesis is discussed. The methodology used in this master thesis is the case study method. The “case study is a research strategy which focuses on understanding the dynamics present within single settings” (Eisenhardt, 1989, p. 534). As research on the role of network management in the context of entry strategies is lacking, an exploratory case study approach was chosen. Such an approach seems warranted as Yin (1998, p. 236) claims that when “the available literature or existing knowledge base is poor, offering no clues for conceptual frameworks or notable propositions, a new empirical study is likely to assume the characteristic of being an exploratory case study.” According to Yin (1998, p. 234), theory “development is essential for designing your case study.” Consequently, two literature reviews were conducting to develop theory on entry strategies in general and Western entry strategies into China, in order to produce a theoretical foundation on which to conduct the case studies. With respect to data collection methodology for the case studies, interviews were chosen. Thus, in terms of methodology, the master thesis is of a qualitative nature (Bryman, 2015). With respect to the analysis of the findings, the data from the interviews were compared to expectations for the case studies, based on the theory developed. This approach can be termed as ‘pattern matching’ (Eisenhardt, 1989). This approach was chosen as one ”of the most desirable modes of analysis is to compare an empirically based pattern with a predicted one” (Eisenhardt, 1989, p. 251). In this section, the different methodological components of the master thesis are addressed. I first consider methodology pertaining to literature reviews, before turning to interview methodology. Subsequently, I address the analytical methodology chosen. Lastly, I critically evaluate the research methodology of the master thesis.

1In order to attain flexibility with respect to referencing in Harvard style throughout the thesis, whilst simultaneously producing a comprehensive reference list at the end of the master thesis, the articles’ reference numbers are here listed to prompt ShareLaTeX to create the reference list:
5.1 Literature reviews

In this section I consider the research characteristics of literature reviews, and explain the literature review methodology used in the master thesis.

5.1.1 Research characteristics of literature reviews

Literature reviews can be split into narrative reviews and systematic reviews (Bryman, 2015). The purpose of narrative reviews is to summarize what is known in a specific area (ibid). An important reason for conducting a narrative review is simply to gain an understanding of what is already known about a given area and thereby avoid 'reinventing the wheel' (ibid). Another purpose for writing a narrative review is to develop an analytical framework to be applied on an issue (ibid). Proponents of systematic reviews, which can be perceived as more scientifically rigorous than narrative reviews, argue that narrative reviews are less able to generate unbiased and comprehensive accounts of the literature, which is especially important with respect to determining which particular approaches to solving issues have the strongest empirical footing (ibid). As the purpose of the literature reviews in the context of this master thesis was to provide an overview of what the theory says about entry strategies in general and in the Sino-Western context - rather than providing a rigorous scientific account of how the review was conducted and how and on what basis conclusions were drawn - narrative reviews were conducted.

The primary challenge with respect to conducting a literature review is the need to combine a pragmatic and focused, yet rigorous account, of the literature reviewed (Easterby-Smith et al., 2008). The need for research focus suggests that a selection of articles to be reviewed must be made, which may lead to relevant and important insights being lost, as other articles may contain salient information. This issue is highlighted in the subsections on 'search' and 'selection' in the section on the literature review methodology applied in the master thesis below. Mallett et al. (2012) note that another characteristic of literature reviews is that they are by their very nature restricted to what is already known, leading to a persistent bias towards extant perspectives. Nonetheless, a literature review is regarded as the best research method with respect to gaining insight into the current status of research in a particular field (Bryman, 2015), and is therefore likely to be the most appropriate research method with respect to producing an overview of contemporary theory pertaining to entry strategies and Western entry strategies into China.

1As a literature review was conducted in the project thesis on the role of networks in internationalization processes to China (Colclough, 2016), relevant material from the discussion on the research methodology applied in the project thesis is used here.
5.1.2 Literature review methodology

5.1.2.1 Search

The database that was used to conduct the literature reviews was the Norwegian University of Science and Technology’s Oria database. The database provides electronic access to books, articles, journals, master theses, doctoral dissertations etc.

With respect to the literature review on entry strategies in general, two searches were conducted. The search string used in the first search was "entry mode", which was written in the title block in Oria. The search string used in the second search was "Entry strateg*", which was also written in the title block in Oria. The '*' sign in the 'entry strateg*' search string allows all articles that include the word 'strateg' in their title to be included in the search, thus ensuring that articles with both the words 'entry strategy' and 'entry strategies' in their titles were captured. As articles differ in using the terms entry mode or entry strategy/strategies, these search strings were deemed appropriate to capture relevant articles. In order to limit the number of articles, the first search was limited to articles from peer-reviewed journals from the last 20 years, and the second search was limited to articles from peer-reviewed journals from the last 10 years. This lead to 427 articles being found in the first search, and 357 being found in the second search on the issue of entry strategies.

It is important to note that articles that did not necessarily have the words "entry mode" or "entry strategy/strategies" in them, but that nonetheless dealt with these issues, were excluded by using these search strings. This suggests that the choice of search strings used to narrow the number of articles may have lead to articles with salient insights being neglected. This also applies to the search strings used to find articles on Western entry strategies into China, which I turn to next.

With respect to the search strings pertaining to Western entry strategies into China, two searches were also conducted. The search string used in the first search was "entry mode China", which was written in the title block in Oria. The search string used in the second search was "Entry strateg* China", which was also written in the title block in Oria. These two variants were used for the same reasons mentioned in the previous paragraph. The first search produced 34 articles, whereas the second search produced 100 articles.

I here wish to emphasize that a literature review was conducted in an effort to obtain operational-level research on the role of network management in entry strategies. Two searches were conducted, in which 'network management' and 'network competence' were used as the keywords in the title block in Oria, respectively. These two keywords were used as the literature uses these
terms to describe the same phenomenon. However, after reading several abstracts it became apparent that none of these provided operational-level research on this issue. Therefore, the theory written on the role of network management in entry strategies is partially based on the articles that were found in the literature reviews pertaining to entry strategies and Western entry strategies into China, as these implicitly consider the role of network management or offer suggestions as to its likely role in the context of entry strategies. Moreover, as the author of this master thesis wrote a project thesis on the role of networks in the internationalization process (Colclough, 2016), relevant articles considered in that thesis were also used for addressing the role of network management in entry strategies in this master thesis. The lack of operational-level research on this issue was the reason as to why the interviews and case studies were determined to be of an exploratory nature.

5.1.2.2 Selection

With respect to the selection of articles pertaining to entry strategies in general, initial readings of the abstracts of the articles, produced by the search strings, revealed that most of the articles emphasize different contingencies which affect which entry mode decisions a firm should opt for, which I term entry mode contingencies. Therefore, articles were selected if they explicitly or implicitly dealt with entry mode contingencies. This was done by reading their abstracts. These articles were selected in order to produce a comprehensive overview of all the contingencies that affect the entry mode decision. 23 articles were selected for further review.

With respect to the selection of articles pertaining to Western entry strategies into China, the overview of entry mode contingencies produced through the review on entry strategies in general, served as a framework for selecting articles on Western entry strategies into China. Articles that shed light on the manner in which these contingencies pertained to Western entry strategies into China were therefore selected and analyzed, in order to produce a comprehensive overview of how the contingencies affect Western firms’ choice of entry modes into China. 8 articles and 2 books were selected to be included in the final literature review.

5.2 Interviews

In this section I consider the research characteristics of interviews, and explain the interview methodology used in the master thesis.
5.2.1 Research characteristics of interviews

Interviews, being a qualitative research method, emphasizes an inductive approach to the relationship between theory and research, whereas quantitative research emphasizes a deductive approach to the relationship between theory and research, where the focus is placed on the testing of theories (Bryman, 2016). Therefore, given the master thesis' focus on exploring the role of network management in Norwegian firms' entry strategies, an issue that the literature has yet to emphasize, interviews were regarded as an appropriate mean by which to develop operational-level research on this issue.

According to Bryman (2016, p. 466), the "interview is probably the most widely employed method in qualitative research." There are two kinds of interviews: the structured interview and the qualitative interview (ibid). In qualitative interviewing there is a stronger emphasis on open-ended questions and there is a greater emphasis on the interviewee's own perspectives, whereas in structured interviews the emphasis is on enhancing reliability and validity of measurements "of key concepts because the researcher has a clearly specified set of research questions to be investigated" (ibid, p. 466). As the case studies were exploratory in nature, a qualitative interview approach was chosen and emphasis placed on senior management’s perspectives and experiences.

Qualitative interviews can be decomposed into unstructured interviews and semi-structured interviews (ibid). In unstructured interviews "the researcher uses at most an aide-mémoire as a brief set of prompts to him- or herself to deal with a certain range of topics" (ibid, p. 468). In semi-structured interviews, the "researcher has a list of questions or fairly specific topics to be covered, often referred to as an interview guide, but the interviewee has a great deal of leeway in how to reply" (ibid, p. 468). The latter approach was chosen for the interviews in the master thesis. It was chosen because, based on the theory, questions pertaining to select issues and topics were deemed appropriate to determine the case study firms’ perspective on entry strategies and the role of network management therein.

When conducting interviews, it is important to not lead interviewees, which may lead to the interviewer receiving biased answers (Bryman, 2015). Therefore, the interviewer should be vary of his or her own biases and expectations when asking questions. In order to effectively probe for answers, the interviewer must also maintain focus in asking questions (ibid). These issues were considered when producing the interview guide and conducting the interview.
5.2.2 Interview methodology

The interview guide, cf. appendix, served as an aid for conducting the interview. As the master thesis is exploratory in nature, due to the operational-level research gap on the role of network management in entry strategies, the focus when designing the questions was to reveal the manner in which the firms managed their relations to enter China effectively. However, as it was assumed that the manner in which firms should manage their networks was contingent upon which mode of entry they chose, the questions were also designed to expose the relationship between the firms’ choice of entry strategy and the role of network management therein, as well as the case study firms’ justifications for choosing a given entry mode over others. In light of these considerations, the interview guide was produced.

The interviews with Orkel and Øgland System were semi-structured. Although the questions and discussions were geared towards the topics in the interview guide, the interviewees were given leeway in their responses, so as to produce an accurate assessments of the interviewees’ perspectives on the issues being discussed. With respect to choosing appropriate interview objects, Li and Qian (2008) argue that often CEOs, owners of the firm, or other C-suite managers are interviewed, as they are "believed to be the most knowledgeable about their firm’s overall operations” (ibid, p. 199). However, Ulrich et al. (2014), in their quantitative study, ensured that their survey was filled out by "the person in the company that is directly responsible for internationalization processes in company” (ibid, p. 431), which may or not may be senior managers. Therefore, when making arrangements for the interviews, requests were made to interview the members of the organizations that had been the most involved in the firms’ internationalization process to China. However, for both firms, the interviewees were all senior managers.

An audio recorder was used to record the interviews. The interviews were subsequently transcribed and analyzed. The findings from the interviews were categorized according to the firms’ entry strategies in general, entry strategy into China, and the role of network management in the entry strategy into China. The findings of the interviews are provided in chapter 6.

5.3 Analytical approach

The findings of the interviews are analyzed and discussed in chapter 7. First, expectations pertaining to the impact of the entry mode contingencies on the entry mode decision, and the role of network management in the entry, are provided. These expectations are based on the theory considered in chapters 2-4. Subsequently, the findings of the case studies are compared with the expectations, and deviations are addressed and sought explained. Such a ‘pattern
matching’ approach is according to Eisenhardt (1998) the optimal method of analysis in the context of case studies. Based on this analytical approach, the manner in which Norwegian firms should choose an entry strategy, and manage their networks to enter China effectively, is addressed.

5.4 Evaluation of methodology

As mentioned previously, an exploratory case study on the role of network management in initial entry strategies was chosen because of the dearth of operational-level research on this issue. According to Eisenhardt (1989, p. 536) selection of appropriate cases is an important issue when building theory from case studies. As the exploratory case study in this master thesis is only based on two firms, nuances that would have more easily been captured through a more comprehensive exploratory case study, is likely to have been lost. For instance, it would, from a methodological perspective, have been better to conduct exploratory case studies on the role of network management in all of the entry modes generally recognized in the literature, namely exporting, contractual arrangements (e.g. licensing and franchising), strategic alliances or joint ventures and establishing wholly-owned subsidiaries (Laufs and Schwens, 2014; Taylor et al., 1998; Raff et al., 2009; Ekeledo and Sivakumar, 2004; Ling et al., 2005, Li and Qian, 2008), and subsequently compare the findings. Such a broad scope should be linked with an assessment of the differences in network management practices for firms that opted for the same entry mode. Such a comprehensive approach is likely to have provided a more accurate picture of the role of network management in entry strategies, and would have been more able to capture variances in the manner in which firms manage their networks in their initial entry strategies, as well as the cause of this variance. Such an approach would also have produced more generalisable results. In order to compensate for not using this approach in the master thesis, two firms, which opted for entry strategies to China at the extremities of the low to high commitment modes of entry spectrum, were selected as case studies. In this manner the variance in challenges and issues pertaining to network management in entry strategies, is - to some extent - covered. Such an approach seems warranted as Eisenhardt (1989, p. 537) states that "given the limited number of cases which can usually be studied, it makes sense to choose cases such as extreme situations and polar types."
Findings of the case studies

In this section the findings of the case studies - pertaining to the case studies’ internationalization process in general, their entry into China, and the role of network management therein - are provided. I first present the findings pertaining to Orkel, before turning to Øgland System.

6.1 Orkel

Orkel\(^1\) is a Norwegian SME located in Orkdal, which develops and produces innovative machines for agriculture and industry. Its offices and production facilities are all located in Orkdal. Although Orkel was established in 1949, its business developed into its present form during the 60s and 70s, when it started to emphasize the construction of machines for agriculture. Many of the employees that were hired during this period had grown up on farms or had experience in agronomy, which lead to the products developed being a result of practical experience and first-hand knowledge of farmers’ needs. Its present goal is to create the world’s best machines for agriculture and industry through innovation and passion for quality craftsmanship. Orkel presently has 73 employees and is represented in 40 different countries in the world, and is represented in all of the world’s continents as well. With respect to Orkel’s recent performance, it has experienced sustained profits in recent years.

With respect to its internationalization strategies in general as well as its entry strategy into China, it utilized exports. In the next sections, I consider Orkel’s internationalization process, its entry into China, and the role of network management therein. The information is based on insights gathered through an interview with senior management in Orkel.

\(^{1}\)The description of Orkel in this paragraph is based on information gathered from the interview of senior management in Orkel, as well as information found on Orkel’s website: http://orkel.no/
6.1.1 Orkel’s internationalization process

Although Orkel initially served the Norwegian agriculture market, it is now primarily an exporter, which serves different market segments around the world. It currently exports 80% of its products. 30% of all production is exported to China. It began its exports as it gradually realized that growth is about exports, especially considering the small size of the Norwegian market. Its international activities increased significantly after 1986, after which its compactor technology caught the attention of agrinoms all around the world. This was primarily through initial exports to England and demonstrations of their compactor technology there. This led to English press releases concerning Orkel’s products, which spread across the world, leading to a plethora of requests for Orkel’s products from all over the globe. Jarl Gjønnes, CEO of Orkel, says that ”we never internationalized deliberately. We were discovered.” He also states that the market in which they operate is so small and the actors therein so well connected, that such press spread easily amongst industry actors all over the world. In conclusion, there was little deliberate effort from Orkel with regard to its global expansion. Rather, it was a result from the press releases on their products and the requests for their products from all over the world that followed.

The prime driver behind the transformation of Orkel to its present form, a firm which exports 80% of its products, was the development of a new compactor in the early 2000s. By this time the Internet was used by most firms with regard to marketing. Orkel used digital marketing to advertise its compactors through its websites and through its YouTube and Facebook channels. This lead to a tremendous growth with regard to the exposure of - and requests for - their compactors. Besides this, Orkel participates in a semi-annual agricultural machine exposition in Germany to demonstrate the capabilities of their products. Moreover, as word about technological solutions spread quickly in the market, little effort is needed to market their solutions to prospecting customers. Consequently, very few resources have been invested into marketing by Orkel.

The exposure of Orkel’s products to the world lead to direct customers and importers alike requesting Orkel’s products. Consequently, Orkel’s consumer base consists of both importers and direct customers. Importers are perceived by Orkel as vital, as importers are usually able to keep up with developments in local markets and communicate this development to Orkel. Orkel perceives relying on importers as a convenient solution as it does not have the resources necessary to keep up with the market development in the 50 countries in which it operates. Building relationships to these importers is also important because they often function as referrals with respect to markets that Orkel has yet to enter. Therefore, the importers often aid Orkel in entering new markets.
6.1.2 Orkel’s entry into China

With regard to Orkel’s entry into China, their entry was not deliberate. It started with an American-Chinese firm in the United States of America being hired by a Chinese dairy group, the Shanghai Dairy Group, to find a way to bale hay using Total Mixed Ration (TMR). The American-Chinese firm then became aware of Orkel’s solution to this problem and linked the Shanghai Dairy Group with Orkel. Eventually, Orkel and the Shanghai Dairy Group contacted each other directly without the American-Chinese firm acting as an intermediary. Initially, in 2012, the Shanghai Dairy Group was simply a regular customer, but eventually became a distributor as well. It was through this partner that Orkel’s penetration into the Chinese market grew during the first 3-4 years through exports. However, during the last couple of years, Orkel has received a lot of requests directly from Chinese customers because their products have been exposed through their exports to the Shanghai Dairy Group. Rather than going to the Shanghai Dairy Group to purchase Orkel’s products, they contact Orkel directly. The demand for Orkel’s products in China is largely linked with the Chinese being increasingly concerned about the poor quality of agricultural products in China. This has led Chinese agrinoms to place a great emphasis on technology that can enhance the quality of their products, such as the technology Orkel provides.

Recently, other importers than the Shanghai Dairy Group have also been vital with respect to Orkel’s penetration into the Chinese market. For instance, one of Orkel’s Chinese importers was given half-an-hour on national television in China to demonstrate baling hay as a means of conservation. Frequently, throughout the TV-program, Orkel and its compactor were shown and mentioned, images of Orkel’s production facilities in Orkdal were shown, and Orkel’s improved conservation technology was compared to traditional solutions. This exposure was largely linked to Orkel’s emphasis on educating their Chinese customer base, importers and direct customers alike. Orkel often invited these to their production facilities in Orkdal, where they educated them and showed them how their products work and how their technology can solve problems in the agriculture industry. Thus, Orkel regards itself as providing both a product and a competence. They educated their customers and helped them both set up and maintain the machines that they purchase. In this manner awareness of - and consequently demand for - their solutions spread across the industry in China. Thus, importers have been vital with respect to Orkel’s entry into the Chinese market, both in terms of providing distribution channels to Chinese end-customers, but also in spreading awareness about Orkel’s products in the Chinese market.

With respect to other important intermediaries for Orkel’s entry into China, Innovation Norway in China has been crucial. As Orkel received a lot of requests from a plethora of interested
Chinese customers, Innovation Norway played an active part in screening prospective customers. Innovation Norway researched the prospective customers’ background, their growth potential and assessed the ease with which Orkel could conduct business with them, to aid Orkel in the selection of which Chinese customers it would serve. In this regard, Jarl Gjønnes, the CEO of Orkel, says that “we know a consultant at Innovation Norway in Shanghai who has been of immeasurable importance to us in this regard.” When asked what they would do if she resigned from Orkel, Jarl Gjønnes replied that “I have told her that if you’re planning on quitting, you have to tell me first, because then we want to hire you. She is worth so much to us that she would have to become a part of Orkel if she were to resign from Innovation Norway.”

With regard to building relations to Chinese importers and direct customers, they often invite these to Norway. The customers usually pay their own plane tickets, whereas Orkel takes care of the rest. During their stay, Orkel educates them and shows them Norwegian culture: they are invited to stay at Jarl Gjønnes’ cabin or to a sightseeing trip at one of Orkel’s employees’ farm, or they go camping and drink coffee boiled on live fire. In this regard, Peder Kvendset, the sales director of Orkel, says that they don’t approach Chinese customers any differently than customers from other parts of the world. They simply show them the ‘Orkel Way’, in which they emphasize building close personal relations to their customers. When senior management or employees from Orkel travel to China, they are equally well received by their Chinese customers.

With respect to the frequency with which Orkel interacts with its Chinese customers, it varies a lot. It might be quiet for a couple of months, but once a customer is interested in making a purchase, Orkel might be in contact with the customer several times a day. Although Orkel uses telephone, video-conferences and face-to-face meetings to communicate with its customers, they usually use e-mail. However, in this regard, Orkel strongly emphasizes swiftness in replies. Jarl Gjønnes said that if they receive an e-mail in the afternoon on a Saturday, the contacting party may receive a reply within the hour from him, the CEO. Orkel believes that receiving a swift reply from the CEO demonstrates to their Chinese partners a commitment to their customers. Moreover, Jarl Gjønnes considers such commitment by the CEO to be particularly important in Asian culture, which emphasizes the rank of managers and employees. Consequently, he believes that Chinese customers respond particularly favourably to receiving a swift reply from the CEO of Orkel.

Jarl Gjønnes emphasizes that since Orkel is a small firm and not a large multinational corporation, they are reliant on using their networks, relationships and connections to both reach and penetrate new markets. Moreover, Jarl Gjønnes also thinks that the close relationships they have probably contributed to their Chinese customers trusting them and being willing to pay for Orkel’s machines upfront. He also adds that this might be because Chinese customers tend
to view Western firms as more reliable and trustworthy than Chinese firms. Furthermore, he also states that the market in which they operate is fairly small and that word travels quickly between the actors operating therein. Consequently, he believes that Orkel has attained an international reputation for reliance, which might have caused Chinese customers to trust Orkel’s offerings.

Although Orkel realizes that their Chinese importers may shield their Chinese end-customer base from contacting Orkel directly, they do not regard this as a problem in China. In fact, Peder Kvendset argues that this has been more of an issue in European markets. With regard to China, it appears that both Orkel and their Chinese importers benefited from their arrangement: Orkel provided the technology to the Chinese importers, whereas the Chinese importers focused on developments in the Chinese market. Indeed, Peder Kvendset argues that ”although it would be nice to know who the end-customer is, it is more important for us to cooperate with importers. If we cooperate with our importers, who the end-customer is becomes a less important issue to us.” Peder Kvendset adds that Chinese importers have not only been vital with respect to receiving signals regarding the development of the Chinese market, but also with regard to building relationships to select Chinese end-customers. He argues that ”it would have been difficult for us to travel around China, looking for customers, without having an importer to aid us. We primarily prefer to operate in China through the importers that we have there.” Thus, it appears that Orkel and its Chinese partners cooperated closely in marketing Orkel’s products to prospecting customers in their entry into China. This is also reflected in the fact that Chinese importers and Orkel cooperate in marketing Orkel’s machinery at expositions in China.

With regard to building ties to political actors, Orkel has had no emphasis whatsoever on doing so. However, Peder Kvendset says that there might have been some municipal actors present at their expositions in China.

Concerning challenges pertaining to cultural distance, Orkel perceives Chinese importers and end-customers as being very easy to deal with, despite the large cultural distance between Norway and China. Peder Kvendset said that ”if we were to arrange our customers according to nationality and the ease with which we do business with them, then our Chinese customers would be fairly high on that scale.” Consequently, entering China has not been viewed as particularly demanding by Orkel. Peder Kvendset says it has not been difficult as their Chinese customers have been very orderly and proper in their conduct and Orkel has not had any significant problems with regard to receiving payments from their Chinese customers.

Concerning Orkel’s digital marketing efforts towards China, it is important to note that al-
though some of the Chinese importers use WeChat, the most commonly used social media application in China to communicate offerings, Orkel - by their own admission - consider themselves to have a long way to go with respect to utilizing digital marketing more effectively to reach Chinese customers. The impact of using Chinese social media channels, such as WeChat and Youku, with respect to marketing to Chinese consumers, remains an unexplored issue. Peder Kvendset says that ”we have only begun to scrape the very surface of the opportunities for digital marketing in China”.

Lastly, with respect to the poorly developed institutional environment in China, Orkel has an interesting perspective. According to Jarl Gjønnes, Orkel views the Chinese copyists favourably. He says that ”the technological solutions we deliver are completely new. I think that without copyists or lookalikes we would, by ourselves, have been too small to develop the market.” However, at the same time, he says that Orkel emphasizes innovation and being at the very front of the technological boundary pertaining to agricultural machinery. He says that although machines they produced 5 years ago have now been copied, during those 5 years they have developed their technology, which means that they are always ahead of the copyists. Given that Orkel serves the most demanding and high-end segment of the agricultural machinery industry, they do not regard copyists as a threat to their business. In fact, the opposite is true: they regard them favourably as they help develop the market. Peder Kvendset concurs, arguing that regardless of whether or not they were copied, they have to innovate and stay at the forefront of the technological development in the sector, or they will become obsolete. Therefore, it appears that although Orkel delivers a highly sophisticated technological product to Chinese customers, they are not concerned about Chinese copyists.

6.1.2.1 The role of network management in Orkel’s entry into China

As mentioned previously, network management skills can be defined as ”the ability of firms to develop and manage relations with key partners, such as suppliers, customers, and other organizations, and to deal effectively with the interactions among these relations” (Torkkeli et al., 2012, p. 26). In this section I highlight the manner in which Orkel managed its relations in its entry into China, based on the description of its entry in the previous section. Before considering the manner in which Orkel managed its relations to enter China, I consider the key parties with whom it built relations in its entry, the nature of these relations, and their interdependencies.

The key parties were Chinese importers, Chinese end-customers, Chinese direct customers, and Innovation Norway. As can be seen from the figure below, the relationships between these parties were interconnected.
Firstly, Orkel sent products to Chinese importers, who then sold them to Chinese end-customers. This indicates a flow of physical products from Orkel, to Chinese importers, to Chinese end-customers. Conversely, Chinese end-customers provided information about their demands to Chinese importers, who then communicated developments in the Chinese market to Orkel. This indicates a flow of information from Chinese end-customers to Chinese importers and from these to Orkel.

Secondly, Chinese direct customers may have become aware of Orkel’s products either through the agriculture machine community, through expositions, or through Orkel’s website or social media sites. After a successful purchase, Orkel then sent the product directly to the Chinese customer. With respect to whether or not a Chinese direct customer’s request for a product was accepted, Innovation Norway was critical with respect to screening prospective customers. Consequently, Innovation Norway served as an intermediary between Orkel and Chinese direct customers. Innovation Norway can be perceived as having a similar role to Chinese importers with regard to connecting Orkel to customers, but Innovation Norway did not transfer any products between Orkel and Chinese customers.

Thirdly, the relationship between Orkel and its Chinese importers and direct customers also
appears to have had a distinct educational component. Orkel would invite its Chinese importers and direct customers to educate them on their technology. Moreover, it appears that Orkel emphasized building personal ties to both Chinese importers and direct customers.

Consequently, with regard to Orkel’s relationship to Chinese importers and direct customers, it appears to have had a commercial, educational and personal component, whereas its relationship to Innovation Norway was primarily based on exchange of information.

*I now consider the manner in which Orkel used its network management skills to enter China effectively.*

With regard to the relationship between Orkel, Chinese importers and end-customers, it appears that Orkel leveraged its expertise in agricultural machinery technology for access to Chinese end-customers through Chinese importers’ networks. The benefit to Chinese importers primarily consisted of being able to sell high-tech machines for which there was a large demand in the Chinese market. In return they provided Orkel with distribution channels and reports on developments in the Chinese market. It seems that Orkel emphasized the mutual benefits of this arrangements vis-à-vis its Chinese importers, as Orkel had few problems with its Chinese importers.

Furthermore, Orkel sought to educate Chinese importers and direct customers, to help them understand that their offerings provided a solution to the problems of the Chinese agriculture industry. Consequently, it appears that Orkel injected an educational component into its relationships with Chinese importers and Chinese direct customers so as to create demand for their products. In order to strengthen its ties with Chinese importers and Chinese direct customers, it also sought to build personal ties with these, and consistently sought to produce an image of reliability and devotion, by answering requests promptly and following up sales with support. In this manner they attained a reputation for being reliable, which spread through the Chinese agriculture industry, leading to more requests for their products. Orkel also perceived building such relationships as detrimental with respect to penetrating and understanding the Chinese market, as they had to rely on their networks to do so, as opposed to larger corporations which might invest a lot of resources in analyzing the market.

Orkel also leveraged its relationship with Innovation Norway in China in this regard, by having them screen prospective Chinese direct customers and serve as an intermediary between them. In this regard, one consultant at Innovation Norway’s Shanghai offices is regarded by Jarl Gjønnes, the CEO of Orkel, as being of immeasurable value. However, no effort was spent by Orkel to build relationships with direct customers, who were connected to Orkel through this consultant, to prepare for contingencies such as her being relocated, changes in her job
description, or her being fired or resigning.

With respect to which individuals Orkel built relationships with in prospecting customer firms, Peder Kvendset argues that they tried to identify and build relationships with the key decision-makers. However, very often the key decision-makers themselves would contact Orkel, which means that very little effort had to be spent by Orkel to identify and convince key decision-makers during the entry. Lastly, no effort whatsoever was spent on building ties to political actors.

In the next section, I present the findings of the case study pertaining to Øgland System.

6.2 Øgland System

Øgland System\textsuperscript{2} is a MNC with 13 subsidiaries and 20 agents all over the world. It was founded in Sandnes, Norway, in 1977. Today it develops, manufactures and sells multidiscipline support solutions, cable ladders, cable trays and accessories such as HVAC, light fittings, tubing clamps, cable cleats, racks and piping. Their business areas include oil and gas, wind energy, ships, infrastructure, clean room and water treatment. Although Øgland System had some international activities in various countries pre-2010, it underwent a strategic change post-2010, in which it emphasized servicing projects spanning several countries. The cause of its change in strategic orientation was global competition driving most oil and gas firms to focus on multi-national projects, which led Øgland System to alter its business model so as to offer its products and services on a global scale. With respect to Øgland System’s recent performance, it appears to have experienced sustained profits.

In the following, I consider Øgland System’s internationalization process, its entry into China, and the role of network management therein. The information is based on insights gathered through an interview with senior management in Øgland System.

6.2.1 Øgland System’s internationalization process

Øgland System started its operations in Norway in 1977. Its internationalization process started with the establishment of a subsidiary in the Netherlands in 1994 to serve projects there. Afterwards, in 1996, it established a subsidiary in Singapore. Since then it has established subsidiaries all across the world. Its operations were usually confined to select countries. However, in 2010-2011, the senior management in Øgland System decided to reconfigure the manner in which

\textsuperscript{2}The description of Øgland System in this paragraph is based on information gathered from the interview of senior management in Øgland System, as well as information found on Øgland System’s website: http://oglaend-system.com/
they conducted their international activities. Firstly, they wanted to be involved in projects from the very beginning. Secondly, they noticed that competition in the energy sector had driven their key customers to emphasizing large cross-national projects, which implied that in order to keep up they had to develop a global presence. According to the CEO of Øgland System, Geir Austigard, it was from this restructuring onwards that Øgland System became truly global. Now, it often works on projects spanning the borders of 4-5 countries. Geir Austigard says that "today we see a global market, in which our key customers need help with engineering and construction projects in several countries simultaneously. For us, national boundaries are now non-existent."

Øgland System was largely proactive with regard to its internationalization. It has a 'Project Tracker', which consists of employees focused on researching projects that will start during the next 4-5 years. Based on this information, they are able to scope market developments and select attractive markets in which to invest resources. In this regard, Geir Austigard says that "in Norway there are many companies that follow Statoil. In this regard we are different. We primarily go where we ourselves see opportunities. That’s why, for instance, we were strongly involved in Korea before Statoil entered the Korean market."

Although Øgland System has consistently used the establishment of wholly owned subsidiaries as an entry strategy, the manner in which these have been established appear to vary strongly depending on the cultural context of the target country. "Our policy today is to put leaders from the target country in charge of the initial establishment and operation of a subsidiary, unless we are establishing a subsidiary in a country with a distinct international business culture, such as Dubai, Singapore, Malaysia or Australia. In such cases we might use leaders from other countries”, says Geir Austigard. He adds that when entering countries such as Korea, Russia, and China, using local leaders is vital. Øgland System regards these as essential with respect to coping with the difficulties that arise because of the socio-cultural and institutional characteristics of countries such as these. Gunnstein Austigard, former CEO of Øgland System and presently in charge of business development in Øgland System, who was heavily involved in the entry into China, says that they "continually scope for and build ties to local talent, who speak the language, know the culture, know the drill, and know the manner of conducting business” when they have made a decision to enter countries such as these.

6.2.2 Øgland System’s entry into China

Although Øgland System emphasizes the use of their 'Project Tracker' to proactively enter markets, it appears that the manner in which it discovered the potential of the Chinese market was also influenced by its networks, as being involved in various projects in China helped them
realize the potential in the Chinese market. According to Gunnstein Austigard, they were told by their partners that "if you plan to penetrate the Chinese market in China you have to have a presence here, both with regard to production and sales." Together with the market information produced by their project tracker, this led to the decision to establish two subsidiaries in China - one factory and one sales office.

Øgland System decided to opt for greenfield investments with respect to establishing the subsidiaries in China. This was because senior management in Øgland System were afraid that the equipment in existing Chinese factories, and the culture and practices of employees in former factories or sales offices, would not live up to Øgland System’s standards. Consequently, greenfield investments and a clean slate was perceived as a means to avoid these issues. Geir Austigard says that countries such as China are "exposed with regard to corruption, poor compliance with local regulations, HMS practices etc. In order to reduce the risk we decided to build the subsidiaries from scratch."

Although the subsidiaries were built from scratch, the employees in China were largely locals. In order to cope with the challenges of having a Chinese workforce, who were unlikely to be inclined to comply with Øgland System’s practices and standards, senior management in Øgland System focused on hiring managers with extensive experience in managing Chinese employees, and on building close relationships to these managers. Senior management in Øgland System then instilled in them the practices, regulations and beliefs of Øgland System and entrusted them with making sure that their standards were met by the employees at the subsidiaries. This was very challenging. Gunnstein Austigard said that "there have been many reprimands. We have had several inspections and caught employees stealing. You can’t be naive in your treatment of them. You have to be tough. You can’t be soft and offer them probation if they misbehave. Many employees have been fired on the spot." He adds: "The Chinese employees’ loyalty was also very poor. They switched jobs if there was another offer with a 2% salary increase. They were also very dishonest." This problem was exacerbated by the intense growth and competition in the energy sector, leading many Chinese employees in the sector to switch jobs frequently. These challenges were sought solved by building loyalty with the managers of the factory and sales subsidiaries, respectively, as previously mentioned. The managers adopted strict management practices to monitor and supervise the Chinese employees’ conduct to promote desired behaviour. According to Gunnstein Austigard, this approach was successful and Øgland System has used similar approaches in other countries to great effect.

Concerning the influence of the weak protection of property rights in China, Geir Austigard says that they were very aware of the poor protection of intellectual property rights in China, and that they have first-hand experience with such issues. He believes that regardless of which
entry strategy you choose when entering China, you have to have a way to maintain and protect patents and intellectual property rights. However, he emphasizes that "the best weapon against copyists and plagiarism is to stay 5 years ahead of the competition. You can’t protect yourself against everything. What occurs in China is very rotten and you can’t afford to take copyists to trial all the time. That would not make fiscal sense. The best weapon is definitely to ensure that you are at the forefront of the technological boundary on a continual basis.” Consequently, it appears that the weak protection of intellectual property rights in China was not an important factor with regard to Øgland System opting for establishing a wholly owned subsidiary in China.

With regard to Øgland System’s establishment of the subsidiaries, its relationships were paramount. Gunnstein Austigard, who was then in charge of operations in Asia, worked together with the general manager of Øgland System’s subsidiary in Singapore - who Gunnstein Austigard had known for 20 years - in devising a plan to enter China. Through Øgland System’s activities in Singapore, they frequently interacted with a Singaporean businessman in the same industry as Øgland System, who was the general manager of a small firm there. Gunnstein Austigard says that both he and the general manager of Øgland System’s subsidiary in Singapore had great confidence in this man as they knew him well. They also knew that he was very familiar with the technicalities of the business and the proper channels one had to go through with regard to establishing a subsidiary in China. Consequently, he was hired by Øgland System and charged with the responsibility to handle the formalities of establishing the subsidiaries in China and to act as temporary general manager once the factory had been built. He focused on the technical aspects of establishing the subsidiaries and the practicalities vis-à-vis the local authorities, such as getting permits from the municipal government. Øgland System also hired a lawyer - whom the aforementioned businessman had recommended to Gunnstein Austigard and the general manager at Øgland System’s Singaporean subsidiary - to aid with the legal formalities of establishing the subsidiaries in China. Lastly, through their activities in Singapore, Gunnstein Austigard and the general manager of Øgland System’s subsidiary in Singapore, had become familiar with a Chinese agency. They used this Chinese agency to hire a well-connected agent to help them. This agent had extensive knowledge of the Chinese market and was hired to build relations to prospective Chinese customers. He also helped with the practical aspects of establishing the subsidiaries through his connections. After the sales subsidiary was constructed, he was hired as a general manager of the sales subsidiary as well.

The agent and Singaporean businessman also worked closely in communicating Øgland System’s offerings to prospective Chinese customers, as their offerings lay ahead of most of their competitors in China. The agent built connections to prospective customers, whereas the Singaporean businessman, together with Gunnstein Austigard and the general manager of Øgland
System’s subsidiary in Singapore, followed up with technical explanations and demonstrations to convince prospecting customers of the value that their products added to their business. Gunnstein Austigard says "in this manner we built trust with our clients and showed them the reliability of our products and services." According to him, Øgland System’s relationship to the Singaporean businessman and Chinese agent were paramount in the entry. He says that "to have leaders, with extensive knowledge of the local market, who can build relationships and trust with key actors, and who can also establish and manage subsidiaries, is the alpha and omega of effective internationalization in countries such as China."

6.2.2.1 The role of network management in Øgland System’s entry into China

In this section I consider the manner in which Øgland System managed its relations to enter China effectively. Based on the description of Øgland System’s entry strategy in the previous section, its entry strategy can be conceived of as comprising of two phases: 1) building relationships to establish the subsidiaries and 2) managing relationships to run the subsidiaries.

In the following, I consider each of these stages and address the role of network management therein.

Phase I: Building relationships to establish the subsidiaries

In the first phase of the entry, Gunnstein Austigard and the general manager of Øgland System in Singapore focused on finding people with the relevant background and competence to establish and run the subsidiaries. Due to their long-term familiarity with a Singaporean businessman, who possessed the necessary background and competence, they decided to hire him. It appears that their personal familiarity with this businessman and his accomplishments reassured them that he was reliable and would be suitable for establishing the subsidiaries and running the factory. This businessman also used his own connection to and familiarity with a lawyer, with whom he had worked with previously, to help him with legal issues in the establishment process. Consequently, the Singaporean businessman also served as a gateway for Øgland System to a lawyer with the necessary legal competence and experience in establishing subsidiaries, cf. figure below.
Through Øgland System’s activities in Singapore, Gunnstein Austigard and the general manager of Øgland System’s subsidiary in Singapore became familiar with a Chinese agency, with whom they inquired to hire a suitable agent with the necessary knowledge and connections in the Chinese market. The Chinese agent whom Øgland System hired offered access to prospecting Chinese customers, with which the agent, the Singaporean businessman, Gunnstein Austigard, and the general manager of Øgland System’s subsidiary in Singapore, interacted. Thus, the Chinese agent offered access to prospective Chinese customers, whereas the three other actors cemented the connection between Øgland System and the prospective customers through demonstrations and explanations of Øgland System’s products. Moreover, the Singaporean businessman and the Chinese agent used their connections and experiences in liaison to handle the establishment of the subsidiaries. In this manner, Øgland System outsourced the job of establishing the subsidiaries to actors who had experience with doing so in the Chinese setting. Consequently, the establishment of the subsidiaries in China was a result of several actors working together, contributing with their respective expertise. This is demonstrated in the figure.
Phase II: Managing relations to run the subsidiaries

After the subsidiaries had been built, Øgland System hired the Singaporean businessman and the Chinese agent to temporarily manage the factory subsidiary and sales subsidiary, respectively. In this phase Øgland System emphasized building strong personal relationships to these two managers and loyalty to the firm, as shown in the figure below, so that they could serve as effective instruments in promoting Øgland System’s practices, policies and values in the factory and sales subsidiary.

They were strongly encouraged by senior management in Norway to implement Øgland System’s policies, which the employees at the subsidiaries perceived as strict. In this regard the managers received strong support by senior management in Norway in order to ensure adherence to company policy. It seems that more effort was spent on the Chinese agent with respect to promoting Øgland System’s practices, policies and values. Indeed, Gunnstein Austigard says that ”we had to spend a lot of time on that [Chinese] agent to make him think the same way we do on a lot of issues.” He notes that although the Chinese are also focused on efficiency and profitability, it took a lot of time to communicate to them why their practices were superior in this respect. The lesser need to educate the Singaporean businessman, who served as temporary

Figure 6.3: Phase II: Managing relations to temporarily run the subsidiaries
manager of the factory subsidiary, may have been because he was more familiar with Western and international standards in the industry. Moreover, as Gunnstein Austigard and the general manager of Ogland System in Singapore knew him well, they may have been more confident in his adherence to proper practices prior to hiring him.

In the next chapter, the findings of the case studies, pertaining to the selection of entry strategies and the role of network management in these, are discussed.
In this chapter I discuss the findings of the case studies. A pattern-matching approach (Yin, 1998) is used for analyzing the findings of the case studies. Therefore, I first develop expectations for the case study firms’ choice of entry strategies and the role of network management therein, in light of the theory addressed in chapters 2-4. I then discuss the findings of the case studies pertaining to choice of entry mode and the role of network management in the entry strategies. Subsequently, the consistencies and discrepancies between the expectations and findings are addressed. Finally, the findings’ implications for the determinants of Western firms’ choice of entry strategies into China, and the role of network management in these, is discussed.

7.1 Expectations for the case studies

In this section I briefly provide expectations for how different entry mode contingencies affected the case study firms’ entry mode decision to China, based on the theory considered in chapters 2-4 and the general characteristics of the case study firms. As the theory on entry strategies seems to suggest that firms should compare the forces drawing them towards low- and high commitment entry modes, in order to develop appropriate entry strategies, this approach is taken here as well. In the analysis, I focus on the contingencies whose influence the literature largely agree on. I then briefly consider the likely role of network management in the entries, based on the theory and the postulations made for the likely role of network management in Western entry strategies into China (cf. section 4.2).

7.1.1 Orkel

7.1.1.1 Factors drawing Orkel towards higher commitment entry modes

Orkel is a SME which emphasizes innovation and high-tech offerings. Since protecting its technology and know-how was likely to be an important issue for Orkel when entering China, this
may have led to a preference for using high commitment entry modes to control and protect its assets in China (Ekeledo and Sivakumar, 2004; Schwens et al., 2011; Li and Qian, 2008; Anderson and Gatignon, 1986). This preference was likely to be exacerbated by the low institutional development of China (Arslan and Wang, 2015; Holtbrügge and Baron, 2013; Maekelburger et al., 2012; Chang et al., 2012). As the Chinese market is likely to have had a high market potential, profits are likely to have been larger if it entered China through higher commitment entry modes as well (Chen and Hu, 2002; Khan, 2016; Sarapovas et al., 2016). Lastly, I postulate that, given the attractiveness of the Chinese market, that the planned duration of Orkel’s activities in China was long, which strengthens the case for a high commitment mode of entry (Chen and Hu, 2002).

7.1.1.2 Factors drawing Orkel towards lower commitment entry modes

As Orkel is a small Norwegian SME located on the opposite side of the world from China, it is likely to have preferred lower commitment modes of entry, linked with a strong reliance on Chinese partners. In this manner, it could have gained access to vital local market knowledge and distribution channels to penetrate the Chinese market in a cost-efficient manner (Bontempi and Prodi, 2009; Mutinelli and Piscitello, 1998; Taylor et al., 1998; Hånell and Ghauri, 2016; Han, 2006; Zhang et al., 2016; Zhou et al., 2007; Torkkeli et al., 2012; Santos et al., 2012, Musteen et al., 2014; Oehme and Bort, 2015; Cavusgil and Knight, 2015; Lin et al., 2016). Such an approach is consistent with the findings of Ulrich et al. (2014), who find that resource-constrained SMEs can opt for exports as an entry strategy to China, which is made possible by a strong focus on effective networking to local Chinese partners. Lastly and perhaps most importantly, Orkel is a capital-intensive SME with a relatively weak resource base, which suggests that it simply may not have had sufficient resources to utilize high commitment entry modes to enter China (Shukla et al., 2012; Chen and Hu, 2002). Moreover, as consumption of Orkel’s products can easily be decoupled from production, lower commitment modes of entry may have been more appropriate (Blomstermo et al., 2006).
7.1.1.3 Which entry mode should Orkel have opted for?

Based on the above, it appears that different factors drew Orkel towards different modes of entry, as can clearly be seen in figure 7.1 below.

![Figure 7.1: Forces or contingencies pulling Orkel towards different modes of entry into China](image)

However, it is apparent that some factors should have exerted a stronger influence on the entry mode decision than others. Firstly, the capital-intensity of the industry in which Orkel operates, together with it being a resource-constrained SME, implies that high commitment entry modes, such as establishing a wholly owned subsidiary in China, were likely to be infeasible for Orkel. Consequently, it was significantly more likely to opt for lower commitment entry modes. This is not to say that utilizing lower commitment entry modes may have been desirable despite its resource constraints, as lower commitment entry modes offer benefits that higher commitment entry modes do not. Indeed, because production and consumption of Orkel’s offering could easily be decoupled, and because internalizing its activities in China, e.g. by establishing its own factory and distribution channels there, is likely to have been a significantly riskier and less cost-efficient option than exporting through partners, using a low commitment mode of entry appears warranted. Lastly, given its small size, cooperation with local partners in China, such as distributors, appears to have been necessary for an export strategy to be possible to implement in practice. Thus, given that it was able to build relationships to such partners, Orkel opting for an export strategy appears warranted.

7.1.1.4 What was likely be the role of network management in Orkel’s entry?

Given that Orkel used exports to enter China, it was likely that utilizing its network and connections to enter China effectively was vital because of its small size (Hànell and Ghauri, 2016; Han, 2006; Zhang et al., 2016; Zhou et al., 2007; Torkkeli et al., 2012; Santos et al., 2012, Musteen et al., 2014; Oehme and Bort, 2015; Cavusgil and Knight, 2015; Lin et al., 2016). As it was likely to be dependent upon reliable partners in China to penetrate the Chinese market effectively, its principal challenges pertaining to network management were likely to be related to
finding suitable partners and building relationships with them. Such relationships should have been based on mutual benefit and trust, due to the poorly developed institutional environment in China (Kiss and Danis, 2008; Zhou et al., 2007). Moreover, because of the strong hold the Chinese government has on the Chinese economy (Shen and Mantzopoulos, 2011), relationships to Chinese governmental actors are likely to have been important as well, which suggests that Orkel should have perhaps targeted building relationships to relevant governmental actors. Furthermore, given Orkel’s resource constraints, it is also likely to have been dependent on Innovation Norway to enter China effectively. Developing and maintaining relationships to consultants working for Innovation Norway in China was therefore likely to be important as well. Lastly, it is also likely that it used its networks to discover and seize the opportunity to enter China, given the centrality of networks in this regard (Chen and Afolabi, 2014; Chetty and Stangl, 2011; Evers and O’Gorman, 2011; Han, 2006; Hånell and Ghauri, 2016; Kiss and Danis, 2008; Lavie and Miller, 2008; Lin et al., 2008; Musteen et al., 2014; Osarenkhoe, 2009).

To summarize, Orkel’s decision to use exports to enter China appears to be rational in light of the recommendations made in the literature. In section 7.2, Orkel’s actual justification for choosing exports is addressed and the actual role of network management in Orkel’s export strategy into China is explored.

7.1.2 Øgland System

7.1.2.1 Factors drawing Øgland System towards higher commitment entry modes

Øgland System is a MNC which emphasizes high-tech offerings. Similar to Orkel, protecting its technology and know-how was likely to be an important issue with regard to choosing an appropriate entry strategy, which may have lead it to use a high commitment entry mode to effectively control and protect its assets in China (Ekeledo and Sivakumar, 2004; Schwens et al., 2011; Li and Qian, 2008; Anderson and Gatignon, 1986). This preference was likely exacerbated by the poorly developed institutional environment in China (Arslan and Wang, 2015; Holtbrügge and Baron, 2013; Maekelburger et al., 2012; Chang et al., 2012). Given the attractiveness of the Chinese market for their products, and assuming that the duration of its activities in China was indefinite, it may have preferred to use high commitment entry modes to enter China so as to reap greater profits (Chen and Hu, 2002; Khan, 2016; Sarapovas et al., 2016). Furthermore, unlike Orkel, Øgland System was a MNC with several subsidiaries all over the world when it decided to enter China, suggesting that it had the resources to utilize high commitment entry modes (Holtbrügge and Baron, 2013), such as establishing a wholly owned subsidiary, thereby making this a viable option. Moreover, since Øgland System strongly emphasizes that their employees, regardless of their nationality, subscribe to Øgland
System’s way of doing things with regard to complying with regulations, high HMS standards, as well as with its standards of ethical conduct, it would appear that it had a strong need to internalize its activities in China, which strengthens the case for opting for a high commitment mode of entry (Randøy and Dibrell, 2002; Sanchez-Peinado et al., 2007; Shukla et al., 2012). The need to internalize activities is likely to have been exacerbated by the fact that Øgland System focuses on serving cross-national projects, which implies that effective coordination across national borders is vital. The need to establish a physical presence in China also appears to have been exacerbated by the fact that production of Øgland System’s offerings cannot be decoupled from consumption (Blomstermo et al., 2006). Lastly, considering the literature on the Chinese business environment, the liberalization of the Chinese institutional environment suggests that opting for a wholly owned subsidiary is the ideal choice for Western firms entering China (Holtbrügge and Baron, 2013; Deng, 2001), because it offers more effective internal coordination and enhanced protection of intellectual property rights (Holtbrügge and Baron, 2013). Moreover, studies on Sino-Western cooperation suggest that the difference between Western and Chinese business practices is so large, that cooperation between Western and Chinese firms is very difficult in practice (Deng, 2001), which strengthens the case for Øgland System opting for a high commitment entry mode and internalizing its activities in China. With regard to which high commitment entry strategy it should have used, it is worth noting that given the large cultural distance between Norway and China, establishing a wholly owned subsidiary, as opposed to opting for an acquisition, is likely to have been ideal (Slangen, 2013).

### 7.1.2.2 Factors drawing Øgland System towards lower commitment entry modes

As the discussion on Western MNCs entering China appears to circle the issues of whether such firms should opt for a wholly owned subsidiary or a joint venture (Holbtrügge and Baron, 2013; Deng, 2001; Arslan and Wang, 2015), I here consider which factors may have drawn it towards a joint venture as a mode of entry. Firstly, it seems that given the capital intensity of the industry in which Øgland System operated, it may have preferred using a joint venture, because of the heavy resource commitments and risks associated with entering a country by itself (Sanchez-Peinado, 2007; Shukla et al., 2012; Chen and Hu, 2002). Lastly, as Øgland System may have been reliant on partners to navigate the particularly uncertain institutional environment of China (Arslan and Wang, 2015), opting for a joint venture may have been more desirable than establishing a wholly owned subsidiary.
7.1.2.3 Which entry mode should Øgland System have opted for?

There were factors that drew Øgland System towards different modes of entry, as can clearly be seen in figure 7.2 below.

![Diagram showing forces pulling Øgland System towards different modes of entry](image)

**Figure 7.2: Forces or contingencies pulling Øgland System towards different modes of entry into China.**

However, as with Orkel, it seems likely that there were some factors that were more crucial than others with respect to choosing an appropriate entry strategy. Firstly, since Øgland System’s activities abroad require a high degree of internal coordination for its products and services to be provided in a consistent manner, in compliance with the high standards, regulations, and HMS practices it adheres to, establishing a wholly owned subsidiary appears to have been more attractive than other modes of entry. The need to establish a physical presence in China seems to have been exacerbated by the fact that Øgland System’s production of its offering can not not be decoupled from its consumption by Chinese clients. Moreover, given the high-tech nature of Øgland System’s offering, establishing a wholly owned subsidiary may have been appropriate with regard to protecting its proprietary assets in a poorly developed institutional environment. With respect to opting for a wholly owned subsidiary, it is also important to note that Øgland System had the necessary resources to do so. However, establishing a wholly owned subsidiary in China, in pursuit of internal coordination of its global activities, may have made Øgland System less responsive to local demands and constitute a heavy and risky investment (Wit and Meyer, 2014). Nonetheless, Øgland System’s decision to use wholly owned subsidiaries to enter the Chinese market appears to be largely consistent with the recommendations in the literature.
7.1.2.4 What was likely to be the role of network management in Øgland System’s entry?

With respect to the role of network management in Øgland System’s entry strategy, it seems likely that building ties to political actors would have been particularly vital. For instance, building ties to the relevant government officials may have been necessary to effectively sort through the formalities of establishing a subsidiary, such as obtaining permits and ensuring compliance with local regulations etc. Although building strong ties to other firms is likely to have been less vital for Øgland System than it was for Orkel in their entry into China, which is consistent with the literature’s contention that networks are relatively more important in the entry strategies of SMEs than MNCs (Hånell and Ghauri, 2016; Han, 2006; Zhang et al., 2016; Zhou et al., 2007; Torkkeli et al., 2012; Santos et al., 2012, Musteen et al., 2014; Oehme and Bort, 2015; Cavusgil and Knight, 2015; Lin et al., 2016), Øgland System appears to have been in need of building relationships to other Chinese firms, in order to become embedded in the relevant Chinese networks to conduct its activities there. Achieving this in practice is likely to have been challenging, as Øgland System may have been perceived as an ’outsider’, which can be defined as a "firm that does not have a position in a relevant network" (Johanson and Vahlne, 2009, p. 1415), exposing it to a liability of outsidership (ibid). This may not have been the case had it opted for a joint venture together with a local Chinese partner. Thus, effective networking is likely to have been vital with respect to overcoming this liability. Lastly, it is likely that it used its networks to discover and seize the opportunity to enter China, given the centrality of networks in opportunity development in the context of internationalization (Chen and Afolabi, 2014; Chetty and Stangl, 2011; Evers and O’Gorman, 2011; Han, 2006; Hånell and Ghauri, 2016; Kiss and Danis, 2008; Lavie and Miller, 2008; Lin et al., 2008; Musteen et al., 2014; Osarenkhoe, 2009).

To summarize, Øgland System’s decision to establish wholly owned subsidiaries in China appears warranted in light of the recommendations made in the literature. In the next section, Øgland System’s actual justification for choosing this mode of entry and the actual role of network management in its entry strategy are addressed.

7.2 What do the findings reveal?

In this section, I consider what the findings reveal about the case study firms’ choice of entry mode and the role of network management in their entry strategies into China.
7.2.1 What do the findings reveal about the case study firms’ choice of entry modes?

The analysis of the contingencies above suggests that both the case study firms chose appropriate entry strategies. However, the analysis also revealed that certain contingencies were likely to have had a greater impact than others on the entry mode decision. This latter point is confirmed in the findings of the case studies. Moreover, not only do the findings reveal that the contingencies vary in relative weight, they also varied in terms of relevance. These are not issues emphasized in the literature reviewed. This may be because the theory considered in this master thesis generally emphasizes select contingencies and their impact on the entry mode decisions, pertaining to utilizing low- or high commitment modes of entry, making comparisons of the contingencies difficult. For instance, Shukla et al. (2012) consider the influence of capital intensity on the entry mode decision, whereas Blomstermo et al. (2006) consider the influence of the nature of firms’ offerings on their choice of entry strategies. Ekeledo and Sivakumar’s (2004) study also reflect such a narrow focus. They focus on the influence of firm-specificity of assets on the entry mode choice (ibid). Although Chen and Hu (2002) focus on a multitude of contingencies in their examination of how to choose an appropriate entry strategy, they do not focus on the relative weight and interdependencies between them. This tendency in the literature is reflected in figure 3.1 in chapter 3, which serves as an overview of what the literature says about the entry mode contingencies. Although the literature offers a plethora of contingencies and how they influence firms towards opting for different modes of entry, how they relate to each other in terms of relevance and weight, depending on different contexts, appears to be virtually ignored.

However, considering the decision-making process of Orkel and Øgland System for choosing an appropriate entry strategy, it appears that the relative weight and relevance of the contingencies, varied significantly. These issues are considered in the following.

7.2.1.1 The relative weight of the entry mode contingencies varies

In this section, I address which entry mode contingencies were deemed non-significant, and which contingencies were deemed crucial, by Orkel and Øgland System in their choice of entry strategies into China.

Which factors were deemed non-significant by the case study firms?

Neither Orkel nor Øgland System appear to have regarded attractiveness of the Chinese market (Chen and Hu, 2002; Khan, 2016; Saraopovas et al., 2016), duration of operations (Chen and
Hu, 2002), market dynamism of Chinese markets (Li and Qian, 2008), or strategic orientation (Nisar et al., 2012; Khan, 2016) as being particularly relevant to the entry mode decision. Although Øgland System screened prospective internationalization opportunities according to market attractiveness, the attractiveness in itself does not appear to have influenced Øgland System towards a particular mode of entry into China. It is noteworthy that both of the case study firms regard the duration of their activities in China as indefinite, but opted for entry strategies at the extremities of the low to high commitment entry mode spectrum. This stands in contrast to the arguments of Chen and Hu (2002), who base their arguments on an examination of entry strategies into China from 1979 to 1992. They contend that the longer the planned duration of a firm’s activities in China, the more they opt for high commitment modes of entry, in order to reap as much profits as possible (ibid). The findings of the case studies suggest that no such relationship exists.

Which entry mode contingencies were deemed crucial by the case study firms?

Comparing the findings of the case studies on Orkel and Øgland System, it appears that the following three contingencies were crucial with respect to the entry mode decision: firm size, need for internal coordination, and whether consumption can be decoupled from production. Lastly, access to necessary local resources through networks was found to be crucial for the entry strategies of both of the case study firms. In this section, the findings pertaining to these contingencies are considered.

Firstly, the findings reveal that the contingency firm size determines whether a high commitment mode of entry is feasible or not. For instance, as Orkel is a SME with 73 employees, competing in a capital-intensive industry, which are characterized by high investment costs (Shukla et al., 2012), establishing a wholly owned subsidiary in China appears to have been out of the question for them. Therefore, no matter how much other contingencies, such as the attractiveness of the Chinese market (Khan, 2016; Sarapovas et al., 2016; Chen and Hu, 2002), may have pulled Orkel towards high commitment modes of entry, doing so would have been likely to have been infeasible for Orkel. Conversely, Øgland System is a resourceful MNC, which made opting for a high commitment mode of entry a possible option (Holtbrügge and Baron, 2013).

Secondly, the findings reveal that the contingencies need for internal coordination and whether consumption can be decoupled from consumption significantly determines which entry modes are the most attractive. With respect to Øgland System, senior management argued that they had a strong need to internalize their activities in China in order to ensure compliance with its own standards and policies. This is what compelled them to opt for the establishment
of wholly owned subsidiaries, which is the highest commitment mode of entry. Secondly, the production of Øgland System’s offering in China could not be decoupled from its consumption, as they cooperate closely with their partners in China on various projects, providing them both products and services. This issue also contributed to making the establishment of a physical presence in China the only conceivable option for them. Thus, given the need to internalize activities in China and the need for geographical proximity to its clients there, it appears that Øgland System had no choice but to opt for a high commitment mode of entry, regardless of what other contingencies might have suggested. Conversely, Orkel had little need for internal coordination of its activities in China, and consumption of its offering could easily be decoupled from production. Thus, opting for a high commitment entry mode, such as establishing a factory and its own distribution channels in China, would have been likely to have been significantly riskier, more complex, and much less cost-efficient than simply exporting to China through and by the help of intermediaries in China.

Lastly, the findings reveal that regardless of which entry strategy is chosen, network management is crucial with respect to implementing entry strategies into China in practice, albeit in different ways, depending on which entry strategy is implemented. With regard to Orkel, which opted for exports, building relationships to and managing relationships with local partners and intermediaries in China were vital, which is consistent with the literature on SME internationalization that suggests that relationships are relatively more important to the internationalization process of SMEs because of their resource constraints (Hänell and Ghauri, 2016; Han, 2006; Zhang et al., 2016; Zhou et al., 2007; Torkkeli et al., 2012; Santos et al., 2012, Musteen et al., 2014; Oehme and Bort, 2015; Cavusgil and Knight, 2015; Lin et al., 2016). However, in contrast to this contention, the findings of the case studies show that network management was just as important to Øgland System, a MNC, in its high commitment entry strategy into China. Indeed, it was crucial for Øgland System to have access to the necessary local talent - who understood the Chinese market, how to maneuver in the Chinese institutional environment, and who could effectively manage Chinese employees - in order to implement their entry strategy in practice. Consequently, it appears that network management, in the context of entry strategies, is best regarded as a facilitating contingency, which makes firms able to implement a variety of entry strategies in practices.

To summarize, the findings of the case studies suggest that there are a few principal contingencies, namely firm size, need for internal coordination, and whether production can be decoupled from consumption, that are crucial to the entry mode decision. The contention that the entry mode contingencies vary in weight, is not emphasized in the literature reviewed. Moreover, the findings of the case studies suggest that networks are best regarded as a facilitating contingency,
which makes different entry modes, *including high commitment entry strategies*, possible to implement in practice. It is noteworthy that the literature on networks in the context of internationalization appears somewhat obsessed with the issue of whether networks draw firms towards low or high commitment modes of entry (Makelburger et al., 2012; Blomstermo et al. 2006; Stoian et al., 2017) and the extent to which networks are 'more' important to SMEs or MNCs (Hånell and Ghauri, 2016; Han, 2006; Zhang et al., 2016; Zhou et al., 2007; Torkkeli et al., 2012; Santos et al., 2012, Musteen et al., 2014; Oehme and Bort, 2015; Cavusgil and Knight, 2015; Lin et al., 2016), as opposed to how networks might facilitate the implementation of all the entry strategies on the low to high commitment mode of entry spectrum, regardless of firm size. Therefore, the findings of the case studies dispute the resource vs. network dichotomy, so often encountered in the literature. This issue is considered more extensively in the section on the role of network management in the entry strategies of the case study firms below. Before turning to this issue, I consider how the relevance of different entry mode contingencies varied in the case studies.

7.2.1.2 The relevance of the entry mode contingencies varies

As mentioned in the above, the literature on entry mode contingencies considered in the thesis does not consider the extent to which different contingencies vary in relevance. However, the findings of the case studies seem to suggest that the relevance of different entry mode contingencies vary significantly, depending on the context. This primarily pertains to the 'cultural distance' and 'protection of intellectual property rights' contingencies, which I consider in the following.

**High commitment entry strategies to China expose Western firms to cultural challenges**

With respect to Orkel, the cultural distance between Norway and China appears to have had little effect on its entry strategy into China, whereas for Øgland System it was a critical factor. This finding is not surprising. The nature of Orkel’s interactions with its Chinese customers, whether they were importers or direct customers, was largely commercial in nature. Although Orkel’s education of its Chinese importers and direct customers required social proximity to these, the purpose of the education was to help these understand Orkel’s solutions to their business problems. Therefore, it is difficult to see how the cultural distance between Norway and China would have made managing these interactions particularly challenging. However, with regard to Øgland System establishing subsidiaries in China, it had to thoroughly understand the Chinese market, the Chinese institutional environment, as well as Chinese work culture and management practices in the industry in China. Consequently, its entry strategy implied
a much stronger need to understand Chinese culture thoroughly, driving it to hire individuals familiar with Chinese culture to facilitate the entry. In this manner it aspired to cope with challenges that might arise as a result of the cultural distance between Norway and China. Interestingly, the relevancy of cultural distance, or lack thereof, appears to be embedded into Øgland System’s internationalization strategy. Indeed, when the cultural distance between Norway and the target country is large, it employs local individuals with knowledge of the local market and the idiosyncratic challenges of operating therein, to both establish and temporarily manage the subsidiaries in the target country. According to senior management in Øgland System this approach has been successful in both China and in its entry into other culturally distant markets.

These findings seem to suggest that when Western firms enter China through high commitment modes of entry, challenges pertaining to the large cultural distance between the West and China become highly relevant. Conversely, if Western firms opt for low commitment modes of entry, they are not significantly exposed to challenges pertaining to cultural distance. This finding stands in contrast to the literature on the influence of large cultural distances on the entry mode decision of firms. Indeed, the literature seems to be pre-occupied with whether challenges, arising from large cultural distances, are best met through low commitment or high commitment modes of entry, not the extent to which different entry mode strategies themselves produce challenges pertaining to cultural distance. For instance, Blomstermo et al. (2006) and Randøy and Dibrell (2002) contend that the higher the cultural distance, the more firms opt for high commitment entry modes. Conversely, Sarapovas et al. (2016) contend that the higher the cultural distance, the more firms opt for low commitment entry modes. Disagreement in the literature on this issue has even been given its very own name, ’the cultural distance paradox’ (Vidal-Suárez and López-Duarte, 2010). Similarly, examining the Sino-Western context, Arslan and Wang (2015) consider which entry mode strategies are the most warranted, given the large cultural distance between the West and China and the challenges they produce.

In conclusion, it appears that challenges pertaining to cultural distance are primarily linked to Western high commitment entry strategies into China. Whereas the literature considers cultural distance between the West and China as causing challenges to exist, and then focusing on whether these challenges are met more effectively through low- or high commitment modes of entry, the findings of the case studies suggest that such challenges are primarily produced once high commitment entry strategies are employed. Consequently, in the context of Western firms entering China, it appears that the cultural distance contingency is only relevant to the entry mode decision, if the entering firm is considering opting for a high commitment mode of entry.
Protection of intellectual property rights is not an important issue for Western firms entering China

Based on the findings of the case studies, it appears that the need to protect intellectual property rights was not an important issue in the entry mode decisions of the case study firms. In this section, an explanation is provided as to why this was the case.

Firstly, the findings of the case studies seem to indicate that protecting intellectual property rights against Chinese copyists was a non-issue because of the poorly developed institutional environment in China. Both the CEOs of Orkel and Øgland System seem to regard the Chinese institutional environment to be so poorly developed that it is virtually impossible to protect one’s products from being copied. In the words of Geir Austigard, CEO of Øgland System: "You can’t protect yourself against everything. What occurs in China is very rotten and you can’t afford to take copyists to court all the time. That would not make fiscal sense.” He adds that although establishing wholly owned subsidiaries in China somewhat reduced the risk of Øgland System falling prey to Chinese copyists, he nonetheless contends that it is never enough. He concludes that "no matter which entry strategy you use [to expand into China], you will end up being copied." Therefore, the proprietary asset contingency appears to not have been important with regard to the case study firms’ entry mode choice because of the poorly developed institutional environment. This stands in stark contrast to the theory considered previously in this thesis, which asserts that higher commitment modes of entry offer greater protection of proprietary assets (Ekeledo and Sivakumar, 2004; Sanchez-Peinado et al., 2007; Li and Qian, 2008; Anderson and Gatignon, 1986), and that the level of institutional development in the target country affects which entry modes firms should employ (Mackelburger et al., 2012; Chang et al., 2012; Schwens et al., 2011; Li and Qian, 2008). It also stands in contrast to the literature on Western entry strategies into China, which specifically emphasizes that the need to protect proprietary assets significantly affects which entry modes Western firms should adopt (Holtbrügge and Baron, 2013; Arslan and Wang, 2015).

Secondly, the case study firms’ innovation strategies also appear to have contributed to making protection of intellectual property rights a non-issue in their entry into China. Based on the findings of the case studies, it appears that the common denominator between Orkel and Øgland System is their perspective on the business fundamentals of the industries in which they operate. Indeed, both the CEO of Orkel and Øgland System stress that they have no choice but to innovate to stay ahead of the competition. A consequence of Orkel and Øgland System pushing the technological boundaries in their respective industries through innovation is that they are able to stay ahead of copyists, who must spend a significant amount of time before successfully copying or replicating their products. In the words of Øgland System’s
CEO: "The best weapon [against copyists] is definitely to ensure that you are at the forefront of the technological boundary on a continual basis." Jarl Gjønnes, CEO of Orkel, agrees, arguing that although machines they produced 5 years ago have now been copied, during those 5 years they have developed their technology, which means that they are always ahead of the copyists. Furthermore, he argues that Orkel is reliant on the copyists to develop the market and create demand: "the technological solutions we deliver are completely new. I think that without copyists or lookalikes we would, by ourselves, have been too small to develop the market." This strategy appears to be consistent with the arguments of Moore (2014), in his seminal book: Crossing the chasm: marketing and selling disruptive products to mainstream customers, in which he argues that high-tech products must move through a technology adaptation life cycle. In order for the market for a high-tech product to grow it must first be purchased by innovators and early adopters, who are less risk-averse and constitute a smaller amount than the early and late majority (ibid). It appears then, that Orkel’s entry strategy included using the copyists to increase Chinese customers’ familiarity with their products, thereby moving its products through the technology adaptation life cycle, creating more demand for its products as they progressed through this cycle. Indeed, Peder Kvendset, sales director of Orkel, says that the copyists increase the size of the pie, which means that Orkel is able to sell more machines to China, even though the copyists might become market leaders. However, Peder Kvendset stresses, "so long as we are able to deliver our products to the most demanding segment and continually develop new solutions, we will manage to hold a strong position in the Chinese market." It seems then that the Chinese copyists and Orkel enjoy a symbiotic relationship: Orkel innovates and sells state-of-the-art machines to China, which the copyists then proceed to copy, which increases the market for Orkel’s machines in China. Orkel then milks the market and invests the proceeds into innovation and the development of new machines, thereby staying ahead of both the competition and the copyists in China.

Consequently, it seems that both Øgland System and Orkel regard continuous innovation as the ultimate weapon against copyists. However, whereas Øgland System sees little benefit in the copyists, Orkel considers them to serve a critical purpose with respect to developing the Chinese market. Indeed, as Orkel has few resources and is serving a niche market, it is dependent on the copyists to develop the market. Thus, for exporting Western high-tech companies, with few resources, which serve a demanding niche market, Chinese copyists may contribute positively to market growth and the firm’s performance in China. However, for firms serving a broader market, like Øgland System, they appear to be a nuisance, which must be tolerated. Nonetheless, as long as such firms continually innovate and focus on serving the high-end market they should be able to defend their position in the Chinese market. A word of caution is here warranted: the anecdotal evidence here indicates that Western firms, that
do not emphasize high-end market segments, and instead provide mature products, may be exposed to great risks in China.

In conclusion, the findings of the case studies suggest that protection of intellectual property rights may be a non-issue in Norwegian and Western firms’ choice of entry strategies into China for two reasons: 1) because the poorly developed institutional environment in China implies that all entering Western firms will be copied, regardless of which entry modes are chosen and 2) because effective innovation strategies ensure that Western firms are always able to stay ahead of copyists in China, thereby making protection of proprietary assets an unimportant issue with regard to choosing an entry strategy. These findings stand in stark contrast to the theory in the literature reviewed earlier in this thesis.

In the next section, I consider the findings pertaining to the role of network management in the case study firms’ entry into China.

7.2.2 What do the findings reveal about the role of network management in the case study firms’ entry strategies?

As previously mentioned, the network vs. resource base dichotomy, which is prevalent in the literature, does not appear warranted in light of the findings of the case studies. Indeed, the findings reveal that managing networks effectively was crucial in the entry for both of the case study firms, even though they differed considerably in terms of their resource base. However, the case study firms’ choice of entry mode significantly affected the manner in which they managed their networks to enter China. Therefore, the findings on the role of network management in the entry strategies are related to Orkel and Øgland System’s entry, respectively.

7.2.2.1 Network management is a facilitating contingency

The anecdotal evidence in the case studies indicates that the network management contingency is unlike other entry mode contingencies, in that it cannot easily be decomposed into forces that either pull firms towards low commitment modes or high commitment modes of entry. For both Orkel - which used the lowest commitment entry mode, exports - and Øgland System - which used the highest commitment entry mode, establishing wholly owned subsidiaries - networks and managing these effectively was critical in their entries into China.

For Orkel, its relationships to Chinese importers and Innovation Norway in Shanghai implied that it, a small SME with only 73 employees, became able to penetrate a market on the opposite side of the world. This suggests that its networks compensated for its resource constraints with regard to its entry into China, consistent with contemporary theory on the role of networks.
in internationalization (Bontempi and Prodi, 2009; Mutinelli and Piscitello, 1998; Taylor et al., 1998; Hänell and Ghauri, 2016; Han, 2006; Zhang et al., 2016; Zhou et al., 2007; Torkkeli et al., 2012; Santos et al., 2012; Musteen et al., 2014; Oehme and Bort, 2015; Cavusgil and Knight, 2015; Lin et al., 2016). Moreover, Orkel not only built ties to local actors in China, but also developed these. Indeed, it developed its customers by educating them and helping them understand how Orkel’s offerings would solve their or their clients’ agricultural problems. Such an approach seems consistent with one of Ojasola’s (2004) generic entry strategies, considered in section 3.1.1, namely ‘developing actors’. Managing relations in this manner was also consistent with Orkel’s strategy of serving the most demanding customers: by continually educating its consumer base in China, thereby creating demand for their high-tech solutions, Orkel was able to create the niche market segment which it wanted to serve.

For Øgland System, its networks were crucial with regard to establishing the wholly owned subsidiaries in China. Gunnstein Austigard, former CEO of Øgland System, who was heavily involved in this process, says that if they hadn’t had the Singaporean businessman and the Chinese agent, the establishment of the subsidiaries in China would have likely been infeasible. Moreover, after the subsidiaries had been established, these two key individuals were hired by Øgland System, as they possessed the necessary local knowledge and background to manage the subsidiaries effectively. In this regard, developing relationships to these key individuals was important for Øgland System with regard to ensuring that they managed the subsidiaries in line with the values and core practices of Øgland System. This was achieved by frequent interaction between senior management in Øgland System and these individuals.

The above findings call into question the resource-network dichotomy which the literature seems to suggest: resourceful MNCs rely on their resource base to internationalize, resulting in a lesser need to rely on networks, whereas SMEs rely on their networks to internationalize, resulting in a lesser need to rely on their own resource base. For both the SME and MNC considered in this master thesis, who opted for entry strategies at the extremities of the low to high commitment entry mode spectrum, networks and managing these were crucial in the entry. This contests the notion that networks are relatively more important to SMEs than to MNCs in the internationalization process, so often encountered in the literature (Bontempi and Prodi, 2009; Mutinelli and Piscitello, 1998; Taylor et al., 1998; Hänell and Ghauri, 2016; Han, 2006; Zhang et al., 2016; Zhou et al., 2007; Torkkeli et al., 2012; Santos et al., 2012; Musteen et al., 2014; Oehme and Bort, 2015; Cavusgil and Knight, 2015; Lin et al., 2016).

In conclusion, the anecdotal evidence from the case studies suggest that network management is a crucial facilitating contingency, which make entry strategies possible to implement in practice. It appears to be equally crucial in low- and high commitment entry strategies, and for firms
of all sizes, as it is the means by which Western firms gain access to local resources necessary to enter China effectively. That being said, the manner in which networks were managed to enter China effectively differed substantially between the firms examined in the case studies. Based on the anecdotal evidence, it appears that the manner in which networks should be managed to enter China effectively is largely contingent upon which entry mode is employed. For Øgland System, the MNC, managing relations to two key individuals was crucial, whereas Orkel appears to have primarily emphasized network management at the firm level. I next turn to this issue.

### 7.2.2.2 The appropriate unit of analysis for networks varies

The case studies reveal that networks can be perceived to exist at both the firm level and individual level. With respect to Orkel, its relationship to Chinese importers, end-customers and direct customers can be meaningfully considered at the firm level, because the existence of these relationships do not appear to be contingent on a few individual relationships. It seems unlikely that if an individual in Orkel resigned, who had a personal relationship with one or several individuals in a Chinese importer or direct customer firm, that this would imply that the Chinese importer or direct customer ceased cooperating with Orkel or purchasing its products. The relationship between these actors appears to be based on mutual commercial interests, which offers the relationship a strong degree of durability, as it is not contingent upon one or a few individuals. However, with respect to Orkel’s relationship to Innovation Norway, one specific relationship was critical, namely the relationship between Orkel and one consultant at Innovation Norway’s Shanghai offices. By his own admission, Jarl Gjønnes, CEO of Orkel, admitted that this consultant was invaluable to Orkel, as she served as the intermediary between Orkel and a large part of its Chinese customer base. He says that if she were to resign, they would make sure she would join Orkel, as they could not afford losing her. Consequently, the nature of this relationship, namely that the consultant served as an intermediary between Orkel and many of its Chinese customers, implies that if she were to cease to work as a consultant for Innovation Norway in Shanghai, or a change in her job design were to occur, then Orkel might very well lose access to a large part of its Chinese customer base. In this context, the relationship between Orkel and Innovation Norway is more meaningfully understood at the individual level, as Orkel did not primarily have a relationship with Innovation Norway per se, but with one consultant within Innovation Norway in Shanghai. This exposed Orkel to a great risk. This risk may have been alleviated by ensuring that more consultants at Innovation Norway served as intermediaries between Orkel and its Chinese customer base, thereby making the nature of this triad relationship between Orkel, Innovation Norway, and its Chinese customers more durable. Another option would have been for Orkel to increase its relational commitment to the Chinese
customers for which the consultant served as an intermediary.

For Øgland System, considering the nature of its relationship to the local actors involved in the entry strategy at the firm level would not have been meaningful. Conversely, viewing the nature of its relationship to these at the individual level provides crucial information about the manner in which it used its network to enter China effectively. Firstly, in order to employ their entry strategy, Gunnstein Austigard, then CEO of Øgland System, and the general manager of Øgland System’s subsidiary in Singapore, leveraged the relationship they had built to one individual Singaporean businessman, who then involved a lawyer whom he knew. Through its activities in Singapore, Gunnstein Austigard and the general manager of Øgland System’s subsidiary in Singapore, had come to know a Chinese agency as well, which they used to hire an agent to aid with the establishment of the subsidiaries. After the subsidiaries had been established, Øgland System hired these individuals as temporary managers for the subsidiaries. Senior management in Øgland System then spent a considerable amount of time and effort to build strong ties to the Singaporean businessman and the Chinese agent to teach them about the values and core practices of Øgland System, as well as inducing loyalty in them. This was done in order to ensure that the subsidiaries were run according to the core values of Øgland System. If one were to view Øgland System’s relationships at the firm level, this vital information, on how Øgland System managed its relationships to enter China, would have been hidden. Thus, viewing relationships at the firm level may potentially lead to blind spots, or an inaccurate understanding of the manner in which networks are managed, which has increasingly been recognized in the literature recently, e.g. Ellis (2010). As contemporary literature does not appear to sufficiently emphasize the benefits, drawbacks and utility of individual level vs. firm level analyses of networks in the context of internationalization, this seems to imply that contemporary research has a long way to go with respect to uncovering the dynamics of network management in internationalization.

Comparing the manner in which Øgland System and Orkel managed their relationships to actors, firms or intermediaries in China, it is noteworthy that using a high commitment entry strategy appears to require more sophisticated network management capabilities than entering China through a low commitment entry strategy. Intuitively, gaining access to local talent with the necessary background and knowledge of the local Chinese business environment, and then actively educating such talent in an effort to leverage the talent’s local knowledge and connections, whilst simultaneously instilling in them values that are consistent with those of the firm from the home country, should be regarded as a fairly sophisticated way of managing relations to achieve a strategic objective. Interestingly, this finding is consistent with those of Stoian et al. (2017, p. 142), who conclude - pertaining to firms that opt for high commitment
modes of entry - that such firms have seemingly "developed a stronger set of organizational capabilities in terms of networking capability".

In conclusion, the findings of the case studies suggest that the appropriate unit of analysis, when considering how firms manage their networks in entry strategies, varies. If firms opt for low commitment modes of entry, the appropriate unit of analysis for networks appears to be firm level networks, whereas when considering firms opting for high commitment modes of entry, it is more appropriate to view networks as comprising of ties between individuals.

7.2.2.3 Network management influences the manner in which opportunities to internationalize are discovered and seized

As mentioned previously, an important issue in contemporary internationalization theory is the manner in which opportunities are developed. The literature reviewed suggests that networks are important with respect to discovering and seizing opportunities to internationalize (Chen and Afolabi, 2014; Chetty and Stangl, 2011; Evers and O’Gorman, 2011; Han, 2006; Hånell and Ghauri, 2016; Kiss and Danis, 2008; Lavie and Miller, 2008; Lin et al., 2008; Musteen et al., 2014; Osarenkhoe, 2009). In this section I consider how network management influenced Orkel and Øglund System’s opportunity development, respectively.

The anecdotal evidence in the case study suggests that Orkel had a somewhat passive approach towards utilizing its network to enter China. Rather than discovering an opportunity to export into China, it appears that Chinese importers and direct customers discovered Orkel as a means of importing much needed high-tech agricultural machinery. Orkel was discovered through its website, its social media pages, its expositions around the world, and through word-of-mouth in the industry. It seems that Orkel emphasized making information about its offerings generally accessible, and then relying on interested parties contacting them, as opposed to a more proactive marketing approach. However, after being approached by Chinese importers and direct customers, it appears to have had a proactive approach towards managing its relations with these parties. Indeed, it actively sought to educate its Chinese importers and direct customers as part of its entry strategy into China, and started to participate in expositions in China to increase awareness of its solutions. Moreover, it engaged a consultant at Innovation Norway to serve as an intermediary between Orkel and Chinese direct customers, demonstrating a more proactive approach in managing its networks to enter China. Therefore, even though Orkel can be conceived of as having been discovered and approached by Chinese importers and customers, it was nonetheless active in managing its networks with regard to seizing the opportunity to enter the Chinese market.

Øglund System appears to have had a somewhat more proactive approach towards discovering
an opportunity to enter the Chinese market. It primarily relied on its 'Project Tracker', i.e. its overview of project developments around the world, in its initial discovery of the potential in the Chinese market. However, it was also through operating in the Chinese market on a few projects that an opportunity was discovered. In this regard, they were advised by their partners to establish a physical presence in China to fully capitalize on the opportunities there. Therefore, the discovery of an opportunity to enter China appears to have been made somewhat proactively through non-networking means, although intelligence gathered through partnerships appears to have had a moderate influence on the initial discovery. Such an approach may have guarded Øgland System against one of the pitfalls of relying solely on networks to enter foreign markets, as Ellis (2010) finds that opportunities based on social ties are "constrained in terms of geographic, psychic and linguistic distance, suggesting that networks are bounded by communication horizons" (ibid, p. 121). Thus, lucrative opportunities that lie beyond a firm’s social ties might be missed by firms who solely rely on ties for opportunity development (ibid). Ojala (2009, p. 58) concurs, concluding that if "a firm only passively follows its networks to foreign markets, it might lose market opportunities in the leading markets and end up in countries where the real market potential is low." However, with regard to seizing the opportunity to enter China and implementing its entry strategy, managing its networks was critical for Øgland System, as it primarily relied on its relationship to two key individuals with regard to establishing and temporarily managing the subsidiaries. Interestingly, Ojala (2009), considering the expansion of Finnish SMEs into Japan, argue that when the cultural distance between the home and target country is large, firms will use non-networking means to discover an opportunity to enter the target country. The decision to internationalize in such circumstances is largely based on strategy, rather than networking (ibid). However, effective networking appears to be crucial with respect to seizing the opportunity to internationalize and implementing the entry strategy. Øgland System, a Norwegian firm expanding into China, certainly fits this description.

In conclusion, the findings of the case studies suggest that networks may affect the manner in which opportunities are discovered. However, as Orkel was drawn to China by Chinese importers and direct customers, as opposed to actively going to China, this study contributes to showing that it is possible to passively utilize digital media and word-of-mouth as the "bait and hook" to attract customers, and then switching to actively managing relationships to the customers in which one is interested, in order to penetrate a foreign market. The example of Øgland System also shows that managing relationships is key with regard to seizing the opportunity to enter China. However, it also shows that networks may have little influence on Western firms’ initial discovery of opportunities to enter new markets.
In the next section, the findings of the case studies considered in this section are compared to the expectations for the case studies developed in section 7.1.

### 7.3 Comparison of expectations and findings

In the first section of this chapter, expectations were made for the case study firms, based on the theory considered in the master thesis. In this section, I consider consistencies and discrepancies between the expectations and findings of the case studies. I first consider consistencies and discrepancies pertaining to the entry mode contingencies’ influence on the entry mode decision, before considering consistencies and discrepancies pertaining to the role of network management in the entry strategies of the case study firms.

#### 7.3.1 Consistencies and discrepancies on the entry mode contingencies’ influence on the entry mode decision

By comparing the forces pulling the case study firms towards different modes of entry, it was made clear that their choice of entry strategies into China were consistent with the recommendations in the theory considered. However, the findings of the case studies suggest that the relevance and relative weight of the contingencies varied depending on the firm’s context, and were, to some extent, unique to the Chinese business environment. In the following, I consider the consistencies and discrepancies between the expectations and findings pertaining to the entry mode contingencies’ influence on the entry mode decision.

##### 7.3.1.1 Consistencies

Consistent with the expectations developed, the findings revealed that the need for internal coordination, whether consumption can be decoupled from production, and firm size contingencies affected the entry mode decisions as predicted by the literature. In line with the literature, Orkel’s weak resource base, together with it competing in a capital-intensive industry, made a high commitment entry strategy less attractive, whereas Øgland System’s strong resource base made it a viable option for them (Chen and Hu, 2002; Ekeledo and Sivakumar, 2004; Li and Qian, 2008; Hånell and Ghauri, 2016; Han, 2006; Zhang et al., 2016; Zhou et al., 2007; Torkkeli et al., 2012; Santos et al., 2012, Musteen et al., 2014; Oehme and Bort, 2015; Cavusgil and Knight, 2015; Lin et al., 2016; Ulrich et al., 2014). Similarly, consistent with the literature, it was found that if there was a strong need for internal coordination or if consumption could not be decoupled from production, then opting for a high commitment entry mode was warranted (Ekeledo and Sivakumar, 2004; Randøy and Dibrell, 2002; Li and Qian, 2008; Blomsterno et al., 2006), as was the case with Øgland System. If not, then a low commitment mode of
entry, such as the export strategy of Orkel, was found to be justified. Lastly, it was found that Orkel was dependant on local partners and intermediaries in China for its entry, which is consistent with theory considered on SME internationalization (H˚ anell and Ghauri, 2016; Han, 2006; Zhang et al., 2016; Zhou et al., 2007; Torkkeli et al., 2012; Santos et al., 2012, Musteen et al., 2014; Oehme and Bort, 2015; Cavusgil and Knight, 2015; Lin et al., 2016; Ulrich et al., 2014).

7.3.1.2 Discrepancies

Most of the discrepancies were rooted in issues that were common to both Orkel and Øgland System. Firstly, neither Orkel nor Øgland System appear to have regarded attractiveness of the Chinese market (Chen and Hu, 2002; Khan, 2016; Saraopovas et al., 2016), duration of operations (Chen and Hu, 2002), market dynamism of Chinese markets (Li and Qian, 2008), or strategic orientation (Nisar et al., 2012; Khan, 2016) as being particularly relevant to the entry mode decision. Secondly, although the expectations for the manner in which the entry mode contingencies - considered in the previous section - influenced the entry mode decisions were consistent with the findings, the expectations did not reflect that these contingencies were crucial to the entry mode decisions of Orkel and Øgland System. Indeed, the literature does not say anything about whether these contingencies are more or less important than other contingencies with respect to choosing an appropriate entry strategy.

Thirdly, the poorly developed institutional environment in China seems to have made both of the case study firms abandon any hope of effectively protecting their products against Chinese copyists, regardless of which entry strategy was chosen, thus making the need to protect themselves against copyists less of an issue in the entry mode decision. Furthermore, it seems that the innovation strategy that the case study firms’ adopted is regarded by senior management in the firms as the ultimate weapon against Chinese copyists, as Chinese copyists are not able to easily replicate the underlying processes whereby the case study firms were able to continually innovate, which lies at the heart of their competitive advantage. This stands in stark contrast to the literature considered, which asserts that the need to protect proprietary assets and the level of institutional development in the target country affects the entry mode decision (Ekeledo and Sivakumar, 2004; Sanchez-Peínado et al., 2007; Schwens et al., 2011; Li and Qian, 2008; Anderson and Gatignon, 1986; Maekelburger et al., 2012; Chang et al., 2012), which is argued to be particularly relevant for entry strategies into China (Holtbrügge and Baron, 2013; Arslan and Wang, 2015).

The theory considered in the master thesis also did not consider that entry strategies themselves might produce challenges pertaining to large cultural distances. Indeed, the findings of the case
studies revealed that opting for a high commitment strategy produces challenges pertaining to large cultural distance, whereas the literature seems to suggest that these already exist, and that firms must choose between low or high commitment entry modes to combat these effectively (Blomstermo et al., 2006; Randøy and Dibrell, 2002; Sarapovas et al., 2016).

Lastly, with respect to Øgland System, it was suggested that it was likely to be reliant on partnering with local Chinese firms in order to combat the liability of foreignness associated with its entry into China. However, the findings suggest that it was crucially reliant on recruiting key individuals, who understood the Chinese market, institutional environment and Chinese business practices, as opposed to external firms. Indeed, it was these key individuals that made establishing wholly owned subsidiaries in China possible, as these individuals were able to cope with the challenges arising from the large cultural distance between the West and China. These individuals appear to have also served as a bridge between Øgland System and relevant Chinese firms and actors in the Chinese market, thereby acting as a remedy to the liability of foreignness which Øgland System might have otherwise been exposed to.

An overview of the discrepancies between the expectations and findings is provided in table 7.4 below.

<table>
<thead>
<tr>
<th>Expectation</th>
<th>Finding</th>
</tr>
</thead>
<tbody>
<tr>
<td>The attractiveness of the Chinese market and the duration of the case study firms activities in China influenced the entry mode decision (Chen and Hu, 2002; Khan, 2016; Sarapovas et al., 2016).</td>
<td>Neither of the case study firms explicitly considered market attractiveness or duration of operations when choosing an appropriate entry mode.</td>
</tr>
<tr>
<td>Based on the literature’s approach towards the entry mode contingencies, it was expected that these would not vary significantly in importance.</td>
<td>The entry mode contingencies varied significantly in importance.</td>
</tr>
<tr>
<td>Since the case study firms’ offerings were technologically sophisticated, this compelled them towards opting for high commitment entry modes in order to protect their assets (Ekelund and Siwalla, 2004; Schwens et al., 2011; Li and Qian, 2008; Anderson and Gatignon, 1986). This influence was exacerbated by the poorly developed institutional environment in China (Arslan and Wang, 2015; Holtbrügge and Baron, 2013; Maekelburger et al., 2012; Chang et al., 2012).</td>
<td>Senior management in the case study firms seem to have regarded the institutional environment in China to be so poorly developed that no matter which entry mode they chose, they would end up being copied, suggesting that protection of proprietary assets did not influence their entry mode decision. Moreover, the innovation strategy of the firms appears to have made issues pertaining to protecting proprietary assets less relevant.</td>
</tr>
<tr>
<td>Networks, and consequently network management, was relatively more important for Orkel’s entry into China than Øgland System’s entry into China, as networks are more important for the entry strategies of SMEs (Hänell and Ghauri, 2016; Han, 2006; Zhang et al., 2016; Zhou et al., 2007; Torkkel et al., 2012; Santos et al., 2012; Musteen et al., 2014; Oehme and Bort, 2015; Cavusgil and Knight, 2015; Lin et al., 2016).</td>
<td>Networks and network management was important in the entry for both of the case study firms. Whereas Orkel primarily managed its relations at the firm level to facilitate its entry into China, Øgland System primarily managed relations at the individual level to facilitate its entry. Two key individuals, who possessed the necessary skills, knowledge, and connections, were vital with respect to Øgland System being able to effectively establish and temporarily manage their subsidiaries in China.</td>
</tr>
</tbody>
</table>

Table 7.1: Overview of the discrepancies between the expectations, based on theory, and the findings of the case studies.
7.3.1.3 Cause of discrepancies

The discrepancies between the expectations and findings seem to be largely rooted in the case study firms’ context and the Chinese business environment affecting the relative importance of the entry mode contingencies, as well as which entry mode contingencies were relevant to the entry mode decision. For instance, the issue of protecting oneself against Chinese copyists was not important to the entry mode decision of these firms because of the poorly developed institutional environment in China and because of their innovation strategies. Moreover, the literature does not appear to recognize that challenges pertaining to cultural distance become relevant primarily once a high commitment entry strategy is considered.

Although there were some consistencies found, pertaining to the manner in which some entry mode contingencies affected the entry mode decision - in terms of drawing the case study firms towards low- or high commitment entry modes - it is noteworthy that the literature does not recognize that these contingencies were crucial to the entry mode decision. The cause of this discrepancy appears to stem from a lack of emphasis on the relative weight of the contingencies in the literature. Lastly, the reliance on individuals that were hired - as opposed to external firms - to facilitate the entry of Øgland System into China was not predicted, because the literature considered does not appear to emphasize the role of individual level networks in the high commitment entry strategies of resourceful firms, such as MNCs.

As mentioned previously, the literature seems to suggest that it it difficult to give generic prescriptions on choosing an appropriate entry strategy. It seems to contend that the best way to approach the issue of choosing an appropriate entry strategy is to list all the forces drawing firms towards low- or high commitment entry modes, and subsequently pursuing an adaptive and flexible approach towards developing one’s entry strategy. However, based on the findings of the case studies, I submit that rather than telling Western managers that there are a myriad of factors affecting which entry modes are appropriate, the most principal contingencies and under what circumstances different contingencies are relevant to the entry mode decision should be highlighted. I contend that such an approach makes choosing an appropriate entry mode decision easier for Western and Norwegian managers. This issue is considered more extensively in section 7.4 below on the implications of the findings of the master thesis.

In conclusion, the expectations for and the findings of the case studies paint a different picture of how Western and Norwegian firms should choose an appropriate entry strategy into China. The principal source of the discrepancy appears to be that the literature, on which the expectations are based, does not emphasize how the relative weight and relevance of the contingencies vary.
7.3.2 Consistencies and discrepancies on the role of network management in the entry strategies

Expectations were made on the likely role of network management in the entry strategies of the case study firms, based on allusions from the theory, in light of explicit research lacking on this issue. Both the consistencies and discrepancies between the expectations and findings, pertaining to the role of network management in the case study firms’ entries into China, were largely unique to each firm. Therefore, I first compare the expectations and findings for Orkel, before turning to Øgland System.

7.3.2.1 Orkel

With regard to Orkel, the expectations and findings are consistent with respect to local partners in China being vital with respect to the implementation of the export strategy. However, whereas the literature suggests that relationships to Chinese firms should be built on mutual commitment and trust, given the poorly developed institutional environment in China (Kiss and Danis, 2008; Zhou et al., 2007), Orkel does not appear to have emphasized this issue when dealing with Chinese customers. Indeed, senior management in Orkel contend that because Orkel has obtained a reputation in the global agriculture industry for being reliable, Chinese customers are willing to pay them up front. This seems to have made Orkel a trustworthy seller in Chinese customers’ eyes, which seems to have made strong personal relationships between Orkel and its Chinese customers less important with respect to producing trust. Moreover, senior management in Orkel states that they have consistently subscribed to the ‘Orkel Way’ when dealing with customers, regardless of their nationality. Consequently, no special considerations appears to have been made when building relationships to Chinese customers. This suggests that when exporting is used as an entry strategy, the ties between Western and Chinese firms can be of a commercial - as opposed to personal - nature. Such an approach to relationship-building to Chinese businesses seems to stand in contrast to the recommendations of Davies et al. (1995) and Gao et al. (2012).

The findings and expectations were also consistent with respect to Innovation Norway having a vital role in the entry of Orkel into China. However, the findings revealed that a single consultant was a crucial link to the Chinese market. This appears to have exposed Orkel to a great risk, as had this tie, by unforeseen circumstances, been severed, Orkel may have lost access to a large portion of its Chinese customer base. As mentioned previously, this risk could have been reduced by using multiple consultants at Innovation Norway as intermediaries, or by more actively managing relations with Chinese end-customers for whom Innovation Norway served as an intermediary.
It was also postulated that given the Chinese government’s hold on the Chinese economy, nurturing ties to government officials was likely to have been important for Orkel. However, the findings suggest that no efforts whatsoever were made by Orkel to produce and nurture such ties. Lastly, the expectations and findings were consistent with respect to network management influencing the manner in which opportunities to enter China were discovered and seized. After being contacted by Chinese customers, who became aware of them through their website or social media sites, or by word-of-mouth in the industry, it established relations with Chinese importers and select direct customers, with the aid of Innovation Norway. Moreover, it actively sought to educate its Chinese importers and direct customers, in order to create awareness of its solutions to the problems of agrinoms, thereby creating demand for its high-end products in China.

In conclusion, building strong personal ties to Chinese firms and building ties to governmental actors does not appear to have been important for Orkel, in contrast to what was expected. However, as Orkel simply exported its products to China, it is not surprising that such ties were not important, as they are more strongly linked to effectively navigating the Chinese business and regulatory environment (Kiss and Danis, 2008), which Orkel was not significantly exposed to, as it simply exported its products to Chinese customers once payment had been received. The expectations and findings were consistent with respect to local partners being vital. The findings show that such partners may produce risks that can be alleviated through effective network management. Moreover, educating Chinese importers and customers was found to be important with respect to creating awareness and demand for Orkel’s products, which suggests that incorporating such an educational component into one’s relationship with Chinese importers and direct customers may serve as an efficient means whereby one is able to more effectively penetrate the Chinese market using low commitment modes of entry.

7.3.2.2 Øgland System

Firstly, with respect to Øgland System, it was postulated that building ties to government officials would have been vital with regard to sorting through the formalities of establishing a subsidiary in China. The findings of the case study on Øgland System seem to suggest that this was true, but it is important to note that it was the local individuals, which Øgland System had hired to sort through the formalities of establishing a subsidiary, as they had the connections and knowledge necessary to do so, that acted on behalf of Øgland System in dealing with the relevant government officials. Moreover, it was postulated that Øgland System had to build ties to Chinese firms in order to gain entry into relevant networks. However, the findings suggest that the local individuals they recruited, as opposed to external firms, served as the bridge into Chinese markets. Considering the theory addressed in section 2.3, 'Overcoming the
barriers of internationalization to China’, Davies et al. (1995, p. 213) argues that "Western businessmen should appreciate that they themselves need to establish guanxi of their own.” However, Øgland System appears to have built ties to local actors, who already had connections to key actors in the Chinese markets (this was especially true of the Chinese agent), which facilitated their entry into China. In this manner, Øgland System appears to have by-stepped the issue of having to proactively build strong personal ties to Chinese firms, both with regard to being able to navigate the complexities of the Chinese business environment and becoming embedded into relevant networks in China. It is important to note that such local connections were expected to be less important for Øgland System, as networks are generally agreed in the literature to be more important for SMEs (Hånell and Ghauri, 2016; Han, 2006; Zhang et al., 2016; Zhou et al., 2007; Torkkeli et al., 2012; Santos et al., 2012, Musteen et al., 2014; Oehme and Bort, 2015; Cavusgil and Knight, 2015; Lin et al., 2016). However, the findings suggest that these local connections were vital with respect to the entry. They were not only used to establish the subsidiaries and gain access to the relevant networks, but also to temporarily manage the subsidiaries. In this regard, it is important to note that in order to ensure that they managed the subsidiaries according to Øgland System’s values and core practices, they focused on educating these individuals (especially the Chinese agent) and enhancing firm loyalty.

Lastly, the expectations and findings were somewhat consistent pertaining to Øgland System using networks to discover and seize opportunities to enter China. The use of their ‘Project Tracker’, which they use to project developments in the market for the next 5 years, significantly affected its discovery of the opportunities in the Chinese market. However, through operating in China previously on various projects, they had also been recommended by their partners to establish a physical presence in China, in terms of a sales subsidiary and factory. However, with respect to seizing the opportunity to enter China, managing relations to the key individuals, mentioned in the above, was crucial.

In conclusion, the expectations for the role of network management in Øgland System’s entry into China were largely inconsistent with the findings of the case study. This may be because it is assumed that networks are more important to SMEs, such as Orkel, than MNCs, such as Øgland System in the context of internationalization (Hånell and Ghauri, 2016; Han, 2006; Zhang et al., 2016; Zhou et al., 2007; Torkkeli et al., 2012; Santos et al., 2012, Musteen et al., 2014; Oehme and Bort, 2015; Cavusgil and Knight, 2015; Lin et al., 2016). This may have led to the literature lacking an accurate understanding of the role of network management in the entry strategies of MNCs. The findings reveal that key individuals were vital with respect to Øgland System’s entry into China, both in terms of establishing and managing the subsidiaries, but also in terms of providing access to relevant networks. How such individuals are detrimental
to implementing high commitment entry strategies into China, and how to effectively manage them, does not appear to be emphasized in the literature.

To summarize, the expectations for the role of network management in Øgland System’s entry strategy was largely inconsistent with the findings, compared to Orkel. This may be because the theory on entry strategies in the context of networks is primarily focused on SMEs, as opposed to MNCs, for which networks are more meaningfully understood to exist at the firm level. However, for Øgland System, networks, and consequently network management, seems to be more meaningfully understood at the individual level. Lastly, the findings offer a more nuanced and concrete picture of the role of network management in the entry strategies of the two firms, whereas the expectations were largely based on generic allusions from the theory. This is not surprising, as systematic "approaches for business network management are still in their infancy" (Ojasalo, 2004, p. 195).

In the next section, the implications of the findings are addressed.

7.4 What do the findings imply?

In this section I consider the implications of the findings on the determinants of which entry strategies to China Western firms should employ, and what the findings imply for the role of network management in Western firms’ entry strategies to China.

7.4.1 A few contingencies determine which entry strategies Western firms should employ

Contemporary theory on the entry mode contingencies seems to ignore the relevance and relative weight of the entry mode contingencies vis-à-vis the entry mode decision. Consequently, juxtaposing all of the forces pulling Western firms towards low commitment modes or high commitment modes of entry into China, does not seem to constitute an ideal basis for developing an appropriate entry strategy. It seems that a 'decision-tree approach' towards choosing an appropriate entry mode better reflects the relevance and relative weight of the contingencies, as it shows the hierarchy of crucial considerations that must be made. This is illustrated in figure 7.1 below, which serves as a summary and conclusion to the considerations and arguments made in this chapter pertaining to the dynamic of the entry mode contingencies. I explain the decision tree in the following.

Based on the considerations made on the relative weight and relevance of the contingencies,
it appears that Western firms seeking to enter China must first determine whether Chinese copyists constitute a threat to their competitive advantage. If this is the case, then the firm should not enter China. This may be the case for firms who are operating in mature industries, in which they are not able to continually leapfrog past copyists through superior innovation. On the other hand, if Chinese copyists do not constitute a threat, then the firm must determine whether there is a strong need to internalize its operations in China, e.g. if it should manufacture its products in China or establish its own distribution channels there. If the answer to this question is yes, then opting for a high commitment entry mode into China is likely to be the most attractive option. However, if there is no strong need for internalizing activities in China and production and consumption of the firm’s offering can easily be decoupled, then it seems that a low commitment mode of entry, such as exporting through an intermediary, is the more attractive and cost-efficient option, as there is no need for physical proximity to Chinese markets. Moreover, by opting for a low commitment entry mode, the heavy costs, risks and challenges of establishing a physical presence in China are avoided as well.
Figure 7.3: Decision tree for aiding Western managers choose an appropriate entry strategy into China.

If internal coordination is vital or if production and consumption of the firm’s offering cannot be decoupled, then a physical proximity to Chinese markets, and consequently a high commitment...
mode of entry, appears warranted. However, such an approach is only possible if the firm has a sufficiently strong resource base. The term ‘sufficiently’ has been added as the costs of establishing a physical presence in China are likely to be significantly higher for firms operating in capital-intensive, as opposed to knowledge-intensive industries (Shukla et al., 2012). For instance, establishing a management consultancy firm in China is likely to be significantly cheaper than establishing a factory there. Lastly, if the firm does have sufficient resources to enter China through a high commitment mode of entry, it must then consider whether it has access to the necessary local talent for the entry, e.g. the necessary local talent to establish and temporarily manage a subsidiary, as the vast cultural distance between the West and China implies that such talent must be utilized to cope with challenges that arise when high commitment modes of entry are employed. If the firm does not possess such talent, then not entering China, or postponing the entry until access to such talent is developed, is advisable. These arguments are reflected in the decision tree above. The decision tree may serve as a tool for choosing an appropriate entry mode into China for Western managers, as it considers the principal contingencies for the entry mode decision and which issues are relevant to the entry mode decision. For instance, only if a firm is interested in pursuing a high commitment entry strategy to China does coping with challenges arising from the vast cultural distance between China and the West become an issue in the entry mode decision.

Lastly, I wish to emphasize that the decision tree is based on insights gathered from the entry strategies of two firms that opted for entry strategies at the extremities of the low to high commitment entry mode spectrum. Thus, the decision tree does not emphasize the nuances between entry strategies, e.g. the determinants of whether Western firms should opt for exports or licensing as entry strategies into China. Nonetheless, it offers an overview of which key issues should draw firms towards lower or higher commitment modes of entry, or towards not entering China.

I next turn to the findings’ implications for the role of network management in Western entry strategies into China.

7.4.2 Regardless of which entry strategy is chosen, network management plays a crucial role in Western entry strategies into China

Regardless of whether Western firm opts for a low commitment or high commitment mode of entry into China, network management is likely to play a crucial, albeit different role, depending on which mode of entry is chosen. In the following, I consider the role of network management
in low commitment and high commitment entry modes for Western firms entering Chinese markets, based on the exploration of the role of network management in the Norwegian case study firms’ entry into China.

If the firm opts for a low commitment mode of entry, relationships to local intermediaries are vital. Firstly, the firm should emphasize building relationships to Chinese importers, in order to gain access to Chinese distribution channels. The Chinese importer may then leverage its distribution channels and expertise in the Chinese market segment, whereas the Norwegian firm leverages its technological know-how, and simply exports the products to the Chinese importer, which seems to be the arrangement Orkel and its local partners in China chose. Such an approach is consistent with the suggestions of Ling et al. (2015), concerning division of labour, in which the firm from the home country contributes with its technology and the partner firm in the target country contributes with distribution channels and market knowledge. However, given that the Western firm is the firm with the best understanding of its own technology, it should actively educate its Chinese partners and cooperate with them in promoting its offering to Chinese end-customers, thereby creating demand for and awareness of its offering. Select direct customers should also be targeted for education as well. Moreover, if the firm is constrained in terms of resources, it should build relations to national chambers of commerce in China, such as Innovation Norway in China for Norwegian firms, as they may offer aid, such as screening of prospective customers or serving as intermediaries between the Western firm and Chinese customers. With respect to the relationship between the Western firm and such intermediaries, the Western firm should seek to reduce the risks associated with using them. For instance, the case study on Orkel revealed that they were exposed to a significant risk with respect to a single consultant for Innovation Norway in Shanghai. If this consultant were to resign from her position, Orkel would have lost ties to a significant portion of its customer base in China. Western firms may alleviate such risks by cooperating more actively with such intermediaries with regard to serving customers, for which the national chamber of commerce in China serve as an intermediary. Such risks can also be alleviated by ensuring that several employees at the national chamber of commerce in China serve as links between the Western firm and Chinese customers. In this manner the bonds between the parties are strengthened in that the loss of an individual does not imply that ties are severed between the Western firm, national chambers of commerce in China, and Chinese customers.

If the Western firm must opt for a high commitment entry mode, it needs to build relationships to local individuals with the necessary knowledge, skills and connections to implement the entry strategy on behalf of the firm. In this manner the Western firm is able to counter the risks and cope with the challenges of operating in a country with a significantly different culture.
and institutional environment. If the firm does not already possess the necessary talent with the requisite skills and local knowledge and connections, it may recruit Chinese agents to help implement the entry strategy. It is important to note that how the Western firm should go about maintaining and nurturing its relationship to these actors is largely contingent upon the firm’s need for internal coordination of activities in China. If there is a strong need for internal coordination the Western firm must emphasize building strong ties with the agents, in order to produce an accurate understanding of the Western firm’s perspective on how the subsidiary should conduct its activities in China, in addition to enhancing firm loyalty. Such an approach was reflected in Øglænd System’s entry into China. If there is little need for internal coordination of activities, then the subsidiaries might be more effectively run as independent strategic business units (Wit and Meyer, 2014). In such cases, it seems that less emphasis needs to be placed on educating the local talent and ‘winning them over’. Thus, more effort should perhaps be spent on inducing firm loyalty amongst the local managers running the subsidiaries, as opposed to focusing on the intricacies of how these managers should run the subsidiaries. Lastly, if the firm does not possess the necessary local talent or is unable to recruit such individuals, entering China through a high commitment mode is likely to be too costly and risky to be worthwhile. The firm should then prioritize entering other markets. However, if it enters countries such as Singapore, which serves as a bridge between Western and Eastern culture, it may be able to build connections to people who are familiar with Chinese culture and have the requisite skills and connections to implement the high commitment entry mode into China. The Western firm can then leverage these connections in its entry into China, like Øglænd System did.

In conclusion, for Western firms entering China through low commitment modes of entry, managing relationships to firms is vital, whereas for Western firms entering China through high commitment modes of entry, managing relationships to key individuals is vital. If the firm seeks to enter China through low commitment modes of entry, such as exports, it should build relationships to local partners in China, whether they be importers or national chambers of commerce in China, in order to gain access to local distribution channels and market knowledge. If the firm seeks to enter China through high commitment modes of entry, it must build relationships to individuals who possess the necessary background to effectively implement the strategy and handle challenges pertaining to the large cultural distance between the West and China.
8

Conclusion and implications

In this chapter, a concise answer to the research question, based on the findings of the case studies, is provided. Subsequently, the findings’ implications for scholars, managers and policy makers are provided. Lastly, some final reflections on the findings of the master thesis are provided.

8.1 Conclusion

Research Question: What is the role of network management in Norwegian firms’ initial entry into China?

The findings of the case studies offer a more concrete and nuanced perspective on the role of network management in Norwegian firms’ initial entry into China. They suggest that the manner in which Norwegian firms should manage their networks to enter China are unique to the entry mode they choose. The findings of the case studies also suggest that the entry mode contingencies, which determine which entry strategy firms should use, vary in relevance and weight. The findings suggest that network management is unlike any other entry mode contingency in that it is a facilitating contingency, which made the case study firms able to implement their entry strategies to China in practice. Depending on which entry strategy is chosen, the role of network management differs. It appears that in the context of Norwegian MNCs entering China through high commitment modes of entry, network management primarily pertains to managing relations to key individuals, who possess the necessary skills, knowledge and connections to facilitate the MNC’s entry into China. For Norwegian SMEs, network management primarily pertains to managing relations to customers and intermediaries in China. Moreover, the large cultural distance between Norway and China appears to pose greater challenges to the network management capabilities of firms wishing to enter China through high commitment modes of entry, such as establishing wholly owned subsidiaries, than for firms opting for low commitment modes of entry, such as exporting to China through Chinese intermediaries. Lastly, for both of the case study firms considered, networks were - to varying extents - managed to either discover
or seize opportunities to enter China.

## 8.2 Implications for scholars

Looking at the limitations of the master thesis, it is important to note that as the case study only considers two entry modes at the extremities of the low to high commitment mode of entry spectrum, the findings of the case studies are not as generalisable as they could have been, had cases in the entire spectrum of entry modes been considered. Although Eisenhardt (1989) argues that given the limited number of cases that can be chosen in the context of case studies, polar cases should be selected, multiple cases at both sides of the entry mode spectrum, as opposed to just one case for each, would have yielded a stronger empirical footing on which to conduct an analysis and provide prescriptions. Therefore, conducting more extensive case studies on the same issues addressed in this thesis is likely to be a fruitful avenue of research for scholars. Such research may reveal nuances that this master thesis was not able to capture due to the limited number of case studies employed.

Considering the findings of the master thesis, the manner in which the Western firm’s context and the Sino-Western business context leads to entry mode contingencies varying in importance and relevance, should be examined more thoroughly. The findings revealed that four contingencies considered in the literature, namely need for internal coordination (Randøy and Dibrell, 2002; Sanchez-Peinado et al., 2007; Shukla et al., 2012; Wit and Meyer 2014), whether consumption can be decoupled form production (Blomstermo et al., 2006), and firm size (Ekeledo and Sivakumar, 2004; Li and Qian, 2008; Taylor et al., 1998; Brouthers and Nakos, 2004; Bontempi and Prodi, 2009; Musso and Francioni, 2014) were crucial with regard to Western firms’ choosing an appropriate entry strategy into China. This implied that other issues, such as attractiveness of the Chinese market (Chen and Hu, 2002; Khan, 2016; Luo, 2001; Saraopoulos et al., 2016), duration of operations (Chen and Hu, 2002), market dynamism of Chinese markets (Li and Qian, 2008), and strategic orientation (Nisar et al., 2012; Khan, 2016) were not important to the entry mode decision. The literature does not appear to emphasize which entry mode contingencies are crucial to the entry mode decision, and which are unimportant, depending on the context.

Although several studies have been conducted on Western entry strategies to China, the findings of the case studies do not align with much of the theory. Whereas Holtbrügge and Baron (2013) and Arslan and Wang (2015) both contend that the need to protect proprietary assets is an important issue when choosing an appropriate entry strategy into China, the findings indicate that it had no impact whatsoever because of the poorly developed institutional environment in China and because of the innovation strategies adopted by the case study firms.
Similarly, whereas the literature seems to focus on which entry modes are the most effective for dealing with challenges arising from a large cultural distance between home and target country (Blomstermo et al., 2006; Randøy and Dibrell, 2002; Sarapovas et al., 2016; Vidal-Suárez and López-Duarte; 2010), herein the literature on Western entry strategies into China (Holtbrügge and Baron, 2013; Deng, 2001; Arslan and Wang, 2015), the findings of the case studies indicate that such challenges arise once a high commitment entry strategy is chosen. Such challenges do not seem to arise if a low commitment entry strategy into China, such as exports, is chosen.

Based on the above, the discrepancy between theory and the findings of the case studies, pertaining to the determinants of Western entry strategies into China, is apparent. Therefore, I contend that more operational-level research, e.g. exploratory case studies, should be conducted to challenge mainstream research on the determinants of Western internationalization strategies to China. Indeed, Yin (1998) contends that exploratory case studies are the most suitable studies for revealing gaps between theory and practice, as well as their causes. Such an approach is likely to contribute to closing the gap between theory and practice pertaining to Western entry strategies to China.

More operational-level research should also be conducted on the manner in which Western firms should manage their networks to enter China effectively, given different modes of entry. This also appears warranted in light of the recommendations of Yin (1998), who contend that exploratory case studies are also the most suitable for developing theory on issues that have yet to be sufficiently scrutinized by scholars. Although some prescriptions were made for the role of network management in Western entry strategies to China in the last chapter, more qualitative and quantitative research needs to be conducted in order to isolate best practices for managing networks to enter China effectively. In this regard, a particular important area of research is the relationship between network management and choice of entry modes for MNCs and SMEs, respectively. Although most contemporary research asserts that networks are more important to SMEs than MNCs (Hänell and Ghauri, 2016; Han, 2006; Zhang et al., 2016; Zhou et al., 2007; Torkkeli et al., 2012; Santos et al., 2012, Musteen et al., 2014; Oehme and Bort, 2015; Cavusgil and Knight, 2015; Lin et al., 2016), the anecdotal evidence in the case studies disputes such a claim. Moreover, the findings suggest that network management is a facilitating contingency, which makes a wide array of Western entry strategies to China possible to implement in practice. This stands in stark contrast to mainstream literature, which seems to contend that networks draw firms towards low- or high commitment modes of entry (Maekelburger et al., 2012; Hollender et al., 2016; Blomstermo et al., 2006; Stoian et al., 2017; Ulrich et al., 2014). The cause of this discrepancy may be that for high commitment entry modes, which are often adopted by MNCs, the role of networks are more meaningfully
understood at the individual level, whereas for low commitment entry modes, which SMEs often employ, the role of networks, and consequently the role of network management, is more meaningfully understood at the firm level. The pitfalls of disregarding networks at the individual level has been increasingly recognized in the internationalization literature on networks, e.g. Ellis (2010).

Therefore, I submit that future research on the role of network management in Western entry strategies to China should emphasize the manner in which MNCs and SMEs manage their networks to enter China effectively, as well as how firms’ choice of entry modes affect the manner in which they manage their networks in the entry. In this regard, addressing the extent to which firms manage their networks at the firm- or individual level, appears warranted. Such an approach implies abandoning the ‘networks-resource’ dichotomy so often encountered in the literature. I contend that such an approach is likely to advance scholarly debate on the role of network management in internationalization, and capture the nuances of how networks can be managed to implement entry strategies effectively, for firms of all sizes employing a wide array of entry strategies.

Lastly, future research on Western entry strategies into China should focus on the role of national chambers of commerce in China in the entry strategies of Western firms, such as Innovation Norway for Norwegian firms. Indeed, the case studies suggest that such organizations may be vital to Western firms’ entries into China, but that they might also constitute a liability. Such research is likely to be particularly relevant to Western firms originating from countries characterized by cooperative capitalism (Wit and Meyer, 2014), in which private and public organizations cooperate to achieve desired economic outcomes. Conversely, such research is less likely to be found in Anglo-Saxon literature, e.g. literature stemming from American academic institutions, where the premise is more likely to be that internationalizing firms originate from countries with a laissez-faire form of capitalism, in which the government is not significantly involved in the internationalization process of domestic firms. Thus, future research on Western entry strategies into China should focus on the respective roles and responsibilities of Western firms, national chambers of commerce in China, and Chinese customers for which the national chambers of commerce serve as intermediaries.

8.3 Implications for managers

Concerning implications for Western managers, there appears to be a few principal issues that determine whether the firm should opt for low commitment or high commitment modes of entry. Therefore, rather than getting bogged down in the myriad of factors that the literature suggests should affect the entry mode decision, managers should focus on these principal issues
when choosing an appropriate entry. Lastly, managers of Western SMEs and MNCs alike should appreciate the crucial role of network management in their entry into China, and the manner in which the firm should manage its network to enter China effectively, depending on which mode of entry is used. For high commitment modes of entry building ties to individual actors, with the requisite skills and local knowledge and connections is vital, whereas when opting for low commitment modes of entry building ties to Chinese importers and other intermediaries in China is crucial.

8.4 Implications for policy makers

With regard to implications for Western policy makers, it is crucial that these realize the unique role of national chambers of commerce, such as Innovation Norway for Norwegian firms, in China. If such national chambers of commerce in China fail to function effectively as intermediaries between Western and Chinese firms, then it will be difficult for many Western firms to penetrate Chinese markets. In this regard, national chambers of commerce, functioning as an intermediary for clients in different Western nations, may expose these to great risks, as was shown with the case of Orkel’s reliance on Innovation Norway in China. It is important for national chambers of commerce, such as Innovation Norway, to be aware of these risks and take appropriate actions to alleviate these. For instance, with regard to Innovation Norway, it may consider including Norwegian clients in its interaction with Chinese customers to a greater extent, in order to strengthen the ties between Norwegian firms and Chinese customers. Given that entering China through high commitment modes of entry is only a viable option for firms that have the resources to do so, it is likely that most resource-constrained Western SMEs will be somewhat on national chambers of commerce in China for their entry, like Orkel. Thus, Western policy makers need to devote adequate resources to national chambers of commerce, such as Innovation Norway in the Norwegian context, so that they may continue to serve as bridges between Western and Chinese firms.

Lastly, the discrepancy between the theory and the findings of the case studies, addressed in the above, might be a symptom of insufficient collaboration between research institutions and businesses. Thus, policy makers are encouraged to promote cooperation between researchers and managers to close the gap between theory and practice.

8.5 Final reflections

I consider the most important implication of the findings of this master thesis to be that the theory developed on entry modes seem to be disconnected from the business realities that it is
attempting to describe. For instance, whereas the literature emphasizes that there is a myriad of contingencies that needs to be considered, in the context of Western firms choosing an appropriate entry strategy into China, the findings of the case studies imply that which entry mode is appropriate is effectively determined by a few principal contingencies. For example, the findings reveal that if Chinese copyists constitute a significant threat to a Western firm’s business in China, then they should not enter China, regardless of what other factors might suggest. Another finding is that the need for internal coordination and whether production can be decoupled from consumption strongly affects whether the firm should opt for a low commitment or high commitment entry strategy into China. The discrepancy between the theory and the findings of the case studies seem to stem from the theory regarding the strategic decision making process, in the context of entry strategies, to be effectual-based, cf. section 3.2.2.1, in which emphasis is placed on the complexities and uncertainties of the business environment making it difficult for firms to make decisions based on predictions of the business environment (Nummela et al., 2014). However, the findings of the case studies suggest that the strategic decision making process should be based on a causation logic, which is characterized by “pre-determined goal setting, intentionality, planning and systematic information gathering” (ibid, p. 530). For instance, the case study firms intentionally chose their respective entry strategies in an effort to enter China effectively. According to Nummela et al. (2014, p. 531), decision-makers "employing causation-based logic consider prediction of the future useful and base their decisions accordingly, whereas effectuation-based logic considers prediction unnecessary as decision-makers are able to participate in shaping the future.” As the findings suggest that Western firms are able to predict which entry modes are appropriate, based on a few principal contingencies, and are able to predict which explicit challenges much be faced, depending on which entry mode is chosen, a causation-based logic appears to be more appropriate in the context of Western firms’ choosing an initial entry strategy into China.

In conclusion, I submit that theory on the determinants of which entry modes firms should employ is in need of a ‘re-boot’. This may be achieved through a stronger focus on developing theories that accurately reflect the underlying business fundamentals they are attempting to describe. With regard to closing this gap, conducting exploratory case studies are likely to be important (Yin, 1998). Although the findings of this master thesis are based on anecdotal evidence from two case study firms, they nonetheless contribute to providing researchers with a more concrete and nuanced view of challenges pertaining to entry strategies, and is therefore a contribution on the journey towards more accurate theories on this issue.


Appendices
A.1 Interview Guide

The interview guide is written in Norwegian:

1. Innledning

- Bruke ett minutt for å forklare min og oppgavens bakgrunn
- Takke for bistand og forklare at det vil foreligge en kontrollmulighet for det som blir skrevet og at firmaet vil motta masteroppgaven når den er ferdig.
- Agenda for møtet
- Be om tillatelse til å bruke diktafon

2. Bakgrunnsinformasjon om firmaets internasjonalisering

- Har motivasjonen for å internasjonalisere endret seg over tid? (Spørrer for å avdekke rytmen i internasjonaliseringsprosessen til firmaet)
- Generell tidslinje for internasjonaliseringen
- I tidligere internasjonaliseringsprosesser, hadde dere et eksplisitt fokus på å bygge en evne til å bruke deres eksisterende relasjoner/bygge nye relasjoner for å ekspandere effektivt?

3. Internasjonalisering til Kina

3.2 Hvorfor firmaet valgte å ekspandere til Kina og hvordan firmaet faktisk gjorde dette
• Hvorfor internasjonalisere til Kina?

• Hvilken inngangsstrategi ble brukt for å trenge inn i Kina (eksport, franchising/licensing, joint venture, wholly owned subsidiary)?

• Hvorfor ble denne inngangsstrategien valgt fremfor andre?

• Hvordan gikk dere konkret frem i implementeringen av internasjonaliseringsstrategien deres (Søker her å etablere en tidslinje)?

• Leverer dere tjenester i tillegg til produktet deres i Kina (kun relevant dersom det er først og fremst et produkt som leveres til/fremstilles i Kina)?

3.2 Analyse av utgangspunktet for valg av internasjonaliseringsstrategi

• Gjennomgang av momentene (ressursbehov byttet ut med firm size) nevnt i teorien om inngangsstrategier og hvordan bedriften forholder seg til disse.

• Be de om å utdype om andre momenter som påvirket hvilken inngangsstrategi de til sist valgte.

3.3 Rollen til network management capabilities i internasjonaliseringsprosessen?

• Hadde dere en eksplisitt nettverksstrategi for å trenge inn i Kina (en plan for hvordan dere ønsket å utnytte eksisterende relasjoner/bygge nye for å trenge inn i Kina) som en del av deres internasjonaliseringsstrategi til Kina?

3.3.1 Generelt om rollen relasjonsbygging hadde for internasjonaliseringen til Kina

• Hvilken rolle spilte deres relasjoner (kontakter, partnere, etc.) i deres ekspansjonsprosess til Kina - fra beslutningen om å etablere dere i Kina ble tatt til dere anså dere for å ha etablert dere i det kinesiske markedet? (Presiser at du forsøker å lage en tidslinje hvor du identifiserer hvilke relasjoner de brukte og hvilke relasjoner de utviklet for å trenge inn i Kina)

• Hva var den største utfordringen med å internasjonalisere til Kina?

• Hvordan brukte dere eksisterende relasjoner/bygget nye relasjoner for å bidra til å møte denne utfordringen?
3.3.2 Utdypningsspørsmål om rollen relasjonsbygging hadde for internasjonaliseringen til Kina

- Hvilken type aktører var det viktigst for dere å bygge relasjoner til for å internasjonalisere effektivt?
- Bygget dere først og fremst relasjoner til kinesiske statlige aktører eller kinesiske bedrifter?
- Hvilke kinesiske statlige aktører eller kinesiske bedrifter bygde dere relasjoner til?
- Bygget dere relasjoner til enkeltindivider i de kinesiske statlige organene eller bedriftene, eller var dere i kontakt med flere ulike individer i disse?
- Hvordan gikk dere konkret frem for å bygge dere relasjoner?
- Hvilke midler (e-mail, tlf., møter ansikt-til-ansikt) brukte dere for å holde kontakten?
- Hvor hyppig var dere i kontakt med deres kinesiske relasjoner?
- Hvordan hjalp relasjonene deres dere å internasjonalisere til Kina effektivt?
- Hva var de prinsipiale utfordringene med tanke på å bygge relasjoner til disse kinesiske aktører (det være seg statlige organer eller bedrifter) og enkeltindividene der?

- Hvilken rolle hadde deres kinesiske partnere i ekspansjonsprosessen?
- Hvordan skilte deres kinesiske partneres rolle seg fra deres rolle i internasjonaliseringsprosessen?
- Hadde dere et tett samarbeid med deres kinesiske partnere i internasjonaliseringsprosessen?
- Beskriv rollefordelingen med tanke på firmaet og partners relasjon til endelige kunder.
- Hva har firmaet deres og deres partner konkret gjort for å oppnå salg av produkt/tjeneste?
- Samarbeidet firmaet deres med kinesiske partnere for å bygge relasjoner til kinesiske myndigheter?

- I lys av at Kina har en forretningskultur som fokuserer på personlige forhold og tillit, også kjent som guanxi, hadde dere fokus på å bygge personlige forhold til deres kinesiske partneret? Inviterte dere dem med ut på middag eller andre begivenheter? I så fall, hvor ofte?
• Fra hvem i deres firma og til hvem i deres kinesiske partner er disse personlige relasjonene bygd? Er det mange i deres bedrift som har slike personlige relasjoner?

• Delte dere sensitiv informasjon med deres kinesiske partnere og delte de slik informasjon med dere? Hvis ikke, var det forståelse for dette blant deres kinesiske partnere og hvordan gikk dere da frem for å bygge relasjoner til disse?

• Hvilken rolle spilte deres relasjoner til norske statlige organer (f.eks Innovasjon Norge) i deres ekspansjonsprosess til Kina? Hvordan påvirket dette deres relasjoner til kinesiske statlige eller kommersielle aktører?

• Hvilken rolle spilte deres relasjoner til ikke-kinesiske bedrifter i deres ekspansjon til Kina?

4. Toppleders rolle

• Hvor viktig var det at toppleder var involvert i internasjonaliseringen?

• Betydde titlene noe med tanke på internasjonaliseringen?

5. Oppfølgningsspørsmål

• Ut fra dere lærte gjennom deres inngang til Kina, er det noe dere i retrospekt ville gjort på en annen måte?

• Var det noe som i retrospekt rett og slett ikke funket?

• Avhengig av hva som har blitt sagt om relasjonsbygging, kommer jeg til å spørre ulike oppfølgningsspørsmål.