The new politico-economic, technological and ecological environment led organizations to realize that they must change and restructure the way of establishing and maintaining relationships. Consequently, an alliance or network approach based on flexibility, joint planning, shared information, adaptations, shared interests and objectives among firms emerged as an effective approach to meet the challenges and opportunities of the new environment.

Over the last decade considerable attention has been put on the changes occurring in the business environment. Of particular interest is the change in the nature of business relationships, and particularly the marked shift from adversarial to more strategic alliance relationships and networks (Zineldin and Dodourova 2005; Agndal and Chetty 2007).

The explosive growth of Foreign Direct Investment (FDI) led primarily to the globalization of markets. FDI grew at much higher rate in the 1980s and 1990s than world output and world exports (World Investment Report 2000). FDI inflows dramatically rose from $250 billion USD in 1990 to $1.3 trillion USD by 2000 (World Investment Report 2001) and the total FDI has reached $4.23 trillion USD and 12.59 million Jobs have been created in the past five years (OCO Monitor 2007). Global FDI inflows grew in 2006 for the third consecutive year to reach $1,306 trillion USD, the second highest level ever recorded (World Investment Report 2007). Among developing regions, Asia remained the main magnet for FDI flows, followed by Latin America (World Investment Report 2006). FDI flows to Latin America and the Caribbean rose by 11% in 2006, to reach $84 trillion USD. Mexico and Brazil, with inflows of $19 billion USD each, remained the region’s leading FDI recipients (World Investment Report 2007).

Given the enormous increase of FDI, the choice of entry modes is an important research question. Multinational enterprises (MNEs) follow two paths leading to three modes of market entry that involve equity investments, i.e. Wholly owned subsidiaries - either through a Greenfield venture or by an acquisition - a JV with a local partner.

The literature on modes of entry is extensive (Davis et al. 2002; Hennart and Reddy 1997; Pan and Tse 2000; Zejan 1990; Herrmann and Datta 2006; Zhang et al. 2007). In a comprehensive review, Datta et al. (2002) report 14 studies that used host industry characteristics as predictors. Of these, only three used all three types of equity participation, i.e. acquisitions, JV, and wholly owned subsidiaries as modes of entry. Although the literature provides some clue as to how a firm selects a particular partner or country, less is known about the international business relationship and establishment process, motivations and achievements (Geringer 1991; Zineldin and Dodourova 2005).

Entry mode choices and the establishment processes are often massive, irreversible, can influence the long-term performance of the firm and can have significant and far-reaching consequences on a firm’s performance and survival (Shrader 2001; Ekeledo and Sivakumar 2004). Therefore the different relationships during and under the establishment process and of entry mode is a very important decision for MNEs competing globally (Herrmann and Datta 2006; Zhang et al. 2007).

Yet, experience with international strategic relationships and networks have shown that they face a number of problems, which can often result in relationship failure (Zineldin and Dodourova 2005). Most of the limited number of previous studies provides insights about the critical events and case studies of the establishment processes of strategic relationships between foreign companies, how and to what extent the networks change or affect a firm’s positions in the market and how the macro-environmental forces affect the establishment process are not, according to our knowledge, well empirically investigated. The structure of the networks can be different in different environments and that would create a varying nature of opportunities and obstacles to the firm being established. As a result, the establishment process becomes different in different environments and the firm has to be able to develop mechanisms to capitalise on the opportunities and to deal with the constraints. The specific purpose of this study is to identify the unique characteristics of the Mexican industrial networks environment and how these characteristics can shape and influence the establishment process. Considering the above reality of the insufficient cases available regarding the Swedish companies’ establishment process in Mexico, to get deep insight and understanding of the establishment process, such research issue cannot be approached by means of a quantitative study. Therefore a qualitative case study is a relevant research strategy to study the establishment process of
Specifically, the main goal of this paper is to describe and analyze how the Mexican industrial market networks and environmental issues such as cultural, financial, economical, legal, political factors etc. have affected (influenced) and shaped the establishment processes of Swedish firms in Mexico.

**Theoretical Framework(s)**

Ekeledo and Sivakumar (2004) and Zhang et al. (2007) argue that there are shortcomings and limitations of the internationalization theory and the eclectic theory regarding entry mode strategies and choice. Recently, Agndal, H. and Chetty, S. (2007) highlighted the importance of relationships, in particular their influence in market entry and mode changes. They have found out that multiple dimensions of a relationship (e.g., relationship level and type) seem to play an important role during the establishment process in international markets. We will, therefore study the establishment processes from a different perspective and approach, i.e. the relationship perspective which includes interaction, interactive and network approaches.

**The Interaction Approach**

Hakansson (ed.) (1982) developed an ‘Interaction Approach’ which is an appropriate tool to study buyer-seller relationships in industrial markets. The approach explains the interaction process between seller and buyer in terms of four variables, which are the environment, the atmosphere, the interacting parties and the interaction process. Hakansson (ed.) stressed that industrial relationships are frequently long-term, close and involve a complex pattern of interaction among the parties involved. The importance of the interaction/network approach is that all the four major components and their sub-variables must be seen together in order to understand the nature of relationships and the factors influencing them. Within given environment, organizations must develop clear, real, and strong relationship management and marketing orientation in formulating organization policy and mission.

Relationships that partners ultimately deem successful involve cooperation and coordination to create new value together rather than a mere exchange (Kanter 1994; Gronroos and Ravald 1996). The interaction process is influenced by the atmosphere and the environment where they operate. In turn, the atmosphere is influenced by the characteristics of the parties and the nature of the interaction. The atmosphere can either facilitate or make the relationship complicated. This atmosphere can be described in terms of power/dependence which exists/emerges over the life cycle of a relationship among the parties, the technological leadership, skills and competence, the organizational size, structure, strategies and experiences, the state of cooperation/conflicts, uncertainty, closeness or distance of the relationship, and by the partner’s mutual expectations at both the individual and organizational level.

Creating such strategic relationship is the efficient way to cooperate through strategic networks, as long as the sum of production and organizational costs is less than ‘going at alone’. In short, the partners believe that their success does not require others to fail. Their philosophy is that in the spirit of trust and commitment, the win-win approach is effective to create a bigger pie and then obtain a bigger share of it. The main principle of the network and interaction approaches is to seek out opportunities to create new values together and achieve synergic effects.

In such a relationship, the partners can create new value by reducing the transaction cost, uncertainty and the level of the financial and practical risks associated with the purchase or JV. Moreover, there is a great opportunity to gain access to vast information about, for example, partner’s needs, wishes, business and investment plans, which provides a substantial competitive advantage in strengthening the strategic cooperation.

**Partnership in supply chain relationships is clearly a very powerful strategy. It encourages a joint approach to problems and it can lead to reductions in costs, improvements in quality.** (Lamming 1993)

A sustainable partner relationship offers the partners with advantages and opportunities (Juttner and Wehril 1995). Partners can establish an alliance to develop collaborative
programs beyond their legal boundaries in research and development, production and joint sourcing. This will lead to significant benefits and synergic effects such as: economies of scale, lower costs, skilled labour force, high research & development level, access to superior engine technology, access to new markets, greater customer value-added is achieved at less total cost. All this will ensure profit for all the partners in the alliance or network.

**A Relationship/Network Approach**

During the 1990s there has been an increasing interest in the development of strategic alliances, dynamic networks, and other "loose" cooperative variants between organizations of all sizes, industries, and nationalities (Faulkner 1992; Webster 1992; Jarillo 1993; Hunt and Morgan, 1995; Elg and Johansson 1996). Some factors that underlie the importance of merging the new network and collaborative approach are aggressive globalization and internationalization ‘emerging from the global village’, increasing homogenization of tastes and attitudes, deregulation and elimination of physical, fiscal/financial and technical barriers, rapidly advanced scientific and technological innovations, economic turbulence and predictive uncertainty (Mckenna 1991; Faulkner 1992). The main reason is that most organizations cannot always have the resources or know-how to cope with increasingly complex environments from internal resources alone.

The growth of interorganisational cooperative forms of business activity calls into question the nature and boundaries of the basic building blocks of economic analysis: the firm, the industry and the national economy. The traditional categories of the economist become less and less useful as basic building blocks for analysis. (Faulkner 1992)

In traditional western market economies, firms within an industry compete with each other for the customers’ favours. Cooperation and collaboration constrained by national governments. Today’s globalization and other environmental changes compel large and small organizations to recognize that the essence of a company is to cooperate within a network of different partners (Faulkner 1992; Hunt and Morgan 1995). The emphasis is now on strategic relationships in the form of alliances and de-integrated networks (Jarillo 1993).

The knowledge to establish and develop strategic relationships or networks in a foreign market provides a company with the tools to achieve a large scale of operations and substantial growth. A network perspective connects the synergy with the energy. Kotler (1994) emphasized the unique advantages of relationship marketing as follows:

*The ultimate outcome of relationship marketing is the building of a unique company asset called a marketing network. A marketing network consists of the company and its suppliers, distributors, and customers, with which it has built solid, dependable business relationships. The operating principle is to build good relationships, and profitable transactions will follow.*

The basic rule is that a strategic approach, e.g., network system, business relationship/alliances, should start from the customer, match the organizations internal and external resources/energy, and create a competitive edge.

Synergistic benefits often are the basis for unique competitive advantages that can be achieved through cooperation between collaborators, for example, shared experience, entrepreneurial and managerial skills, unique culture and spirit, know-how, production processes or efficient distribution outlets, unique effective and efficient use of cash flow, and ability to go abroad or to substitute own investments in foreign markets (Zineldin et al. 1997). Such synergies can also determine why one firm is very successful in, for example, a product-market and the other is less so.

**The Evolutionary Pattern of a Relationship**

Hakansson (ed.) (1982) developed the Interaction approach which defines marketing as all the activities to build, maintain, and develop relations with customers, distributors, suppliers, public institutions and individuals. This approach stresses the significance of the long-term nature of buyer-seller interactions and the factors that influence the relationship. The process of establishing and developing buyer-seller relationships is described in different stages.
While the IMP approach is limited to buyer-seller relationships, Zineldin (1995) contributed the evolutionary pattern of the development of a relationship. The concept of evolution is originally connected to the scientific idea that plants and animals develop gradually from simpler to more complicated forms (e.g., evolutionary biology). Evolution, according to Darwin’s theory (year), is defined as the gradual and incremental change and the development of an idea, situation, or objects (or plants and animals).

Establishing healthy, close, and strong relationships are supposed to evolve through different phases—each stage representing a major transition in how the parties involved are connected to each other. It is a dynamic exchange process where the relationship takes, to some extent, an evolutionary pattern and moves progressively from one phase into another, depending on how the parties deal with and treat each other.

In essence, the Relationship Evolutionary Pattern proposes a very similar life cycle for creating and enhancing healthy relationships, i.e. that an infant relationship is born and then goes through various phases, e.g., childhood, growth, and maturity in its life and becomes a strategic business relationship (Zineldin 2002). This pattern is based on the phase-by-phase approach to be useful in managing one-on-one relationships.

Almost any relationship begins with recognizing or identifying needs and desires and ends with satisfaction or disappointment and failure. Between the stage of need to the stage of satisfaction/dissatisfaction, there will be expectations, communications, actions, co-actions, reactions, commitments, problems, conflicts, and other activities associated with the willingness/unwillingness of one or both of the partners involved.

**An Interactive Perspective**

A relationship-oriented organization looks outward to the environment in which it operates and which has a major impact on the actors such as customers, competitors, marketing intermediaries, and suppliers. To develop a long-term relationship in today’s global economy (village), and highly competitive climate, it is important for a company to first understand how the environmental forces affect its marketing activities, relationships, networks, alliances, and consumer attitudes and behaviour. (Thorelli 1986; Zineldin et al. 1997). This holistic and interactive perspective views economic performance as a dynamic interaction between institutions. According to Douglas C. North (1993), one of the Nobel prizes winners for the Economic Sciences in 1993:

*Institutions are the humanly devised constraints that structure human interaction. They are made up of formal constraints (rules, laws, constitutions), informal constraints (norms of behaviour; conventions, and self imposed codes of conduct), and their enforcement characteristics. Together they define the incentive structure of societies and specifically economies.*

Marketing and organizational problems have to be viewed in an open, dynamic and behavioural system context that interacts with its environment, receives inputs from the environment, processes these inputs and exports outputs to the environment. The relationship and the interaction process among companies are influenced by the environment surrounding them. Thus, the system as a whole is heavily dependent and relies on either the behavioural science, or non-economic sciences (e.g., psychology, sociology, anthropology), and the economic sciences including political economy. Hakansson (1982) states that:

*The Interaction between the two parties does not take place in a vacuum. On the contrary, it is part of a large social system. Thus, the features of the environment influence the interaction in several ways. For instance, the environment may determine the alternatives open to both the selling and the buying firm.*

**Environmental Forces and Relationships**

The current rapid environmental changes resulted in an emphasis on the importance of building and keeping a close relationship between companies, customers, and other business parties (Berry et al. 1983; Fulkner 1992; Webster 1992; Zineldin 1998, 2000; Aijo 1996). In traditional marketing, the relationship perspective was not emphasized, as the
environmental forces were not sufficiently strong as it is today. Aijo (1996) hinted at this stating that:

*It will be shown that early attempts to formulate a general theory of marketing already included a relationship perspective. However, this perspective did not acquire the importance it has today; because the environmental factors were not sufficiently strong at the time... These (environmental) changes resulted in an emphasis on service, close customer contacts, and a holistic view of the parties and processes involved in marketing and business."

All management and marketing activities occur within legal, political, economic, and social environment to which strategies and policies must relate. Zineldin et al. (1997) states that:

*The seller and buyer companies operate within a wide context and a large social system. The characteristics of this large system influence the relationship and interaction between the two organizations."

Ford (1993) also hinted at this and pointed out the following:

*We must also consider the characteristics of the wider environment surrounding a particular relationship- the social system."

Today, organizations face a different world and they must seek a different road to the future (Webster 1992). To do this managers’ must draw upon the accumulated experiential-learning and yet to be aware of the fundamental differences between the past situation and what they face today. Learning through time, experiences, the significance of institutions (e.g., political, economic, regulatory) and the nature of institutional change, are some key aspects that have a significant impact on corporate policies and its economic performance (Porter 1986).

**Major Macro Dimensions Affecting the Business Establishment**

Economic systems and conditions, competitive market structures and trends strongly influence marketing activity in all aspects. The economic system determines how a society allocates resources. Economic changes derive from broad secular movements in various underlying economic factors and from business cycles (Jobber 1995; North 1993). As the marketing activity is strongly influenced by the business cycle, the economic environment is closely observed by managers. Therefore, current economic conditions and changes have a broad impact on the success of marketing strategies. The changes in economic and competition conditions affect the forces of supply and demand. Moreover, they influence organizations’, marketers’ and customers’ decisions, hierarchies and activities (Thorelli 1986; Powell 1990).

However, creating a system of networks and alliances with other high-tech companies provides the means to create a competitive advantage for a company (Dickson 1994).

For governments, companies and consumers, practices from the 1980s are suddenly no longer relevant owing to the recent political, legal and regulatory changes. A minor change in any of the political, legal and regulatory dimension can have a major impact on a national or multinational enterprise (Dibb et al. 1994; Zikmund et al. 1995). It also influences the way of building relationships and networks with domestic and/or foreign suppliers, subsidiary, authorities and public as well as private customers.

It appears that society becomes more concerned about marketers’ activities which have questionable or negative ethical consequences (Dibb et al. 1994). New attitudes and behaviours are demanded from management and marketers towards the overall society. They have to create healthy societal relationships. Relations towards consumers, suppliers, subcontractors, other domestic and foreign organizations, employees, shareholders, the natural resources, the community and government have to be reconsidered. The green movement is increasing general awareness of the physical environment and is altering product design, manufacture, packaging and use (Gediscks 1994). It is clear that in the 1990s, many organizations recognized that business operates only with a license from society.

Finally, the 1990s technological, political, legal and regulatory, social, ecological, economic and competitive change offer organizations with a number of very important choice-
es. They will be faced with both opportunities for new business and threats to their existing markets. The extent to which companies are affected by the removal of barriers by 1990s depends upon how they respond to the challenges posed.

**Mode of Entry Industry Structure**

The increase in international collaboration and relationship is attributed to increased globalization and rapid changes in competitive environments (e.g., Beamish and Delios 1997; Robson 2002). Hence, globalization of markets in recent years was primarily due to the explosive growth of entry into foreign markets. Firms have the option of choosing the appropriate entry mode for international markets based on balancing their resources, motivations, expected achievements, capabilities, and international experience with their desire for ownership and control. International diversification through foreign market entry can result in high growth and profitability unavailable in home markets (Root 1994). Several studies have examined the performance differences between the different modes (acquisitions or Greenfield ventures, joint venture, direct and indirect exporting). (Nitsch et al. 1996; Pan and Chi 1999; Pan et al. 1999; Shrader 2001; Simmonds 1990; Malhotra et al. 2002; Herrmann and Datta 2006; Zhang et al. 2007). Aulakh and Kotabe (1997) suggest that is not just entry mode per se, but the "fit" between mode of entry and transaction-specific factors, organizational capability, and strategic factors that affect firm performance.

Extensive research supports the entry mode choice using a transaction cost approach (e.g., Anderson and Gatignon, 1986; Hennart 1988) and firm characteristics (Chang 1995). Transaction cost theory also suggests that the choice of entry mode depends on host country characteristics. Hennart (1991) argues that in resource- and technology-intensive industries, firms use shared-control modes to access local resources. Similarly, at the country level, the influence of national culture on entry mode choice has been supported (Shane 1994). Eclectic theory suggests that in developed countries, wholly owned subsidiaries have the highest long-term potential (Dunning 1988; Ekeledo and Sivakumar 2004). Erramilli et al. (1997) found that even the firm-specific advantages of Korean MNEs were dependent on host country location. Therefore, the role of host country characteristics on entry mode, of which industry structure is an underlying element, is well established.

A firm seeking to operate abroad must determine the most appropriate mode, or institutional arrangement, for the new host-market entry (Anderson and Gatignon 1986). Modes of entry differ in the degree of control the parent firm maintains over its foreign operations. Decisions concerning the modes of entry to particular foreign markets are among the most important that management has to take. Once the entry method is selected, its implementation has significant implications for a wide range of international marketing concerns. The entry methods chosen has to be related to the company’s overall strategies, goals, motivations and the time period in which it wishes its objectives to be achieved. The options for foreign market entry are: indirect and direct entry, strategies without international investment and strategies with international investment. Indirect and direct marketing entries often are referred to as export marketing.

Indirect market entry is passive exporting which occurs when the exporter uses independent organizations located in a foreign country. The main concern under this category is that the sale is like a domestic one where the firm is not really engaged in global marketing, because its products are carried abroad by others. The five main entry modes of this category are: export commission house, broker, trading company, export management company and piggybacking. This entry mode is most appropriate for a firm with limited international expansion objectives. The skills and know-how developed abroad are accumulated outside the exporting firm. The exporting firm has its advantage because the exporting firm avoids the overhead and administrative costs and burden related to the management of its own export activities and the firm may not even know in which country the product is sold (Johansson 1997; Petersen and Welch 2002).

Direct market entry: this is an active exporting activity and effort to enter foreign markets, which involves the use of domestic and international based intermediaries. The
commitment and required investment is greater than indirect exporting, the expecting rewards are also greater, and the firm has the better control of exporting activities and it has better possibility to learn how to operate overseas. It is not until the firm decides to hire its own overseas staff that a more strategic involvement in foreign markets becomes feasible (Johansson 1997). Direct exporting modes, however, include three main options which are export through foreign-based against, distributors/or establishing a sales or representative subsidiary.

Strategies without international investment (contractual relationships): Industrial or commercial expertise and know-how can be sold to foreign countries via licensing, franchising or through the provision of technical expertise under a ‘contractual manufacturing’ and/or ‘management contracts’. These entry modes involve minimal amounts of partner interdependence and have quite specific tasks, whereby each partner could terminate the agreement without great cost (Zineldin et al. 1997; Petersen and Welch 2002).

Strategies with international investment include bilateral agreements and strategic alliances. Such alliances include JVs, establishing of foreign branches and/or subsidiaries (including DFI in manufacturing plant) and consortia, whereby the partners make substantial investments in developing a long-term presence at the targeted foreign countries and common goal orientation or direction.

A sales/representative subsidiary is different from a wholly owned manufacturing subsidiary. A sales/representative subsidiary manages marketing and distribution operations in the foreign country. Usually the product is exported from the parent country or from another foreign plant. Such options allows full control with no dilution of profits to other operators or agents, and it allows the foreign company to take advantage of financial incentives from the host government, lower labour costs, access to raw materials and different labour and staff skills and culture elements as well as organisational learning (Johanson and Vähne 1992; Sharma and Johanson 1987; Zineldin et al. 1997; Johansson 1997; Petersen and Welch 2002).

In a Greenfield investment, a foreign firm starts operations on its own in a host country. This results in the creation of new capacity/supply in a particular industry. The onus is on the entrant to provide all the requisite resources and capabilities for the investment to overcome industry structural barriers and risks due to liabilities of foreignness. In an acquisition, the foreign firm merges with or acquires an established entity in the host country. Acquisitions are used when time is an important issue in the investment decision, as it can be done much faster than a Greenfield or joint venture entry.

Previous scholars suggested that the link between mode of entry and firm performance was dependent on the "fit" between mode of entry and transaction-specific factors, organizational capability, and strategic factors that affect firm performance (Aulakh and Kotabe 1997). The results of the present study indicate support for the premise that foreign firms seek to reduce the risk posed by host country industry barriers by choosing modes that attenuate industry barriers or stabilize industry structural characteristics in host countries during entry. This strategy by the overseas entrant, during entry, allows it to participate in the host country industry with current incumbents while maximizing its own performance. Each of these modes has, however, a particular mix of cost, risk and ease of control (Bartlett and Ghousal 1989; Brooke 1992).

The Applied Model of Establishment Process and Its Development

Two different approaches of foreign market establishments were taken into consideration, discussed and compared before developing a model of establishment process in (Abraha 1994). The two approaches are the direct investment theory and the network approach. According to the direct investment theory which is developed on the basis of the theory of internationalization (e.g., Vernon 1966; Kindleberger 1969; Hymer 1976; Dunning 1980; Doz 1986; Porter 1986; Hennart 1982), establishment process in foreign markets is based on the strategic planning by managers, and its implementation is the role of the single firm itself. Moreover, according to this theory, the establishment
process of the firm has to be planned in advance where the elements of the plans are adhered strictly and implemented carefully in order to ensure its success. The cooperation with other firms in this theory is totally ignored as it implies that the whole establishment process is a full responsibility of the top management of the firm. (Abraha and Mukhtar 2002) also state that the establishment process of a firm, according to this theory, is believed to be dictated by the strategic vision set by the management of the firm.

Whereas, the network approach focuses on the numbers and types of business relationships built and maintained with other firms/actors in the foreign market that are active in the development of those relationships (Johansson et al. 1994). The subject of establishment process is defined in more or less the same way by stating that if one considers the market as a network, establishment means that the establishing firm obtains a unique position in a network which is new for the firm and its counterparts (Hammarkvist et al. 1982). The same source also claims that the establishment process can take place when a new firm enters a new geographic area and also when a firm develops relationships with new customer groups using new or existing products. The applied model was developed on the basis of this theory, i.e. the theory of marketing in industrial markets developed by Hagg and Johansson (1982), Johansson and Mattsson (1988), and Hakansson (1989), and which is generally called "the network approach". The fundamental ideas and concepts of this approach are accounted for in Johansson and Mattsson (1984, 1987), Hakansson and Johansson (1979, 1987), Johanson (1989), Mattsson (1983) and Eslsasser (1984). On the basis of the network approach, several studies of business network relationships and international business connections developments have been conducted both in the domestic and international market (Blankenberg 1996; Hakansson and Shnehota 1995; Mattsson and Johanson 2006; Waluszewski 2006; Baraldi and Stromsten 2006; Gadde and Araujo 2007). In a related phenomenon Cook and Emerson (1978, 1984); Burt (1982) and Granovetter (1985) developed and discussed social networks. Accordingly, industrial networks are viewed as sets of connected exchange relationships among actors who control industrial resources and activities. The industrial network refers to the exchanges of resources and the activities performed in the exchange process, whereas the social network refers to actors and their social relationships. The network approach mainly addresses the exchange of various resources where social relations are an integral part of this.

Therefore, in this article a model of establishment process developed on the basis of the industrial network approach briefly discussed above is applied as a theoretical framework. Reviewing the literature about the establishment process, Abraha (1994) found out that most research on establishment process focused on developed countries and the developing country markets have received much less attention. It meant that, understanding of establishment processes within the context of developing countries remains an issue for future research. To bridge the gap, Abraha (1994) examined Swedish firms’ establishments in Kenya by applying the above referred model. This research resulted in Abraha’s doctoral dissertation titled "Establishment Processes in an Underdeveloped Country: The Case of Swedish Firms in Kenya." As it is clearly illustrated in the model (see Figure 1) below, establishment process in developing countries is observed to take place in four stages (Abraha 1994; Abraha and Hyder 1997, 2000; Abraha and Mukhtar 2002).

1) This definition of establishment process is also quoted in Abraha (1989), "The Establishment Processes of Swedish Firms in Kenya - A Model of Case studies" and it is also adopted in Abraha and Kaynak (2002), "Foreign Market Entry in a Transitional Environment: The Case of Swedish Frims in Poland."

2) This section is adopted from Abraha (1994), "Establishment Processes in an Underdeveloped Country - The Case of Swedish Firms in Kenya."

3) This model was developed by Abraha (1994) on the basis of the network approach and applied in his doctoral dissertation.

4) This section is adopted from Abraha and Kaynak (2002), "Foreign Market Entry in a Transitional Environment: The Case of Swedish Firms in Poland."

5) The model of establishment processed developed and applied by Abraha (1994) was modified and developed further by Abraha and Hyder (1997, 2000) and Abraha and Mukhtar (2002) when it was applied to study establishment process in different countries markets.
The four phases (variables) are (1) the historical identification development of the establishment process, (2) the and discussion of the focal relationship(s), (3) the various supporting relationships developed by the establishing firm to enable the focal relationship(s) to function properly, and (4) the general or the macro-environment. Abraha (1994) conclusively recommended that such a study should also be directed towards other countries that differ from Kenya in some of the variables considered in his study.

Based on the above recommendations, several studies of establishment processes have been conducted by applying the above briefly presented model. The specific studies were conducted by Abraha and Hyder (1997 2000), Abraha and Mukhtar (2000), Abraha and Kaynak (2001) and Abraha, Osarenkhoe and Awuah (2006). It was very interesting to observe that establishment processes can differ in different countries markets due to the differences; in the various countries level of development, market structures, industrial infrastructure and tradition, product characteristics and macro and micro environmental factors. Considering the recommendations and the different findings in different countries markets, the specific aim of this article is to examine how establishment processes of Swedish firms in Latin American countries and specifically the Mexican market looks like.

FIGURE 1
The Model of Establishment Process

Research Methodology

The automotive industry is selected as it is the threshold of the Swedish economy and it has witnessed tremendous changes due to increase of the worldwide globalisation. The scientific work, to a large extent, aims at generating theories based on facts, which could be interpreted in different ways. It is, therefore, a question of research design and the design must be described so that the relevance is clarified (Von Wright 1993; Glaser and Strauss 1967). Case study methodology has always a source of generating new insights. We adopt what Yin (2003) describes as a multiple case, embedded design. Our study is both exploratory and descriptive, thus the case study methodology is to be conducted in order to generate new knowledge and insights. The specific reasons for applying the case-study approach are (i) due to the fact that the establishment of a firm is viewed as a process that requires a holistic perspective, and a case study that covers the development of the whole process chronologically addresses this requirement. According to Chetty (1997), case studies offer a holistic view of the phenomenon and explain the reasons why certain decisions were made, how they were implemented and with what result. (ii) Abraha (1994) argued that the case study approach enables the researcher to present a complete picture of a study object, including all relevant facets over a certain period of time. Therefore, the establishment process has to be studied in depth with few case studies, if a complete picture of the process, including all the important events that took place during the course of the establishment is to be realized. (iii) The case-study is an appropriate research method when a subject is complicated and involves inter-organizational relationships Hyder and Abraha (2003). This study is also complicated among other things due to the fact that human relationships over national boundaries are in focus and secondly establishments in general and specifically in this work involves firms/actors with different social, political, economic and legal backgrounds factors that have a considerable impact on the phenomenon under consideration.
This study is based partly on theories, concepts and ideas which are developed in international business, strategy, management and marketing and partly on traditional approaches and criteria that are developed and used by manufacturing organizations to measure the international business performance. The two approaches are applied together with a case approach to gain deeper understanding of the research issues.

In summary, the methodology of the present study can be summarized as following:

First, based on the previous survey, literatures, theories, concepts and researches, we believe that the area of investigation is somewhat (relatively) new, so that an exploratory study is to be made in order to provide a better understanding on the areas of interest and to develop a conceptual framework. This approach can generate new knowledge and insights enabling us to deeply understand the complex nature of the phenomenon examined by explaining how certain events/processes evolved over time, their consequences, why certain decisions were made, how they were implemented including their consequences is more or less addressed in (Chetty 1997; Yin 2003; Ghauri and Gronhaug 2002).

Second, the case study for this approach is concerned with detailed analysis of a limited number of events or conditions and their inter-relationships. A descriptive case study that documents the nature of the automotive industry in Mexico and the establishment processes of two Swedish manufacturers companies is employed. The study focussed on case research of Scania and Volvo. Information is collected through semi-structured interviews, i.e. both telephone and email interviews with some key figures of both organisations in both Mexico and Sweden.

The data collection methods: In the case of Scania semi-structured email and telephone interviews, i.e. data collection instruments, are applied. Email interview was conducted with Scanias Corporate Relations Manager in Latin America in three different days for approximately five hours in 2005 and 2007. It was the general manager who decided that interviews have to be carried out with this specific respondent. The general manager confirmed that the interviewee has several years of experience and is a qualified informant who can provide adequate information. In addition, three telephone and one email interviews were carried out with Scanias Corporate Relations Press Manager in Sodertalje in 2005 and 2007. This respondent was recommended by Scanias public relations manager in Latin America stressing that the respondent has worked in the company for a long period of time and possess adequate knowledge about the phenomenon under consideration. Telephone interviews were conducted in three different days for total three hours. The respondent is judged to be a qualified respondent from the detailed information that he provided for every question asked. Before the respondents were selected, the author was asked to send the questions to be answered by the company management. After receiving the questions, the company management carefully read and discussed the questions within the company management and the author to select the interviewees. Both respondents also expressed their readiness to provide further information whenever necessary. Transcripts were made of both the email and telephone interviews and they were sent to the respective interviewees for correction. The respondents were instructed that they don’t need to return the manuscripts if there is no need for correction and additional information. The transcripts were returned to the authors with few and essential corrections.

In the case of Volvo, three semi-structured email interviews, i.e. data collection instruments, are applied. The first interviewee is responsible for the sales of trucks in Latin America and he was email interviewed for about three hours in 2005. He works in the Volvo office in Mexico. This person has worked for several years in the Volvo office in Mexico and is considered to be a qualified respondent by both the company and the interviewer. He was recommended by the Volvo head office in Sweden as he has maintained a high ranking position in the company for a considerable period of time. Additional email interview was done with the marketing and communication manager in Volvo Mexico for about four hours in three different occasions in 2005 and 2007. It was the first interviewee who recommended the authors to contact the second interviewee whenever addi-
tional information was necessary. The respondents’ position enables him to possess adequate and relevant information and that can help us to determine that he is a qualified respondent. Both respondents were selected by the company management after carefully reading the interview questions that were prepared by the authors. When the interviewees were asked if they were ready to provide additional information, they declared that it depends on the workload they will be having during the specific time. Transcripts were made of the two email interviews and they were sent to the respective interviewees for correction and additional information. The transcripts were returned to the authors one with few whereas the other with some more corrections. Both interviewees were informed that there is no need to return the manuscripts to the authors if no correction is done and no fresh information is provided.

The data analysis methods: It can clearly be observed from how the cases are structured that the authors have started the analysis by preparing a historical account of the cases. A combination of the interview content analysis (Yin 2003) and the multi-step qualitative-process of data reduction, data display and conclusions-drawing (Miles and Huberman 1994; Pettigrew 1997) methods of interpreting and analysing the empirical findings have been applied in this article.

To secure triangulation, two methods of data collection, both primary and secondary data and a model developed by combining different concepts extracted from several but closely related approaches/theories have been applied. Moreover, various sources and types of data have been used, compared and analysed in order to triangularize the data, the methods and the conclusions drawn. In addition, the various sources of data have been compared and analysed by keeping strict attention to the various concepts/themes in the model so that robust conclusions will be drawn that can enable us to address the research problems and the purpose of the article. The final aspect of analysing the data is done by comparing the two cases in light of the main concepts/themes of the model which is developed from the various theories and models discussed in our literature review.

The reason for selecting Scania and Volvo from the automotive industry was because they gave immediate and positive response when they were requested to provide the information necessary for preparing the case-studies. Moreover, proximity and easy access to the people have also influenced the choice of the locus of the study. The authors also found out to be appropriate to collect data from Swedish companies as it is convenient to have contacts with the interviewees both personally and electronically.

The Case of Scania in Mexico

The Historical Development of the Establishment Processes

Scania was founded in 1891 in Sweden and up till now it has built and supplied more than 1,000,000 trucks and buses for heavy transport work to different parts of the world. The net sales of the company in 2006, i.e. from vehicles and services was 70,738 million SEK and the net sales from October 06 - September 07 amounted to 78,954 million SEK which is an increase of about 12 % in 12 months period. Scania has an integrated product concept that combines vehicles, service related products and financing. Specifically, it develops, manufactures, markets and sells trucks, buses and coaches, and industrial & marine engines. The company has production facilities in Europe and Latin America and assembly plants in ten countries in Africa, Asia and Europe. Scania has about 130 wholly-owned companies operating in the international market and out of total 34,000 around 12,000 employees are working in Sweden. Up till 95 % of its production is sold abroad and the rest 5 % in the domestic market.

The case of Scania in Mexico covers the time period from 1991 up till the present, i.e. 2007 and deals with the phenomenon of the establishment process. In one year time, i.e. until 1992 Scania sold 600 buses which were imported from the Scania subsidiary in Brazil, which is the regional, headquarter in Latin America. Until 1994 it was represented with a distributor that imported trucks and buses from Brazil. Thereafter, the board of directors decided to expand
its operations in Mexico and opened the fully owned sales and service subsidiary. Mr. Ulf Greveismuhl was appointed to be in charge of implementing the project to operate with the fully owned subsidiary. The reason for initiating this project was due to the fact that Mexico is the third world’s largest market after USA and Brazil.

Ulf Greveismuhl gained the right experience by working in several Scania offices in Sweden, Angola and Brazil since the 1970. His main duty was to learn the Mexican market, i.e. to find out how the trucks and buses look like and the technical specification of the Mexican market. Moreover, he had to find out in which segment Scania trucks and buses are suitable and established sales and service networks. At present Scania has about 15 service centres. The sales figure forecasted for the year 2007 is buses 300 units and Tucks 150 units. Regarding the changes that have taken place in the market share and number of customers from 2005 to 2007, Scania is said to have still a leading position in the bus sector and no changes have taken place. Whereas in the truck sector, its market share has declined as the customers are buying the right American products. The reason why the customers are buying American rather than Scania truck is due to the fact that Scania doesn’t have the right products for the customers. The American market is the most competitive after Mexico and Chile.

The fully owned sales and service company is called Scania de Mexico SA de CV, with offices in Mexico City. A factory, i.e. an assembling unit and five fully owned dealers located in San Louis Potosi (SLP). The dealers’ network is complemented with eight local distributors. Scania started to operate officially in March, 1995 when it inaugurated a fully owned factory (assembly plant) in San Louis Potosi (SLP), which employs about fifty people. Both buses and trucks are produced in this factory. The distribution office was opened in March, 1995 in Mexico City. The main duties of the distributors are to organize and support some ten independent dealers specifically in the field of sales and services of Scania products. Until 2005, the factory, i.e. the assembling unit, was located in San Louis Potosi (SLP) and the central office was located in Mexico City. Recently both the factory and the central office, i.e. commercial operations, are moved to Queretaro City. The changes are done in order to centralize the operations in, i.e. the commercial and industrial operations in Queretaro City and to reduce costs. Scania did not forecast any kind of growth in market share or number of customers when it took such measures. However, the strategy is to maintain small activity/presence in the market but profitable. Actually due to high demand for heavy vehicles in Europe, Asia and South America, Scania is prioritizing these other markets where the brand is highly recognized by the customers.

**The Market Structure in Mexico**

The Mexican market is one of the most competitive in the world where almost all auto manufacturers have representatives. Mexico, Chile and Australia are the markets where you can find most of the bus and truck manufacturers. All European, American and Japanese auto manufacturers are operating in those markets. Scania operates in two markets in Mexico, i.e. in the truck and the bus market. The truck market is very unstable where a lot of very well established companies and is completely dominated by the American companies. The bus segment is extremely professional and profitable. The bus segment is European oriented and acts without any synergy with the truck segment, i.e. there are no common points or relationship among the two segments. In the truck segment, Kenworth has 60 (51.5) %, International 15 (14.4) %, Greightliner 15 %, Volvo USA 8 (8.6) % and Scania has 2 (1.9) % market shares. However, the bus market is dominated by the European firms. Volvo has 35 (34.1) %, Scania 25 (23.2) %, Daimler Chrysler 25 (30.4) %, MAN 5 (6.4) % and the local companies MCI and OISA have 10 % market shares. Scania is a significant supplier in the bus market. It was a market leader some years ago, i.e. before it lost its market leadership position to Volvo which has about 10 % higher market at present.

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6) There are differences among the parented and unparented market shares and that is due to the fact that the information provided by the two interviewees differed to some extent. However, even if the figures differed to some extent the gap doesn't change the position of the various auto producers.
**Customers**

The number of customers is more or less stable and the market share is showing some small growth mainly in the truck segment. The main customer is the bus company called ADO which bought about 600 buses up till 2006. Scania is the second largest supplier in the bus coaches segment. Generally, the customers are big and if they buy many buses from one customer, it will result in a good market position for the supplier. The second largest customer is a bus company called Estrella Blanca which already purchased around 300 Scania buses. The third largest customer is also a bus company called Flecha Amarilla which has already bought 180 Scania buses.

In general, the customers are satisfied with the Scania’s products and services as their needs are fulfilled. Most of the time, the customers buy standard products, but sometimes they claim different kind of power engines as those offered in Europe. According to Scania customers have more power in the relationship. Scania has very good products and services and it offers trucks, spare parts, services, maintenance and repairs to enable its customers in their turn provide good services to their customers to make profitable operations. Normally, it is the local distributor who directly contacts customers as the idea is to live very close to the customers. The distributor coordinates the contacts with the factory and the distribution of spare parts. Moreover, distributors are responsible for technical and sales training. All customers’ orders go via distributors to the factory. Then, the factory produces the buses and distributes them through dealers. Moreover, the dealers do provide services and deal with the customer relationship. The customers pay in cash for their purchases in time and as they are financed by the bank, payment is not a problem.

In the bus segment, the customers are buying products and parts and they are responsible for the necessary services. However in the truck segment Scania sells a complete solution, i.e. trucks, parts and services. Most of the time customers in both segments do buy standard products. The level of trust with the Scania’s customers differs in the two segments. In the bus segment, the relationship with customers is dominated by cooperation and trust, whereas in the truck segment it does not as the market has more trust in other brands than in Scania’s products and services.

**The Suppliers of Scania Mexico Factory**

The components used in the factory are produced both in Europe and South America, out of which 60 % in Europe. The source of engines and cabs is Brazil and of the gear boxes is Argentina. Scania doesn’t have local suppliers and as the European companies have subsidiaries in different parts of the world it can be said that the Mexican factory has a global sources of components. It has also one US supplier of fuel injection system, i.e. Scania Commins. The complete kit of products is delivered from Brazil, Argentina, Europe and the US and the plant in Mexico is just assembling the vehicles.

**The General Mexican Environment**

The use of big cabs has become a typical American culture in the truck market, as those cabs have been used for a long time. This is called the old cabs concept and the same concept is used in the power train supply. It was very difficult for Scania to break this concept and to introduce the advanced cabs concept. Except in the US, Mexican and Chilean markets wherever you go, you will find the European trucks/cabs. In Europe there is a regulation of how long (large) the trucks should be, i.e. the complete combination. Accordingly, you have to have a short cab incorporated in the total length of the truck which is 16, 18 meters long. Whereas in the US, they have other measurement systems and the length of the cab doesn’t matter. That is the tradition which the US producers are used to and which the American market demands/prefers. However, the European truck producers are not used to such a tradition and they find it difficult to fulfill the needs of the Mexican customers. Scania did not make this adaptation as its sales are too small to justify the adaptations to be done. To handle this problem, it is putting more focus in the bus segment and considers the truck market as a potential for the future. The bus is quite different and they look more or less the same all over the world.

The environmental legislation was not defined complete-
ly in 2005 and there was some pressure to adopt the North American Legislation (EPA) and this could create a constraint for Scania. The EURO engines were acceptable; however as EPA was still under discussion there was no regulation accepted on this issue. However, if the EURO engines were rejected Scania could be obliged to adapt its engines to the EPA.

In Mexico, there is a pollution emission regulation. Europe has another standard, and with the exception of Taiwan and Korea, Scania uses the Emission Engine in all other markets. However, in Mexico, to fulfil to EPA, Scania had to make certain adaptations to the EPA if the EURO was rejected. It is another test cycle, in contrast, to the European approval test method/regulation. (as from 2006, Mexico is accepting EPA and EURO and there are no restrictions in terms of legislations to Scanias’ products and from that date onwards there is no need for Scania to make adaptation of its products.)

Scania’s all competitors are offering credit to their customers through their own finance companies. However, Scania, on the first hand, has not offered this kind of financial service (captive finance company). It has to some extent agreements with local banks to offer some financial solutions. But, even in this regard the banks are doing the financial services without any Scania participation.

The Case of Volvo in Mexico

Introduction
Being one of the leading suppliers of commercial transport solutions, the Volvo Group provides products such as trucks, buses, construction equipment, drive systems for marine and industrial applications as well as aircraft engine components. Moreover, the group also offers to its customers’ financial services. Volvo has about 83,000 employees, sales activities in some 180 countries and production facilities in 18 countries. Sales of the Volvo Group increased by 7% to 248 billion SEK, with earnings per share increasing by 25% to 40.20 SEK in 2006.

The case of Volvo in Mexico covers the period from 1994 up till the present, i.e. 2007 and deals with the phenomenon of the establishment process. Volvo Trucks de Mexico as a subsidiary of AB Volvo is an independent company from other business areas or units that currently are represented in Mexico. The business areas in Mexico are: Volvo Trucks, Volvo Buses, Volvo Construction Company and Volvo Financial Services and the only business unit is Volvo Parts de Mexico. All business areas work independently and report to Sweden directly. However, they can work together for group purposes. For example, if the Swedish embassy in Mexico requires support from the Swedish companies, they act as a group and are represented just as Volvo. There are also other specific forms of cooperation among the various Volvo business areas. Specifically, Volvo Buses and Volvo Trucks work together for trade shows when buses and trucks are required to be exhibited.

The Historical Development of the Establishment Processes in Mexico

Volvo has a fully owned office which doesn’t carry out any local production. It just sells imported products in the local market. Volvo started to operate in Mexico in 1994 following the initiative taken by Volvo Trucks in North America (VTNA), which had a commercial agreement with Trailers de Monterrey. The agreement between VTNA and Trailers de Monterrey was signed more than a decade ago. As there were no Volvo Trucks corporate offices in Mexico by that time, Trailers de Monterrey was in charge of imports of the vehicles produced by VTNA.

In March 1994, Volvo Trucks de Mexico was established to do all the Mexican commercial operations of the vehicles produced in New River Valley and since then Trailers de Monterrey has no agreement either with VTNA or with Volvo Trucks de Mexico. There is a dealer network developed mainly for the purpose of sales, which is composed of 21 dealers and nine service points.

The Structure of the Market

There are three other major suppliers with larger market shares than Volvo operating in the truck segment. They are Kentworth (KW), Mercedes Benz (MB), and International. KW is the biggest supplier with about 50% market share.
and its main competitive advantage is pricing. MB belongs to Daimler Chrysler Group and being the second largest supplier has 25 % market share. Its competitive advantage is advanced technology and pricing. A multinational American firm belongs to the group of Navistar-International with 17 % market share and its main competitive advantage is pricing. Volvo Trucks has about 10 % market share and competes mainly with its advanced technology and safety, its prices being higher than the other suppliers. However, the bus market is dominated by the European firms. Volvo has 35 (34.1) %, Scania 25 (23.2) %, Daimler Chrysler 25 (30.4) %, MAN 5 (6.4) % and the local companies MCI and OISA have 10 % market shares. Recently, i.e. after 2005, several Asian auto makers such as Isuzu, Hino and Chinese car makers have entered the Mexican market intensifying further competition.

Volvo has increased its sales in the truck sector by 43 % in 2007 versus 2006 and by 69 % compared to 2005. One of the main reasons for the growth of sales is that Volvo has broadened its product range for the Mexican market introducing the VNM model produced in North America as well as Mack truck MR model. Moreover, Volvo has broadened its transport solutions to its customers, that is to say, availability of critical parts in the dealer network, new maintenance programs, engines software for downloading information on engine performance.

Customer Relations

Pricing is a disadvantage in a country where the economy is neither growing nor stable and that creates a problem for Volvo in the management of customer relations. However, it is trying its best to change its customers’ minds to make them realize that its higher price is a consequence of its investment in research and technology that concern its trucks. This will finally mean that they will get a return in their investment, i.e. through increased revenue when working with its products and services. Moreover, it is strengthening its dealer network with training, new financing and selling programs for both new vehicles, used trucks and parts, so that they will be in a position to offer an integrated services to their customers.

The General Environment

As the EPA and the Euro were not validated until 2007 by the Mexican legislation that created a sort of uncertainty for Volvo. This created inconveniencies as it can affect the industry in which Volvo operates. Until 1997, there was a pending regulation to be established by the environmental authorities regarding the use of American or European engines. As far as the regulation goes, both engines comply with all environmental requirements, however, there was a commercial issue among the vehicles producers and the group has been divided into two. One group formed by Volvo Trucks, Volvo Buses, Kenworth, Cummins, Scania and others that support the idea that both kinds of engines should be accepted so that customers can have more opportunities and choices for their vehicles. The other group formed mainly by International and Daimler Chrysler group which support the idea that just American engines should be allowed in the Mexican market.

In this particular case, the legislation can cause that some investments to sell new products in Mexico are delayed or cancelled depending on the final resolution and that is why Volvo Group has products that are produced with European and American engines. Thus, the government decision will affect the operations and position of Volvo. Since the very beginning of this issue (situation), Volvo has actively participated in several meetings with the both environmental authorities and government officers as well as other governmental institutions to prove that both engines should be authorized. Even the Swedish Ambassador in Mexico has been involved in the whole issue. These efforts have paid-off and a new emission regulation for diesel engines - Norm 44 is proclaimed and accordingly as from July 1, 2008, all engines must comply with EPA4 or Euro4.

Analysis

Both Volvo and Scania were represented in Mexico by third parties in the early phases of their establishments. Consequently, they didn’t have direct relationships with the customers and that made it less probable to fully comprehend and
satisfy customer needs, a scenario that makes developing a strong position in the market less successful. This could also be a major hinder for both companies to develop a well functioning network of relationships. In other words, in the third party operations phase neither penetrating the existing Mexican industrial network nor building new supporting relationships to develop a market position was possible and it is why the establishment attempts were not successful. The establishment initiative in the case of Scania was taken by its board of directors and that of Volvo by VTNA. The two cases show how and to what extent both the head office and the regional offices are involved in new foreign market establishments. Three main reasons can explain the involvement of those actors; first, being the size of the market second, the presence of almost all major auto manufacturers and their networks which makes it easier to learn on how they work and to develop contacts and third, to understand and to serve the customers and the market better. The Scania head office and the VTNA can acquire knowledge about the market from their well established networks and contacts in the international market. In sum, both Volvo and Scania were well knowledgeable about the size of the Mexican market and the existence of well developed industrial networks in both the bus and truck sector and it is this knowledge that made them take the establishment initiatives.

Followed by advanced technology, pricing is found to be a major competitive tool in the market and specifically in the truck segment. In addition to the above, pricing combined with advanced technology have also enabled the three major actors in the market to develop strong customer relationships and to enjoy a leading market position in this segment. In other words, those firms have developed a strong-well functioning networks and strong customer relationships that enabled them to develop a strong position in this sector of the market. Volvo and Scania could not press their prices to the same level as that of their competitors and to use pricing as a competitive tool among other things due to their inability to develop a proper network in the truck sector. This is also a constraint at the same time for both firms in the management of customer relationships and the development of properly functioning networks. Consequently, they could not enjoy large market shares in the truck segment as they do in the bus segment of the market. Especially, Volvo is trying to change the attitudes of the customers instead of developing appropriate mechanisms and strategies in order to reduce its costs. Changing the attitudes of customers means to make them understand that the higher prices they pay the better quality of the products which makes their operation profitable in the long range. The significant role which pricing plays in the market is also in contrast to the already established role of pricing in industrial markets.

The old cabs concept is one cultural factor which enabled the US producers to produce trucks that meet the needs of the American and Latin American markets and to develop a competitive advantage over the European firms. Scania and Volvo are at a disadvantage in this regard because due to the market size constraint, they couldn’t make the necessary investments to adapt their products to fulfil customer needs. This aspect of culture has caused the European firms to loose competitive advantage. One way of managing this cultural problem could be, by developing an alliance among Volvo and Scania, a relationship that can help both firms to increase their market share and thereafter to make a justifiable product adaptation in order to solve the cultural problem. This dyadic relationship among Volvo and Scania can help them to build successful customer relationships and the broader network of relationships as a means of developing a strong position in the truck segment and a successful market establishment.

The EPA is also another factor in the environment that the International and the Daimler Chrysler group use to strengthen their position in the market. The European firms on their part took some measures in collaboration with Kenworth and Cummins to secure and strengthen their position in the market. Both groups are engaged in strong lobbying activities by attempting to develop strong relationships with the various authorities. They both present their cases in a way that can convince the concerned authorities to make a decision that favours their position. This clearly shows how important it is to develop a strong network with the authorities to be successful in the market. A proper and successful management of the authorities’ relationships can enable the firms to get their needs fulfilled which can create the possibilities of developing properly functioning cus-
TABLE 1
A Comparative Analysis of the Cases on the Basis of the General Theoretical Framework and the Specific Model Applied

<table>
<thead>
<tr>
<th>Thematic Issues</th>
<th>Scania</th>
<th>Volvo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sectors the firms operate in</td>
<td>Truck and bus sectors</td>
<td>Truck and bus sectors</td>
</tr>
<tr>
<td>Market structure</td>
<td>Truck sector highly competitive, unstable, Americans oriented &amp; dominated bus sector highly competitive, extremely professional &amp; profitable, European oriented &amp; dominated</td>
<td>Truck sector highly competitive, unstable, Americans oriented &amp; dominated bus sector highly competitive, extremely professional &amp; profitable, European oriented &amp; dominated</td>
</tr>
<tr>
<td>Network structures</td>
<td>Both the truck &amp; bus sectors are tightly and well-structured</td>
<td>Both the truck &amp; bus sectors are tightly and well-structured</td>
</tr>
<tr>
<td>Third party operations</td>
<td>Didn’t succeed to get established in the truck and bus sector</td>
<td>Didn’t succeed to get established in the truck and bus sector</td>
</tr>
<tr>
<td>Why third party operations failed</td>
<td>Couldn’t really comprehend and satisfy customer needs and to build market networks and positions</td>
<td>Couldn’t really comprehend and satisfy customer needs and to build market networks and positions</td>
</tr>
<tr>
<td>Operations through</td>
<td>Assembling &amp; sales subsidiary</td>
<td>Sales subsidiary</td>
</tr>
<tr>
<td>Market position</td>
<td>Strong in the bus sector which is European-oriented, weak in the truck sector</td>
<td>Strongest in the bus sector, fourth in the truck sector which is American-oriented</td>
</tr>
<tr>
<td>Competitive advantages in developing successful customer relations in the bus sector</td>
<td>Complete solution which includes truck, parts and services. Cooperation with some competitors and strong relations with authorities</td>
<td>Strong dealers network strengthened through complete solution including training, new financing and selling programs, i.e. offering integrated services. Cooperation with some competitors &amp; strong relations with authorities.</td>
</tr>
<tr>
<td>Competitive disadvantages to develop strong and large customer relations in the truck sector</td>
<td>Pricing, Inability to adapt to the old cabs culture and to the EPA. Customers trust other brands in the truck sector</td>
<td>Pricing, Inability to adapt to the old cabs culture and to the EPA. Customers trust more other brands in the truck sector</td>
</tr>
<tr>
<td>Measures to deal with competitive disadvantages</td>
<td>Provides complete solution which includes truck, parts and services.</td>
<td>Trying to change customers attitudes to believe that higher prices will pay in the long range in terms of ROI</td>
</tr>
<tr>
<td>Competitive nature of the market</td>
<td>Makes the firm to develop strong relations with some competitors and with authorities</td>
<td>Makes the firm to develop strong relations with some competitors and with authorities</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>Strong in bus sector and weak in truck sector</td>
<td>Very strong in bus sector and semi-strong in truck sector</td>
</tr>
<tr>
<td>Challenges</td>
<td>Difficult to penetrate the truck sector network</td>
<td>Difficult to be dominant in the truck sector network</td>
</tr>
<tr>
<td>Cultural barrier</td>
<td>Difficult to break the old cabs concept &amp; to introduce the advanced cabs concept</td>
<td>Difficult to break the old cabs concept &amp; limited success to introduce advanced cabs concept</td>
</tr>
<tr>
<td>Environmental factor</td>
<td>EPA makes it difficult to penetrate the truck sector network</td>
<td>EPA limits consolidating position in the truck sector network</td>
</tr>
<tr>
<td>Environmental factor</td>
<td>Both EPA and Euro accepted reducing the impact of the environmental regulations</td>
<td>Euro &amp; EPA acceptance reduced impact of the environmental regulations</td>
</tr>
<tr>
<td>Adaptations</td>
<td>Difficult in the truck sector network, whereas bus are standard products</td>
<td>Difficult in the truck sector network, whereas buses are standard products</td>
</tr>
<tr>
<td>Establishment attempts</td>
<td>Competitive advantages helped to achieve success in the bus sector and competitive disadvantages resulted in less success in the truck sector</td>
<td>Competitive advantages helped to achieve very high success in the bus sector and quite successful in the truck sector</td>
</tr>
<tr>
<td>Authority relationships</td>
<td>Significant resource in establishments</td>
<td>Significant resource in establishments</td>
</tr>
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The highly competitive nature of the market has also created two groups of firms that collaborate within their groups in order to be able to strengthen their competitive power against the other group. Both groups are acting in almost the same way to beat their competitors by strengthening the relationships among the firms in their group. Cooperative relationships are built among some competitor firms in order to develop a strong position in the market that weakens the position of the other competitor firms.
Conclusions

The first conclusion from this article is that developing a strong position or getting established in the Mexican industrial networks without a direct relationship with the customers, i.e. by being represented with third parties only, is the difficult and time consuming process. This clearly demonstrates and enables us to conclude that third party relationships are inappropriate or less successful means of market establishments in the Mexican market. The second conclusion is that the Mexican bus segment is European oriented and the truck segment is American oriented. This being the contrast there are also similarities among the two markets and that is both in the bus and truck segments, there are well developed and tightly structured industrial networks which function more or less in the same as the networks in developed countries, although Mexico is a developing country. This is mainly due to the fact that the Mexican industrial market is highly internationalized and industrialized because Mexico, Chile and Australia are the countries where you can find most of the auto manufacturers. Specifically in Mexico all European, American and Japanese auto manufacturers have physical presence and are operating there. The third conclusion, that can be drawn from this article, is that the differences in the orientation among the truck and bus sectors created both opportunities and constraints for the American and European firms. That is to say the European-orientation of the bus sector created an opportunity for the European firms to build a successful market establishment and a properly functioning network and at the same time it created a constraint for the American firms. Whereas, the American-orientation of the truck sector created an opportunity for the American firms to build a successful market establishment and a properly functioning network and at the same time it created a constraint for the European firms. In contrast, to earlier findings in the studies of industrial markets, pricing in the Mexican industrial market is found out to be one of the major competitive tools for developing and sustaining a strong market position. It can also be concluded that, to achieve success in the Mexican automotive industry firms have to manage the old cabs concept adequately, otherwise it is difficult to satisfy customer needs and to develop adequate customers’ relationships and to build a stable position in the market with a reasonable market share. Firms have to adapt their products taking this cultural issue into consideration and this shows the impact of cultural on the success of the establishment process. The other conclusion to be drawn from this article is in connection with government relationships. Developing strong relationships with the various authorities can help firms to get a certain act adopted that can enable them to create a competitive edge that weakens the position of their rivals in the market. It can even be further concluded that managing government relationships properly creates an opportunity for building supporting relationships to develop properly functioning customer relationships and the surrounding network of relationships. Finally, cooperative-competition is observed to be a good strategy in this market as it can help firms to strengthen their position and to bit their rivals. Cooperative-competition means to cooperate with some of your competitors in order to strengthen your competitive edge and to compete with the rest of the competitors operating in the market. A firm, instead of competing with all firms operating in the market, cooperates with some of them and competes with the rest to create stronger position.

Managerial Implications

The first management implication that can be done from this article is that physical presence and direct contacts, with the customers, without involving third parties, with the exception of some rare cases, are two important issues that have to be dealt with properly. Moreover, as the firms operating in the automotive industry have well established international connections and networks, in order to achieve their objectives firms that aim to get established in the Mexican market have to have international connections or have to develop a JV or strategic alliances with firms which have well established international networks. Management of firms that operate in the Mexican market and especially in the truck segment, have to take appropria-
ate measures in order to be able to bridge the cultural gap that can be created by the old cabs concept, otherwise their investments are risky and they can easily be swallowed by their competitors. The other implication for management is that it is necessary to assess the orientation of the market in question and whether it matches the company’s products and mode of operations as market orientation can be different in different markets. This is important because there are wide chances for success in the company’s establishment attempts. If the market orientation matches the companies products and mode of operations. This article also implies that Mexican market establishment can be carried out successfully either by penetrating the existing network as there are well developed market networks or by creating supporting relationships and developing a new network for the firms position in the market. Not only satisfying customers’ needs, but dealing with the various government authorities adequately is also one of the preconditions for success in the Mexican market. It is recommended here that firms should comply and lobby in accordance with the environmental regulations. If flaws are identified in the environmental regulations, management should present convincing evidence (argument) to the concerned authority in order to change the regulations and to facilitate its operations in an ethical manner. In other words, company interests should comply and take into consideration, what is good for the environment and the society, otherwise it will have the negative impact in the environment in the long run and all involved actors including the company, the government, and customers and by and large the society will loose. What management should consider being another typical characteristic about the Mexican market is that pricing is also found out to be a strong competitive tool in contrast to other markets. The final managerial implication that can be done from this article is that firms should not compete indiscriminately with all actors in the market, but they have to make a proper selection and cooperate with some of them in order to strengthen their competitive edge and to succeed in their competition with the rest which operate in the market.

REFERENCES


Establishment Processes and Building Relationships in Latin American Countries: The Case of Swedish Firms in Mexico / 43


[한국어 요약(Korean Abstract)]

본 연구는 멕시코에 진출한 두 스웨덴 완성차업체, 스카니아와 볼보의 공장 건설 프로세스 모델 (establishment process model)의 적용 방법을 분석한 것이다. 멕시코 자동차시장의 구조와 법률, 정치, 문화, 재정 측면이 어떻게 외국 업체의 멕시코 진출에 영향을 미쳤는지에 대해 분석하였다. 아울러 조사 방법으로 탐색적 연구가 진행되었고 상호작용적 접근(interaction approach), 신경망 구조 접근(neural network approach) 등이 다양하게 적용되었다. 상호작용적 접근법은 산업 환경과의 상호작용, 관계자들과 상호작용 프로세스 등의 변수를 고려하여 판매자가 구매자 사이의 상호 작용을 설명하는 방식이다. 이론 연구는 사실에 근거하여 기술한 탐색적 사례 연구이다. 국제경영, 전략, 관리, 마케팅에서 구준히 발전해온 방법론과 더불어 제조업체에서 국제경영 성과를 측정하는 통계적 방법과 기준을 적용하였다.

연구 결과를 정리하면 다음과 같다.

첫째, 비록 멕시코가 개발도상국이기는 하나 버스와 트럭 시장에 있어서는 선진국에 못지 않은 단단한 구조적인 판매 및 서비스 네트워크를 이루고 있다. 멕시코는 매우 경쟁적인 자동차시장으로 세계 유수의 자동차 업체들의 대부분이 판매 대리인(representative)을 두고 있는데, 특히 버스시장은 매우 전문적이고 많은 이익을 창출하고 있어 트럭 및 다른 차종과는 상이한 구조를 이루고 있다. 다시 말해, 버스와 트럭시장 사이에는 상호 시너지효과가 없는 것으로 나타났다. 버스시장은 주로 유럽 업체를 중심으로, 트럭은 미국 업체를 중심으로 형성되어 있다.

둘째, 스카니아의 고객 신뢰도 수준이 트럭과 버스 두 세그먼트에서 서로 다르게 나타나고 있다. 즉, 트럭에 대한 고객 신뢰도가 특히 크게 나타나고 있으며 타 브랜드에 비해서도 높은 신뢰도를 유지하고 있었다. 이러한 높은 신뢰도는 스카니아의 우수한 상품력(품질)과 완벽한 서비스(@update 부분 수급, 정비, 교육 등) 슬루션을 기반으로 하고 있다. 버스의 경우에는 트럭과 달리 고객의 관계가 보다 유연하다. 즉, 전적인 지원보다는 고객과의 협조 체제로 서비스가 이루어지고 있다.

셋째, 스카니아의 경쟁력은 상품력과 서비스뿐만 아니라 경쟁사와의 협력적 경쟁관계(cooperative-competition) 및 당국과의 강한 유대관계로 이루어진 뛰어난 시스템을 토대로 하고 있다. 여기서, 협동적 경쟁관계란 자가 부족한 부분을 경쟁업체와 협력하는 반면 나머지 부분에서 경쟁력을 키워 차별화하는 것을 일컫는다. 협력적 경쟁관계는 자사의 경쟁적 지위를 효과적으로 유지시킬 수 있는 좋은 전략으로 판명되어 있다. 멕시코 시장에서 기업의 정부와의 관계, 즉 환경규제법 등 관계법규를 준수하고 적절한 로비활동을 하는 것은 고객과의 관계만이 중요하다. 특히 외국기업이 멕시코 현지에서 사업을 추진하기 위해서는 이 부분에 관한 철저한 대처가 필요하다.

마지막으로, 볼보의 경쟁 우위는 달러 교육, 다양한 금융조건을 이용한 판매 조건을 통하여 달러들과의 강한 네트워크에 기반하고 있다. 그 밖에 우수한 서비스, 협력적 경쟁관계 및 관계 당국과의 강한 유대관계는 스카니아의 경쟁력과 유사하다.