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The Process of Distributor Selection among SMEs

A multiple-case study in the Healthcare Sector

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Abstract

An increasing amount of small and medium sized enterprises make the decision to expand the business outside the domestic market. Due to the restricted resources of SMEs, the entry mode options are limited and entering a market through a distributor is often the most viable option. Since much responsibility is put in the hands of the distributor, the success of the foreign market operations is correlated to the distributor performance. As the distributor performance is of such importance, high demands are placed on the distributor selection. The decision-making has a tendency to vary between small and large companies because of the different capabilities, which affect how they gather and evaluate information. Although some literature has touched upon the issue of distributor selection it is still a rather unexploited field especially with regards to smaller companies and how thoroughly they select distributors in foreign markets. This case study investigate the distributor selection process at four Swedish SMEs in the Healthcare sector, with the ambition to increase the knowledge of the decision making in this process. The results suggest that the distributor selection is a vital decision in the international expansion among SMEs. Furthermore, the managerial experience, partnership dependency, resources and maturity level are factors that influence the distributor selection process among the SMEs in this case study.

Key words: Distributor Selection, Small and Medium Sized Enterprises, Strategic Decision Making

1. Introduction

The decision among small and medium sized enterprises (SMEs) to move abroad is often based on the analysis that the domestic market is too small and that the competitive situation affects sales negatively. Consequently companies need to seek new geographical markets to increase sales and profits (Grünig & Morschett, 2012; Root, 1994). Companies with greater capabilities, in form of management, technology, capital, marketing skills etc., have more options when entering markets than companies with restrained resources (Root, 1994). It is therefore common for SMEs to enter a foreign market through distributors since their resources are restrained (Cavusgil et. al., 1995; Seifert & Ford, 1989).

The Healthcare industry, which contributes to 9.3 per cent annually to the OECD countries' GDP, is characterised by SMEs and the widespread use of distributors. An exemplifying statistic is that approximately 75 per cent of all pharmaceuticals and over the counter (OTC) products in Europe are sold through distributors before reaching the final retailer or hospital. Just a small share of nine per cent is sold directly to pharmacies from the manufacturer (Bünte et. al., 2007).

Exporting through distributors is often the most viable alternative for SMEs since this entry mode is associated with a high degree of flexibility, a low resource commitment and a decreased risk exposure (Wolff & Pett, 2000). The performance of a company's foreign operations is much connected to the capability of the distributor. It is therefore necessary to properly evaluate and analyse the distributor's capacity in order to increase the likelihood of an effective partnership (Ross, 1972; Fram, 1992). The distributor selection is however a complex process since many capabilities of the distributor needs to be analysed such as financial status, marketing skills, reputation and compatibility (Shipley et. al., 1991; Cavusgil et. al., 1995; Madsen et. al., 2012). Since SMEs do not generally have the required resources to perform a comprehensive selection process, they might select a poorly equipped distributor. This scenario is not optimal as having an underperforming distributor might stop the development on a market (Czinkota & Ronkeinen, 2007).

1.2 Problem discussion

The layout of a company's international strategy is closely related to the resources and capabilities of the company, which partly explains why strategies vary between companies of different sizes (Wolff & Pett, 2000; Root, 1994). Entering through a distributor is a relatively uncomplicated and fast way to reach new markets because the entry option is connected to low investment requirements and thereby low risk (Cavusgil et. al., 1995, Madsen et. al., 2012, Gans and Stern, 2003; Cabaniss, 1995). The distributor provides competitive advantages in form of market knowledge and marketing skills that are necessary to enter a market in order to overcome the costs of adapting to a foreign market (Madsen et. al., 2012; Buckley & Casson, 1998; Roberts & Berry, 1984). The advantages of entering a market through a distributor are important for all companies regardless of size. However due to SMEs lack of resources and capabilities they are especially dependent on the advantages of this option, since it is difficult for them to expand through a high control mode associated with high investment requirements (Madsen et. al., 2012). Therefore SMEs need to find suitable partners possessing the required capabilities in order to be successful (Buckley & Casson, 1998: Roberts & Berry, 1984; Wann et. al., 2009). In addition, the decision to enter a new market through a distributor with good market knowledge and an established network reduces the risk of failure, which makes this an even more viable option for SMEs (Cavusgil et. al., 1995; Wolff & Pett, 2000).

Ross (1972) identified the importance of having qualified distributors representing the company and claims that the success of a company's foreign market operations depends on the quality of distributors. In line with this argument, Czinkota and Ronkeinen (2007) state that selecting the wrong distributor can affect a company negatively on a particular market for several years. Ross (1972) further argues that the success of companies' international expansion comes down to how well and how thoroughly companies have analysed and selected distributors on particular markets. In addition Fram (1992) concludes in his study that the process of distributor selection is an area in which companies need to focus more. By giving more managerial attention and objectivity, companies can develop efficient procedures when selecting distributors (Fram, 1992). The selection of distributors is therefore undoubtedly an important issue companies face when internationalising. Based on these arguments the selection of distributors seem to fit the definition of the strategic decision presented by Liberman-Yaconi et. al. (2010), since they affect the general strategy of the company as well as the future path of the organisation. However, since the selection of distributors has not been specifically addressed to any significant extent in the literature the question still remains to what extent it is a strategic decision and how prioritised the selection is. Scholars have shed light on the importance of selecting partners and distributors, and provided evaluation guidelines to increase the selection quality e.g. Cavusgil et. al. (1995), Wang and Kess (2006), Wann et. al. (2009), Lin and Chen (2008), Zou et. al. (2010). Cavusgil et. al. (1995) presents a model including many criteria in the evaluation of distributors and Wann et. al. (2009) also contributes to the topic of making accurate evaluations of partners. These frameworks are thorough and provide a solid foundation for the decision-making, but do not look at the process of selecting distributors. Furthermore these guidelines are general and does neither take companies' size nor their capabilities in consideration. These aspects are in fact necessary to assess, since the capability of information gathering is determining the effectiveness of the decision-making (Liberman-Yaconi et. al., 2010). This is an issue because the process of decision-making differs depending on the size of the company with regards to the financial and managerial capabilities. The resources available to large companies enable them to better collect, process and interpret information prior to making a decision. Since SMEs generally do not have the same resources they do not have the same ability to make comprehensive and solid strategic decisions (Shipley et. al., 1991; Liberman-Yaconi et. al., 2010). This aspect as well as the fact that managers in SMEs often have to make decisions simultaneously in different fields within the organization, increases the risk of making decisions based on judgemental inputs and intuition (Liberman-Yaconi et. al., 2010).

The correlation between resource capability and prerequisites of decision-making makes it clear that the process of selecting distributors as well as the priority to make these decisions might differ between companies. Existing research has as mentioned mainly focused on distributor-and-company performance as well as provided evaluation criteria but has not explicitly focused on the process of selecting distributors, especially not for SMEs. This is an issue considering that the decision-making process affects the effectiveness of the decision according to Dean and Sharfman (1996). Since the distributors' performance reflect companies' success it is important to understand the process in which the decision is derived from and it would therefore be rewarding to examine this selection process. By investigating the distributor selection process and placing the issue in an unexploited context, namely among SMEs, this thesis intends to reduce the knowledge shortage in this field.

1.3 Purpose

The purpose of this study is to investigate the importance of distributor selection among SMEs and clarify what factors influence the process. By investigating the process this study seeks to increase the knowledge of the selection and how these factors influence the decision-making among SMEs. An increased knowledge of the process can in turn enhance the efficiency of SMEs selection procedures. In order to fulfil the purpose the following research question has been formulated:

To what extent is the selection of foreign distributors among SMEs a strategic decision and what factors influence the selection process among SMEs?

1.4 Delimitations

This thesis involves some limitations in order to achieve the intended purpose. Firstly, the multiple-case study approach used in this study is delimited to SMEs within the Healthcare sector. In order to be able to cross-compare the findings with each of the cases it is important that they have similar contextual industrial background. However, this can affect the reliability of the study since the findings might be difficult to transfer to other industries. Secondly, this thesis is limited to exporters' view of the distributor selection and it does not consider the distributors' view of the selection and how distributors select exporters. Thirdly, this thesis is limited to the decision making process of distributor selection and neither the implementation nor the relationship between the selection and the profitability of the partnership. Fourthly, this thesis does not consider the exporter/distributor relationship within one specific country, but focus on exporter's selection process in foreign markets in general.

1.5 Research outline

This thesis is divided into six chapters. The second chapter, the literature review, which is divided into two parts, follows the introduction. The first part concerns strategic decision making i.e. its process and factors that influence the process. The second part focuses on distributor selection, namely reasons to enter a distributor partnership, how to control distributors and factors of importance when selecting distributors. The literature review is then discussed and analysed, which render out in a conceptual model compiled by the authors. The conceptual model is compared and matched with the empirical findings. The *third* chapter focuses on the methodology used within this thesis. It starts up describing the research approach and the applied method i.e. a multiple case study, which is followed by how the data was collected and what interview technique is applied. The chapter is summed up by a qualitative assessment of the methodology and the research. The *fourth* chapter presents the four cases and the findings within each case. The presentation of the cases starts with a general background of each company and its product(s) as well as the company's story. Afterwards the distributor selection process is presented which is divided into reasons to enter a partnership and how companies find and evaluate distributors. The *fifth* chapter starts with a detailed cross-analysis of the different cases, which compare the conceptual model with the empirical findings. In the end there is a general analysis and a refined conceptual model. The *sixth* chapter, the conclusion, presents the results within this thesis as well as managerial implication and suggestions for further research.

2 Literature review

2.1 Strategic decision making

Strategic decision-making (SDM) concerns decisions that are vital for companies' survival, and intends to steer companies in the "right" direction (Elbanna, 2006; Nut & Wilson, 2010; Liberman-Yaconi et. al., 2010). According to Liberman-Yaconi et. al. (2010) the difference between strategic decisions and ordinary routine decisions is that strategic decisions deal with issues that affect the company as a whole and the overall strategy of the company, and consequently the future performance of the company. Examples could be the decision to outsource activities or tasks (Kumar et. al., 2007), the decision to choose which entry mode to use when entering a market (Nielsen & Nielsen, 2011) or decision to launch a new product (Benedetto, 1999). Since SDM is of such importance to companies it involves investing much time and resources to make accurate and correct decisions, and the responsibility to make these decisions are often left in the hands of the top management of the companies (Elbanna, 2006; Burke & Jarratt, 2004). The effectiveness of strategic decisions depends to a large extent on how the information to make the decisions is gathered and interpreted (Liberman-Yaconi et. al., 2010). This does however not necessarily mean that strategic decisions are exclusively formal and part of the overall strategy of companies, but can also be decisions that are informal and/or have emerged along the way. Furthermore strategic decisions often involve trade-offs, which mean that the company needs to prioritise one strategy over another (Elbanna, 2006). The trade-off is an important aspect within the partnership between manufacturers and distributors. Delegating control to a distributor the company prioritise this strategy over other entry modes with a higher degree of control (Madsen et. al., 2012, Wolff & Pett, 2000). Since substantial importance as well as a high level of uncertainty characterises strategic decisions, the aspect of risk is a permanent focus when taking these decisions (Elbanna, 2006). Using an entry mode where a large portion of governance control is outsourced consequently puts the faith of the product in the hands of an external party (Andersson & Gaiton, 1986). Based on the aspects presented above, strategic decisions have several possible solutions and it is important that the company select the alternative that best fit their strategy since the decisions are generally difficult to revoke or change (Elbanna, 2006).

Research regarding strategic decision-making is according to many researchers e.g. Elbanna and Child (2007), Elbanna (2006) and Olson & Bokor (1995) often divided into two different fields, which are process research and content research. The process research field involves the problematic of the process leading to the decision i.e. this field examines "how" something is decided rather than "what" is decided. The "what" in SDM literature is examined in the content research, which involves the issues concerning the strategy content, and the type of strategic decision such as diversification, competitive strategy and strategic alliances (Olson & Bokor, 1995; Ketchen et. al., 1996; Elbanna & Child, 2007). In content research there are many aspects that can be further investigated; one of these aspects is the cooperative strategy among companies. The cooperative strategies i.e. collaboration between companies are argued by Fahey and Christensen (1986) to be important since they can affect the scope of a company. According to them the cooperative strategies are relationship or a strategic alliance between companies that intend to strengthen the competitive advantage of the companies and include franchising, joint ventures and distributors.

Even if these two different fields, i.e. process research and content research, are traditionally divided into groups they are not static but dynamic. This means that they affect each other (Elbanna, 2006). Olson and Bokor (1995) argue that the combination of the different fields would increase the knowledge about strategic decisions. Furthermore they found that the performance of SMEs was affected by the planning structure (process) and the product innovation (content). It would therefore be likely that the distributor selection (content) and the planning for the selection (process) affect the performance of SMEs distributor partnerships.

2.1.1 Strategic decision making process

The literature regarding the process research of SDM deals with how strategic decisions are made and implemented as well as factors that influence the process of making decisions. One field within process research is the strategic decision making process (SDMP), which does not concern the implementation of the strategy (Elbanna, 2006). The process of making decisions is a very complex issue and researchers within this field have developed many different theories that try to explain the process of decision-making (Schwenk, 1995). One view of the different process theories is presented by Liberman-Yaconi et. al. (2010), who argue that strategic decisions can in broad terms be seen as rational, bounded-rational and intuitive (Liberman-Yaconi et. al., 2010). The rational model assumes in its most basic and traditional form that organisations follow a step-by-step process with a clear goal when making decisions. It further assumes that organisations have access to all necessary information in order to evaluate potential outcomes of different alternatives. When the alternatives have been evaluated the most optimal one is selected (Liberman-Yaconi et. al., 2010; Elbanna, 2006).

The bounded rationality assumes that rational decisions are almost impossible to achieve since time, resources and information restrict decision-makers. Due to these restrictions decisions-makers have to make decisions that are satisfactory or "good enough" during the circumstances, i.e. with consideration to the information, time and resources she/he has in disposal, rather than the most optimal choice. For example the rational model assumes that information is accessible during the process but it does not consider the cost of this information (Liberman-Yaconi et. al., 2010). The distinction between rational and bounded rational is according to Eisenhard and Zbaracki (1992) not as distinctive anymore, and they argue that decision-makers can be rational in some respects but not in others. Furthermore, Elbanna (2006) states that the concept of rationality has been developed to be more feasible in SDM literature than the general concept of "rationality". The difference between the general term of rationality and these concepts of rationality is that decisions-makers are rational to the extent their own capabilities allow them to be i.e. they are bounded. The rationality in decision-making is determined by how comprehensive the different steps are in the process (Elbanna, 2006). In addition, Elbanna and Child (2007) state that full rationality does not explicitly mean that the decision will be more accurate. For example, decision-makers reliance on experience, imitation of others and risk aversion when interpreting and evaluating data can be fairly accurate even if they do not have access to all information which the rational model assumes (Elbanna & Child, 2007). The last category is intuition, which is a relatively new field within the SDMP literature, and there are many definitions of the concept (Elbanna, 2006). Essentially, intuition refers to decisions that are based on decision-makers' "gut feeling", and are often hastily taken without any formal analysis (Liberman-Yaconi et. al., 2010). Intuition should not be confused with randomly guessing the outcome of a decision but rather be seen as a decision that is derived from the decision-maker's previous experience, thoughts, knowledge etc. and the situation in which the decision takes place (Miller & Ireland, 2005). According to Eisenhardt and Zbaracki (1992) intuition can complement the rational decision process. Even if a decision does not follow the rational process intuition can help the decision maker to by-pass steps in the process and still achieve high level of rationality (Eisenhard & Zbaracki, 1992).

In addition to the theories presented above, the incremental model, i.e. muddling-through, contributes to the subject. This model intends to give a more accurate picture of how decisions are actually made within an organisation as well as describing what factors that influence the decisions (Liberman-Yaconi et. al., 2010; Elbanna, 2006; Fredrickson, 1983). The incremental model can be described as mix between rational, bounded rational, intuitive and political behaviour (Liberman-

Yaconi et. al., 2010; Elbanna, 2006). The term political behaviour explains according to Elbanna (2006) and Eisenhardt and Zbaracki, (1992) the issue of interest, conflict and power of people within the company. Political behaviour within SDMP was developed as a reaction to the rational model's assumption that companies have one common goal. In reality, people have different agendas and the interest of people with the most power often prevails, which influence the goals of the company. For example one interest in a company might be to achieve sustainable growth while another might be to increase the revenue. The goal of the company would therefore likely be the interest, which is reflected by people possessing the most power (Elbanna, 2006; Eisenhardt & Zbaracki, 1992). The muddling-through model assumes, in a very simplified way, that no clear goal can be established due to the complex context of decision-making. The model further assumes that the decision-making process is conducted in a trial and error fashion and that important information and alternative actions are neglected (Schweizer, 2012; Weiss & Woodhouse, 1992). A study conducted by Schweizer (2012) found that the process of selecting distributors could both be seen as rational and incremental depending on the situation in which the decision is made. In his study, a distributor contacted the company in focus, which in turn gave the go ahead without any formal analysis of the distributor or the market. The market was not a prioritized market nor had the company any established goals with the market however in hindsight it turned out to be a strategic choice for the company. This process can, according to Schweizer (2012), be seen as a muddling through process since the significance of the decision was perceived at a later stage. In addition, in the situation where the company had analysed the market and potential distributor and thereafter selected a distributor the decision was rational (Schweizer, 2012).

2.1.2. Factors that influence the decision-making process among SMEs

Due to the nature and importance of strategic decision-making, it is vital to consider factors that influence the decisions and the decision-makers (Elbanna, 2006; Nutt & Wilson, 2010). The factors influencing the decision are often divided into two categories namely external and internal. The external factors include aspects such as business environment of the industry and rivalry among competitors. The internal factors include aspects that influence the company from within such as company cultural and management characteristics (Liberman-Yaconi et. al., 2010; Elbanna, 2006). Even though the process of strategic decisions is a widely researched phenomenon, existing research mostly focus on larger companies (Liberman-Yaconi et. al., 2010). According to Liberman-Yaconi et. al. (2010) the difference between SMEs and larger corporations, in form of resources, employees, strategic planning, etc. is significant and this affects how decisions are made. Larger corporations often have the possibility to dispose more resources, employees and time in order to make decisions and often have accessibility to more necessary information to make accurate decisions than SMEs. Furthermore they argue that managers within SMEs have to make decisions of different magnitude within the organization simultaneously, which also hinders them from taking objective and accurate decisions. It can therefore be argued that SMEs' process is subjected to more judgmental inputs (Liberman-Yaconi et. al., 2010).

2.1.2.1. Gathering and interpreting data

The fashion in which data is collected and interpreted affects the accuracy of a decision. Since larger companies have more resources and capabilities to allocate to these tasks, they are more capable of making more accurate and well-grounded decisions compared to smaller companies (Liberman-Yaconi et. al., 2010). Since SMEs have limited resources their sourcing and interpreting of data are at risk of being more bias when making decisions (Liberman-Yaconi et. al., 2010). Simon and Houghton (2002) argue that small companies in the start-up face can only interpret a restricted amount of information. This means that they have to concentrate on sources of information that are easily accessible to them and neglect other sources in order to make effective decisions (Simon & Houghton, 2002). According to Burke and Jarratt (2004) SMEs rely on informal external partners when making decisions as well as recommendations in order to minimise the risk. In their study it was found that SMEs seek advice and information from personal and business relationships, customers, industry associates, media, Chamber of Commerce, in-house, business-to-business etc. Furthermore, they argue that in order for the information sourced externally to be considered as valuable it needs to originate from people or businesses that have experience related to the strategy. The credibility of the advice depends to a large extent on trust, experience, respect and success of the adviser (Burke & Jarratt, 2004). In addition Simon and Hughton (2002) argue that younger companies do not have established routines to interpret large amount of data in order to make in-depth analysis, and therefore rely on other opinions, which in turn makes the decisions subjective.

2.1.2.2. Managers' Characteristics and Gathering and Interpreting data

In regards to who interprets the collected data and makes the decision is often the responsibility of the top layer of management (Elbanna, 2006). In SMEs this potentially means that vital decisions shaping the future path of the organisation is left in the hand of only one or a few managers. According to Liberman et. al. (2010) the managers' characteristics are therefore an important aspect in order to understand how the decisions are made within SMEs. Managers' characteristics include their experience, personality, values, perceptions etc. and these aspects tend affect how the information is gathered and interpreted (Liberman-Yaconi et. al., 2010). Liberman-Yaconi et. al., (2010) argue that the initial triggers to make decisions among small companies' are internal or external forces that are perceived by the managers. Managers' characteristics and the company's internal resources, such as skills, business and personal networks, highly influence what information is perceived, how the information is sourced and interpreted and how different options are weighted. However according to Simon and Houghton (2002) this depends on the size and age of the company, since the older and the larger a company gets the more decentralized and formalized it will be. Furthermore decision-makers that have little experience within the specific task have a tendency to be more biased (Simon & Houghton, 2002).

2.2 Distributor Selection

2.2.1 Drivers for cooperative partnerships

Bello and Gilliand (1997) argues that export by a foreign distributor is a relatively uncomplicated way to enter foreign markets, particularly for companies, which do not have foreign market knowledge or capital, operational, and strategic resources. Due to the low requirements of the in-house capabilities of a company the option to export via a distributor can be seen as a suitable solution for SMEs expanding the business abroad (Madsen et. al., 2012; Grünig & Morschett, 2012). It is widely known that companies enter partnerships in order to gain competitive advantages such as marketing capabilities and technology (Ring & Van Der Ven, 1994). Sethuraman et. al. (1988) use the term partnership advantage and according to them the key to maintain a fruitful relationship is to make sure to provide an advantage to the partner that another company cannot offer. An example from the distributor- manufacturer relationship is that the distributor often provides the local market knowledge and network needed to achieve the required sales figures (Madsen et. al., 2012). In return, the exporter provides a unique product or perhaps training of the product field, superior to the competitors (Sethuraman, et. al., 1988). According to Anderson and Narus (1984) the manufacturer-distributor partnership advantages can be evaluated by two constructs namely: (1) the comparison level and (2) the comparison level for alternatives. The first construct represent the manufacturer's expectation level based on previous as well as existing partnerships and the second represent the manufacturer's expectation compared to other alternatives. The manufacturer will choose the alternative that will give the best outcome with regards to a number of determinants, based on previous partnerships and available options (Anderson & Narus, 1984).

Although the advantages sought through a partnership differ between cases there are according to Contractor (1986) a few basic categories of benefits. He identified seven comprehensive groups of benefits for companies entering a partnership. The advantages are relatively general for business partnerships such as strategic alliances, however these aspects can according to Wang and Kess (2006) be applied in the manufacturer-distributor relationship. The seven categories of benefits provided by Contractor (1986) are: (A) Risk reduction, (B) Economies of scale, (C) Complementary technologies and patents, (D) Co-opting or blocking competition, (E) Overcoming government-mandated investment or trade barrier, (F) Initial international expansion, (G) Access to partners capabilities (Contractor, 1986). Recognized by several authors e.g. Cavusgil et. al. (1995), Madsen et. al. (2012), Gans and Stern (2003) and Cabaniss (1995) basic motives for a company to enter a distributor relationship are low investment requirements, risk reduction and fast entry. Due to the lack of capabilities in certain areas smaller firms needs compensating advantages in order to be successful on the new market in terms of overcoming "costs of foreignness" (Buckley & Casson, 1998). Small companies need to acquire these advantages by entering partnerships (Wann et. al., 2009). A concrete motive for these types of alliances is the marketing capabilities, which is an attractive capability in a distributor (Roberts & Berry, 1984).

Notable is that the function of the foreign distributor differ substantially case by case and can involve a high level of delegation of responsibility as well as limiting the responsibility to just stock keeping and delivery (Madsen et. al., 2012). A distributor can be responsible for different types of business functions, some more important than others e.g. physical distribution, sales, customer service, maintenance and warranty, promotion for example (Cavusgil et. al., 1995). The distributor can be seen as an alternative institutional arrangement for conducting the marketing-distribution functions that are necessary for an export exchange. The choice of distributors is one of the most important decisions a company will make when exporting products to another country (Madsen et. al., 2012). Czinkota and Ronkeinen (2007) argue that an ineffective distributor may damage the business progress of a company and it would be more wisely for a company to enter a market on its own than to have an incompetent distributor.

2.2.2 The control aspect

Control is a desirable aspect when expanding the operations, however when considering the low investment requirements of expanding through a distributor the control is often compromised by companies (Seifert & Ford, 1989; Bello & Gilliand, 1997). The aspect of control concerns the issue of different governance structures i.e. who does what and who has decision authority. In the Transaction Cost Analysis (TCA) literature the governance structure is generally divided into internal and external. The internal governance structure refers to the scenario where management authority and tasks are kept in the organisation (Madsen et. al., 2012). If a company sell their product through their own distribution channels the level of authority to make changes and delegating tasks efficiently is considered high and manageable. The external governance structure implies that the company makes the decision to delegate the decision rights to an external party. In this case the company does not have the same power to implement changes or take decisions (Madsen et. al., 2012). This is a general picture of the issue, however there are many different possible setups between total internalisation and externalisation. Anderson and Gaiton (1986) present a number of different government structures when entering a new market ranging from low to high control. Depending on a certain number of aspects, i.e. transaction-specific investments, internal and external uncertainty, the different governance structures are more or less efficient according to the TCA perspective (Heide, 1994; Anderson & Gatignon, 1986). The transaction-specific investment refers to the human assets tied or dedicated to a particular relationship. The internal uncertainty dimension is when a company face the issue of not being able to accurately measure the performance of their agents i.e. employees or contractual agents. The problematic with internal uncertainty is that the company does not know what to expect in terms of output, which generally increase the desire for control. The external uncertainty dimension considers the uncertainty of the external environment, which affects the decision of entry mode strategy to a large extent. If a company is not familiar with the market that is a target for entry the difficulty of taking good decisions increases substantially (Anderson & Gatignon, 1986; Heide, 1994). The issue of delegating control is a balancing act as the distributor's capabilities are often required for a successful expansion, but the delegation also degrades the ability of steering the operations for a company (Rosenbloom, 1978; Cavusgil et. al., 1995). Using independent distributors involves delegation of decision rights and responsibility for several activities related to sales, marketing, logistics and service for example safety stocks, flow of material, ownership, placing orders, promotion, negotiation, payment, risk, and financing (Madsen et. al., 2012).

2.2.2.1 Principal agent theory

The agency theory concerns the difficulty to delegate work between the principal, e.g. exporter, and the agent, e.g. distributor, when the two entities do not share the same motivations, visions and goals (Lassar & Kerr, 1996). It is more manageable to control relations within the organisation that are in accordance to the company's strategy than to control and secure this aspect in relations with external parties. If company "A" delegates tasks to Company "B" the implementation might not be practicable if the decision do not fit the strategy of Company "B" (Lassar & Kerr, 1996). The agency problem described above is a wide concept and can be applicable in most cases including a delegating party (principal) and an order taking party (agent). Several methods have been developed to increase the principal's control and thereby effectively steering the agent. Fama (1980) argues that investing in monitoring devices e.g. audits is a way to equalise the information flow and thereby increase the control of the principal. The rationale is that if the agent holds the largest share of information, the principal's capacity to control the partnership is reduced. Jensen and Meckling (1976) argue that the most efficient method of steering the agent is through pricing schemes and contracts, which in turn can increase the incentive for the agents to act in accordance to the principal's' strategy.

The economic view of the issue of principal-agent theory has resulted in a focus of cost, namely the costs for implementing different methods of steering the agent into performing on behalf of the principal. Since the view has been that the single motive for the agent is to increase its own reward and utility, the agent needs to be controlled or incentives needs be structured in a way that motivates the agents to become aligned with the principal (Lassar & Kerr, 1996).

In more recent research, the view of the agency theory has changed slightly. Vermillion et. al. (2002) argue that the economic view of the agency theory suggests that the interests or motives of the two parties always clash to some extent. The principal/ agent relation has been seen as a transactional sort where the agents often have the most information and therefore leverage. Vermillion et. al. (2002) further state that through the conventional spectra the agent will try to take advantage of this leverage and thereby enriching himself on behalf of the principal. The view of the principal/ agent relation as being transactional has changed and moved more towards looking at it as a relational exchange. The relational exchange focuses on building and maintaining a long-term relationship. This relationship works as any other and is based on trust, which gives another view of the agent in this relationship, more like a partner. A foundation is that both parties in this relationship need to set aside the instant individual motives and enhance the shared long-term interests by maintaining the relationship (Vermillion et. al., 2002). Anderson and Narus (1990) acknowledge this trend as well and define a working partnership between manufacturers and distributors as a relationship with mutual recognition and understanding between one and the other. Furthermore, the success of the partnership depends on both companies, which implies that both parties need to create a good business environment for the other in order for the partnership to be sustainable. The relationship aspect can be seen as a factor influencing the need for previous mentioned steering methods, i.e. monitoring and incentives, to increase the outcome in a distributor relationship. Lassar and Kerr (1996) argue that the relationship quality affect the need for incentives to a large extent. If the manufacturer/ distributor relationship is relatively new and there is a conflict of interest regarding goals, the need for an outcome-based contract is high. On the contrary, if the relationship between the two parties is well established and the two entities strive towards the same goal a behavioural-based contract might be more efficient keeping the partnership successful (Lassar & Kerr, 1996).

2.2.3. The relational side of distributor-exporter arrangement

Being thorough and careful in the selection of foreign distributors is important considering the difficulty of inter-firm collaboration, and the cooperative relationship is therefore an essential issue for exporters entering new markets (Nes et. al., 2007; Roath et. al., 2002). Both Nes et. al. (2007) and Roath et. al. (2002) states that since the cultural difference might be substantial between exporters and foreign distributors, the demand for good communications is essential for the trust and commitment in the relationship. According to Goodman and Dion (2001) communication is just one aspect among several that determines a good commitment. They argue that two different groups of determinants define the level of commitment in a relationship between a manufacturer and a distributor, namely marketing determinants and behavioural determinants. The first group include two aspects, which are dependence and investment. The dependence is in short a measure of how unique the distributor and its services are to the manufacturer. If the manufacturer is dependent of the distributor's services the commitment will increase in the relationship. The investment aspect is based on how much resources are invested into the relationship and this will also determine the commitment level (Goodman & Dion 2001). The second group, behavioural determinants, include apart from communication also power, trust and continuity and these can be seen as slightly more abstract than the previously mentioned. Trust is perhaps the most obvious as well as the most significant aspect. In short, the commitment by a company will increase if they are able to trust that you as a partnering company will take actions generating positive results for them (Anderson & Narus, 1990). Power is a wide subject, however the general belief is that if power is acquired or delegated to a company in a relationship the partnering company will be more committed. Continuity as a factor for high commitment is referred to the length of the relationship. The rationale for this motivation is that a commitment will increase the continuity and a long-term relationship will be established, which in turn will increase the commitment further (Goodman & Dion 2001). In line with Vermillion et. al. (2002) the importance to secure the commitment from distributors has increased since the nature of the supplier/ distributor relationship has shifted in recent years. Distributors have grown larger and act more as independent companies and according to Goodman and Dion (2001) their motivations, goals and aspirations do not always fully match up with the exporters. The aligned strategy and goal as a determinant for a successful relationship is an aspect frequently mentioned in the literature. Madsen et. al. (2012) conclude that in order for an exporter-distributor relationship to be successful the two parties needs to find common ground on their aspirations, goals and motivations. Both Vermillion et. al. (2002) and Madsen et. al. (2012) touch on the subject that important decisions, which affect the foundation of the relationship, should involve both parties and that the focus should lie on finding a solution with long-term sustainability. In line with Goodman and Dion's (2001) arguments that behavioural determinants increases commitment, Madsen et. al. (2012) argue that a foundation for a manufacturer-distributor relationship is that the parties accept the level of dependency of the partner. This is particularly important when a competitor does not easily replace the distributors' competencies. However, it is incautious for a company to be too dependent on a distributor if the partner acts opportunistically (Madsen et. al., 2012).

2.2.4 Evaluation of distributing partner

The success of a company's foreign operations is much correlated to the quality of the distributors, and the success therefore depends on how well the company has analysed and evaluated the distributor's capabilities (Ross, 1972). According to Fram (1992) the evaluation of distributors is an aspect companies in general need to put more focus on, and by investing managerial attention and objectivity to the matter companies will improve the distributor evaluation. The quality of the selection of partners is determined on how thoroughly companies consider different financial as well as relational criteria (Shipley et. al., 1991). There are several suggestions in the literature of how to evaluate distributors e.g. Cavusgil et. al. (1995), Wang and Kess (2006) and Wann et. al. (2009). Wang and Kess (2006) found in their case study that Geringer's (1991) findings, initially used to describe selection process of Joint ventures, are applicable in exporter/ distributor relations as well. There are two main dimensions in the criteria of partner selection namely partner and task related. The partner related criteria are connected to how suitable a company is in terms of company's national and corporate culture, previous partnerships as well as the size and structure of the organisation. The task related dimension are more focused on capabilities, and consider factual aspects of the company such as technical know-how, financial resources, managerial experience, and marketing capability (Wang & Kess, 2006). The most interesting aspect using Geringer's (1991) partner selection criteria in the case of distributor selection is the ambiguous result of partner versus task related dimensions between the two parties. Wang and Kess (2006) argue that in the case when an exporter selects a distributor the partner-related dimensions are decisive. On the contrary, when a distributor selects a supplier it is almost exclusively the task- related dimensions that are important.

Cavusgil et. al. (1995) present five groups of criteria namely financial and company strengths, product factors, marketing skills, commitment and facilitating factors. The evaluation is mostly based on companies' previous ventures and achievements in similar partnerships. The first group of attributes include the distributors' abilities with regards to financial aspects such as the ability to finance initial sales, to provide adequate promotion and advertising funds, quality of management team, and reputation among current and previous customers (Cavusgil et. al., 1995). The second group of criteria is product factors, which evaluate the distributors' portfolio and capability to represent the products. Aspects considered are familiarity with the product, complementarity of product lines, condition of physical facilities, patent security, quality and sophistication of product lines. Cavusgil et. al. (1995) states that the most suitable distributors are the ones who handle the same type of product as the one of interest. These distributors often have the technical knowledge in servicing the customers and the ability to reach the same market segments. The third group includes marketing skills which touches upon attributes such as experience with target customers, geographic coverage, customer service, on-time deliveries and the quality of the sales force. The aspect of geographic coverage is according to Cavusgil et. al. (1995) important as it might be necessary to employ additional distributors in order to cover the entire market. The remaining two groups of criteria presented by Cavusgil et. al. (1995) are commitment and facilitating factors. The commitment criteria concern the degree of commitment of the distributor, which could be crucial for the partnership. The commitment of the business can be indicated of how willing the distributor is to commit capital into advertising, invest in sales training and provide adequate market feedback (Cavusgil et. al., 1995). In the facilitating factors the distributors' previous partnerships and management and accounting standards are evaluated. The exporter needs to consider whether the distributors' corporate and personal goals match up with its own, and evaluate the distributor's capabilities as a potential partner (Cavusgil et. al., 1995).

Wann et. al. (2009) also presents a framework of criteria for distributor selection which in fact is in line with Cavusgil et. al. (1995) to a large extent, although with some distinct differences. Wann et. al. (2009) has divided the criteria into five different categories namely (A) characteristics of the partner, (B) degree of fitness, (C) intangible assets, (D) marketing knowledge capability and (E) Complementary capabilities. In line with Cavusgil et. al. (1995), Wann et. al. (2009) states that the marketing capabilities as well as complimentary capabilities of the partner are of great importance. Marketing capabilities could lead to increased market shares, better export opportunities as well as knowledge of local business practices. Complementary competences include managerial capabilities, diverse customer base, wider market coverage, and the quality of distribution system to those of the strategic partners (Wann et. al., 2009). The criterion degree of fitness is highly ranked by Wann et. al. (2009), and focuses on the partner related criteria described by Wang and Kess (2006). The degree of fitness criteria include how compatible the cultures of the organisations are, the willingness to share expertise of the partner, equivalent of control, and willingness to be flexible (Wann et. al., 2009). The criteria of intangible assets include first and foremost the aspect of reputation, however also other aspects that might be factors affecting the choice of partners, such as previous partnerships, and technically skilled employees among partners. Lastly, the characteristics of the partner is according to Wann et. al. (2009) one of the most important criterion when selecting a partner, and take factors into consideration such as unique competencies, compatible management styles and compatible strategic objectives.

2.3 The Conceptual Model

The following model is based on the literature review, which has resulted in the authors' own conceptualization. Since studies regarding the distribution selection process are limited the model is based on literature derived from SDM as well as literature regarding distributors. At this point a first conceptualization of distributor selection process is defined which can be fine-tuned and redefined by the empirical findings. The conceptual model based on the literature review is presented below in Figure 1. The model is derived from SDMP and illustrates a rational and linear process according to this theory. In order to investigate if the decision is strategic an assumption is made that the selection process follows a rational model. This contradicts the incremental process where scholars argue that because of complex contexts, strategic decisions cannot always follow a rational process. Although the process does not need to be rational in order for a decision to be strategic, this model gives good indications of the decision-making. The model includes the different process steps as well as the activities performed in each of the steps. Apart from these aspects the following section will also describe factor that might influence companies actions in the process.

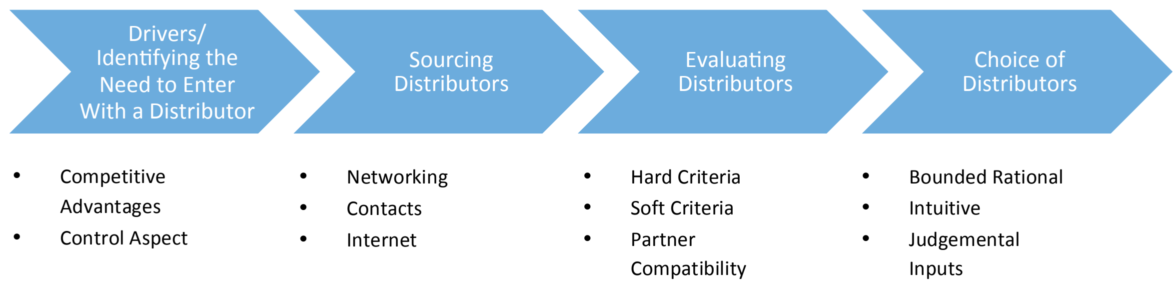

Figure 1: Conceptual model based on literature review compiled by the Authors

The process is initiated by *driving forces* to enter a partnership with a distributor as Figure 1 illustrates. This phase refers to the point where companies realise their needs and decide to enter a market with a distributor partnership. The most prominent reason entering a partnership derived from the literature is to gain competitive advantages (Ring & Van Der Ven, 1994; Contractor, 1986; Madsen et. al., 2012) or partnership advantages (Anderson & Narus, 1984; Sethuraman et. al., 1988). The detailed description in the literature of competitive advantages as well as the aspect of control will constitute for the driving forces behind the decisions to enter a partnership. As seen in the literature review the control aspect is especially important within distributor partnerships. Control in the aspect of driving forces considers the cost of having responsibilities within the company or delegating tasks to an external distributor. Whether or not to delegate responsibility to an intermediary is as described by Anderson and Gatignon, (1986) and Heide, (1994) correlated to certain factors within and outside the company. The circumstances of a particular market entry determine if it is desirable to keep control inside the company. The delegation of control to the distributor might therefore vary due to different circumstances (Madsen et. al., 2012). If the circumstances are uncertain or if a company does not know what to expect from distributors, it will more likely desire control within the company and delegate less fewer decision rights to the distributor (Heide, 1994; Anderson & Gatignon, 1986). In conclusion many aspects need to be addressed and solved before establishing a relationship with a distributor. After the reason for entering a partnership has been established it is believed that the firm set out different goals, which they need to take in consideration when evaluating distributors.

When the need for a distributor has been set, companies enter the second stage of Figure 1 i.e. *sourcing* distributors. This phase involves companies searching for partners i.e. identifying and contacting potential distributor alternatives. At this stage of the process it is believed that time and resources affect SMEs sourcing capabilities. These factors hinder them to gather all the necessary information that the rational theory assumes i.e. they are bounded. Due to the fact that SMEs have restricted resources they can only collect limited amount of information to make strategic decisions, and therefore have to rely on information that is accessible to them (Simon & Houghton, 2002). Therefore, SMEs have a tendency to gather information through informal external relationship such as business relationship, networks, Internet, friends or family. Through these channels SMEs can also seek advice in order to minimise the risk of decisions (Burke & Jarratt, 2004). Since SMEs rely on others' opinions the objectivity of the decision might decrease. Another factor that may also influence firms sourcing capabilities are managers' characteristics such as personality, perceptions, experience etc. Managers' characteristic may affect how and from whom the information is gathered (Liberman-Yaconi et. al., 2010).

The next stage of the process is to *evaluate* the alternatives against relevant criteria as illustrated in Figure 1. It should be noted that restricted information, time and resources characterise this stage of the process as well (Simon & Houghton, 2002; Burke & Jarratt, 2004; Liberman-Yaconi et. al., 2010). These factors might hinder SMEs to properly evaluate and compare distributors. In addition managers' characteristics and the internal resources of the company also affect how the information regarding the distributors is interpreted and valued. The criteria used in this model are a combination of criteria set by Cavusgil et. al. (1995) and Wann et. al. (2009). The criteria are divided into two groups, namely hard and soft criteria. The hard criteria consist of attributes that can more easily be objectively quantified, such as sales figures, market share, financial resources etc. The soft criteria consist of attributes such as reputation, image, commitment etc. According to Cavusgil et. al. (1995) the soft criteria are influenced by managers' opinion or judgemental inputs in order for the data to be quantified. Furthermore, the evaluation is reflected by companies' previous ventures and achievements in similar partnerships (Cavusgil et. al., 1995). In addition it is believed that SMEs seek advice and opinions from external partners to minimise the risk of selecting the wrong partners (Burke & Jarratt, 2004). Apart from these criteria, Madsen et. al. (2012) argue that in order for an exporter-distributor relationship to be successful the two parties, exporter and distributor, needs to find common ground on their aspirations, goals and motivations. This might sound as a simple task, the two parties might have different objectives and motivations, which increases the complexity. Cavusgil et. al. (1995) explains that distributors may have varying capabilities, philosophies, needs and objectives that may impede the exporter' goals rather than complement them. It is therefore important to also consider the aspect of compatibility described as partner-related dimensions by Wang and Kess (2006). According to Vermillion et. al. (2002) and Lassar and Kerr (1996), finding a suitable distributor who is striving for the same goals might decrease certain costs of steering and controlling the distributor based on the principal agent theory described by Fama (1980) and Jensen and Meckling (1976). It might also ease the effort in achieving a high commitment in the relationship and a more committed distributor is likely to contribute more to the relationship (Goodman & Dion, 2001)

As illustrated in Figure 1, after the potential alternatives have been evaluated the last stage of the process is the *choice of distributor*. At this stage of the process it is important that the decision-maker choose the most optimal alternative since the wrong selection may affect the company negatively for several years (Czinkota & Ronkeinen, 2007). However, since SMEs have more limited resources, time and information compared to large companies it is believed that they cannot properly source and evaluate the distributors and therefore have to base their decisions on intuition, experience and subjective judgement (Liberman-Yaconi et. al., 2010). It is therefore believed that the selection of distributors is affected by both the evaluation criteria but also intuition and the managers' characteristics. The final choice is in other words heavily characterised by the previous steps in the selection process.

3. Methodology

This chapter will describe the methodology used in the research and explain the reasoning behind the selection of methods. The aim is to guide the reader through the research design to give an understanding of the study.

3.1. Research Approach

Since the purpose of this study is to investigate the importance of distributor selection among SMEs and clarify what factors influence the process., the study adopts an exploratory approach. As shown in the literature review, studies regarding strategic decision-making has been mainly focused on larger companies and limited research has been conducted on the distributor selection process, therefore this study intends to explore and shed light on SMEs' decision process when selecting distributors. According to Collis and Hussey (2009), one of the main focuses of exploratory research, compared to other research methods, is to gain insight of a specific problem and to provide knowledge and guidance for further, more rigorous research. Ghauri and Gronhaug (2005) argue that a qualitative method is preferred when exploring a phenomenon where limited research has been conducted. According to Nyberg and Tidström (2012), the purpose with qualitative studies is to explore or understand the complexity of a phenomenon. More specifically, the qualitative research seek to describe, translate and understand a phenomenon in a specific context rather than, as in quantitative research, collect and measure data using statistical methods (Collis & Hussey, 2009). Distributor selection is complex according to Shipley et. al. (1991) and in order to get an understanding, a qualitative method in form of multiple-case study has been applied. The multiple-case study is distinguished from other methods because of the possibility of finding aspects unique for a particular case, which is viable when conducting a qualitative research design (Bryman & Bell, 2011). The case study as a research method enables the researcher to obtain genuine and meaningful characteristics of a specific phenomenon through an in-depth research. The case study refers to research with the objective to answer the questions How? and Why?, and focuses on a social phenomenon (Yin, 2009). Blumberg et. al. (2011, P488) describes a case study as a study, which *"Emphasizes the detailed contextual analysis of a single or fewer events and their interrelations for a single subject"*. To investigate how the process of selecting foreign distributors is conducted, we have selected four companies to focus on in detail in order to get a reflective image of the phenomenon i.e. the selection of distributors among SMEs.

The research approach used in this study can be considered as abductive since it is somewhere between deductive and inductive approach. According to Collis and Hussey (2009) a deductive approach implies that a theoretical or conceptual framework is developed and thereafter tested through empirical data. The study applies general theories on real life situations. An inductive approach on the other hand develops theory based on the empirical data collected. The approach implies that the study identifies practices, which are thereafter conceptualized to general statement or laws (Collis &Hussey, 2009). It is however seldom that the two approaches are implemented in its purest form in the field of research, instead it is more common that a combination of the two approaches is applied. This kind of approach is referred to as an abductive approach (Eriksson & Kovalainen, 2008).

This study has in other words elements of both deductive and inductive approaches. The study began with an extensive literature review of distributor literature, where we identified the main aspects of selecting distributors with the intention of testing these aspects on the empirical data collection i.e. a deductive approach. During our study the literature review was continuously adapted and developed to improve the connection between our findings and the theories. When comparing the empirical data with the literature review we found that the distributor literature did not give a comprehensive view of the selection process and literature regarding strategic decisions making needed to be added i.e. an inductive approach.

3.2 Research design

3.2.1 Research units and sample

As mention, the study intends to investigate the process of selecting distributors and a multiple-case study has therefore been deployed. The companies that have been chosen are SMEs within the Healthcare sector in Sweden with at least one distributor representing the company on a foreign market. The reason why we have chosen to focus on SMEs within this sector is that this sector is largely characterised by the use of distributors. The companies this thesis are active in the sector code 35 “health care” including the subgroups “3510 Health Care Equipment & Services equipment” and “3520 Pharmaceuticals, Biotechnology & Life Sciences” defined in the Global Industry Classification Standard by MSCI (2015).

The definition of a SME differs to a large extent depending on where you are in the world and in which sector the company is active in, however it is usually measured on the number of employees, annual turnover and financial result (Kushnir, 2010). In this study the definition of SMEs provided by the European Commission is used i.e. the chosen companies are within the boundaries of this definition. According to the European Commission's definition a SME has less than 250 employees, an annual turnover below 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro (EC, 2005). The reason why this definition is used is that all the companies are Swedish and are therefore under the influence of the European Union. Since there can be a big difference between SMEs with regards to both size and experience the intention has been to select companies that give a broad spectrum of the SME interval. This collection of companies is believed to give a comprehensive and accurate view of the definition SME. The companies in this study are in other words not randomly selected. In order to fulfil the purpose of this thesis, i.e. to investigate the importance of distributor selection among SMEs and clarify what factors influence the process, the selected companies needed to be SMEs within the healthcare sector. This approach is according to Bryman and Bell (2011) referred to as purposive sampling which means that respondents are selected that are relevant to the purpose. Two of the companies within this study were contacted through one of the author's personal network. The reason why two of the companies were approached through the author's personal network was because of the confirmation granted that the respondents would participate in the study. The other companies were contacted through different science parks in Sweden. Five companies were approached through the science park that fit the profile however only two companies were willing to participate in the study.

Company	Manager	Area of Responsibilities	Location	Interview Method
Company 1	Manager 1	Business Development Manager	Lund, Skåne	Face-to-Face
	Manager 2	Vice President, Founder and Marketing & Operations Manger	Lund, Skåne	Face-to-Face
	Manager 3	Board member	Göteborg, Västragötaland	Face-to-Face
Company 2	Manager 1	In-House Sales Representative	Göteborg, Västragötaland	Face-to Face
Company 3	Manager 1	Vice President Marketing & Sales	Uppsala, Uppsala Län	Telephone
	Manager 2	Sales and Marketing Manager	Uppsala, Uppsala Län	Telephone
Company4	Manager 1	Former Chief Executive Officer	Göteborg, Västragötaland	Telephone
	Manager 2	Chief of Marketing Officer	Halmstad, Halland	E-mail

Table 1: List of interviewees and their responsebilities compiled by the Authors

3.3. Data collection

According to Bryman and Bell (2011) there are two different ways of collecting data for a research, namely primary and secondary collection. As the names imply primary data is gathered from the original source while secondary data is gathered from external sources. This thesis is based on both primary and secondary data, however the ambition has been to use primary sources to the largest possible extent. The primary data of the empirical findings have been retrieved from four face-to-face interviews, three interviews over the phone and one by email. The reason why the number of respondents differs between the cases is due to several factors, which are described under "Qualitative assessment" later in this chapter. The secondary data was collected from each of the company's web page as well as annual reports. The data derived from these sources are used to describe the company's background and story. The secondary data was also used to increase the authors' knowledge of the companies before conducting the interviews.

3.3.1. Primary data collection

In order to reach the intended purpose efficiently the interviews were conducted in a semi-structured fashion letting the interviewees elaborate much from their own knowledge (Blumberg et. al., 2011). In a semi-structured interview the researcher has a guideline with specific topics that will be touched upon, however the researcher has the ability to move away from the guideline and the already structured questions. The semi-structured interview is suitable for this type of a case study as it gives a good understanding of how managers reason regarding to their company and its environment (Schwartzman, 1993). The possibility to interact with the respondent often provides more in-depth answers, however this might lead to the respondent's answers being influenced by the interviewer. It is therefore important that the interviewer acknowledge their presence and influence on the interview by not asking leading questions. In addition the interviewer should not only focus on subjects, which affect the result in a positive way and ignore topics that would affect the result negatively (Bryman & Bell, 2011). Eriksson and Kovalainen (2008) also argue that when studies intend to answer the research question "How?" semi structured interviews is preferred.

3.3.1.1 Interview approach

With regards to the interview approach, we have selected key people who are concerned with the companies' distributor selection, i.e. people who work with these issues on a daily basis, and who have good knowledge in regards to the company's strategy, decision making and surrounding aspects. In order to get the most suitable respondents we received help from our initial contact in each company. During our initial interview at the company other people were mentioned who had relevant knowledge about the subject, and whom were approached by the authors afterwards. Bryman and Bell (2011) refers to this method as snowball sampling where additional contacts are gain through the interview person. An important aspect when deciding the interviewees in each company was the intention to interview employees both with different background and different daily work tasks, in order to get a more comprehensive view of the issue of distributor selection. Our reasoning was that employees within the firm had different views of the distributor selection process depending on their current role and background. For example a Chief Executive Officer (CEO) might have another point of view of the distributor selection process than the marketing and operations executive. The face-to-face interviews were conducted at the company's facilities in Lund, and Gothenburg. Interviews were also conducted over the phone with respondents situated in Uppsala, and Gothenburg. One interview was conducted by e-mail with the responded situated in Halmstad.

Before the interviews were conducted an interview guideline was prepared with questions and key points, which is attached in the appendices in the thesis. The interviewees were informed of the intention of the study, however the interview questions were not shared with interviewees before the interview was conducted. This was deemed important since the interviewees did not have the opportunity to fabricate their answers in a favourable way. The downside with this strategy, not sharing the questions, is that there is a risk that they are not prepared enough to give elaborate answers in the matter. However it was concluded that the importance of accurate answers was more prioritized than the risk of unprepared respondents.

The questions were designed in an open-ended fashion that enabled follow up questions. It was important that the questions were not leading so that the answers really reflected the reality. The usage of open-ended questions was important for the ambiance of the interview, letting the respondent feel in control, which in turn produces more elaborate answers. A consequence of open-ended questions is that the conversation can take turns beyond the prepared outline, changing the order of topics. Eriksson and Kovalainen (2008) argue that it is important to allow flexibility in order for the conversation to remain informal and conversational.

As mentioned before, one interview was conducted by e-mail. The main reason for this was the respondent's unwillingness to proceed with the interview any other way. The reasoning was that the interview method needed to be compromised in order to secure the validity of having two respondents in Company 4. Due to the lack of possibility to spontaneously follow up with questions deviating from the original format in e-mail interviews, it was avoided to some extent. It should also be noted that the risk of the interviewee fabricating the answers increases. Apart from the negative aspect of decreasing flexibility, e-mail interviews have some advantages as well. Firstly, the respondents have the possibility to dictate the time and location for the interview. Secondly, the quality of the answers is not affected by the chemistry between the interviewer and the respondent to the same extent (Berg, 2009).

3.3.1.2 Recording of the interviews

In this study the face-to-face and phone interviews were tape recorded by two digital dictaphones. The recording of the interview might be perceived as intrusive, and therefore we offer all respondents anonymity to make them feel more comfortable when answering. The comfort of being anonymous can have an effect that respondents are more comfortable when answering. Especially, when considering that the respondents represent a company. In the early phases of the empirical data collection the carefulness of the respondents was evident due to the fear that the answers could have a negative impact on the company. With the quality of the data in mind the decision was made that the companies and respondents in this thesis would remain anonymous. The consequence of this decision is that the respondents felt more comfortable answering on certain questions and that the answers give a more detailed and accurate picture of reality. Another consequence from this decision was that more companies were willing to participate in the study.

3.4. Data analysis

In this study a non-quantifying method was used to analyse the data, which is according to Collis and Hussey (2009) often used in qualitative studies. Furthermore a non-quantifying method involves reducing the data in order to sharpen and sort them into categories. In this study the collected data from each case were divided into different categories, which are background, story, and process i.e. drivers, sourcing and evaluating. According to Collis and Hussey (2009) the framework can be used to provide categories to sort the data. The categories are therefore based on different labels that have been identified during the literature review and the conceptual model. During the analysis we continuously went back and forth between the literature review and the empirical data in order to increase the connection between them i.e. an abductive approach. When analysing the data we found that the different companies followed different selection processes, and in order to explain how this occurred we needed look at additional theories of for example how managers affect the decision-making. The analysis chapter consists of two sections. In the first section the categories mentioned above, excluding background and story, will be used to review the empirical findings in detail and cross-compare them among the cases as well as the literature review and the conceptual model. The results of the cross-analysis leads to the second part of the analysis, which provides a more general discussion of the distributors selection. The results and findings are thereafter matched and contrasted against the conceptual model (Figure 1) introduced in the section 1.3.

3.5. Qualitative assessment

This case study's main purpose is to investigate the importance of distributor selection among SMEs and clarify what factors influence the process, and the determinants of consistency is consequently different in comparison to test a hypothesis or comparing a theory. The trustworthiness of a case study lies within the observers' critical awareness of their presence during the interviews as well as triangulation of the findings (Kemmis, 1983). Generally the quality of a study is referred to validity and reliability, however in qualitative research these criteria are difficult to apply and the term trustworthiness is used instead.. The reason for this is according to Guba and Lincoln (1994) that the criteria of reliability and validity in qualitative research do not consider the fact that in the social world there are no absolute truths, which means that there are several possible answers to the same phenomenon. The aspect of trustworthiness intends to determine whether the research is conducted in alignment with standards of good practices and that researchers have correctly understood the reality. It is therefore important that the research is comprehensive and conducted in serious manner (Guba & Lincoln, 1994).

To secure the trustworthiness of the research much emphasis has been put on selecting accurate respondents with special knowledge of the area of distributor selection and strategic decision-making. The ambition while collecting empirical data has been to retrieve enough information to get an accurate picture of the distributor selection process at the companies. In one of the cases there is only one respondent representing the company, which can be argued to weaken the validity of the case study, however the reason why the number of respondents in each case differs is because of the following factors. First of all, in Company 2 it was considered by the manager that it would not complement the answers to interview other employees within the company since the respondent is the only one working with distributor selection in the company. Efforts were although made to approach the CEO of the company, but due to lack of time and willingness from this person to participate the interview was never conducted. Due to the small number of employees in this company the tasks are concentrated to certain individuals. It is therefore believed that this managers' input reflects the company as whole and still gives a comprehensive view of the company's distributor selection and interviewing. In other cases it was considered useful to talk to several employees, as the distributor selection is a large focus. As mentioned the respondents are responsible for the distributor management at the respective companies, but in Company 4 one of the respondents is no longer active in the role as the CEO. This fact can be seen as a validity weakness since the respondent cannot give a precisely accurate picture of the current situation at the company. The determining reason why this respondent is included is because of the useful knowledge provided on the distributor management in this company. The respondent is capable of giving this knowledge because she shaped the procedures of how the company work with distributors. In order to validate the answers from this respondent another interview was conducted with the current Chief of Marketing Officer (CMO) who is currently responsible for the distributor relations in the company.

Another strategy of securing the trustworthiness of the study was to triangulate the findings by double check and verify them through subsequent interviews. According to Bryman and Bell (2011) triangulation of findings are able to increase the reliability and validity of the research. In this study the goal has been to triangulate the findings within the cases and thereafter cross triangulate the findings between the cases. Another triangulation method was to let a third party take part and give critical feedback throughout research. Critical and constructive feedback from third parties increases the research's internal validation (Merriam 1994). The internal validation of case studies refers to what extent the research concept reflects the reality. As mentioned, the social world is not static and therefore the criteria of reliability are very complex. If another researcher would conduct the same research, the result would probably differ to some extent. Guba and Lincoln (1985) suggest that it is more logic to assess the trustworthiness of the result in that specific context instead of re-testing the research.

4. Empirical data

4.1. Company 1

4.1.1 Background

Company 1 is a small and relatively new started company with 14 employees based in the south of Sweden. The company develop enzyme-based therapeutic products against the common cold, which are sold as an over the counter (OTC) product at pharmacies. The company is present on the Scandinavian market in Sweden, Norway and Denmark where the product is sold through its own distributing channel. The company is present at the English market as well where the products are sold through an external distributor. Selling through distributors is the business model for all geographical markets outside of Scandinavia for Company 1 (Annual Report 2013 & 2014, 2015-03-09).

4.1.2. Story

Company 1 began with three persons with complementary competencies, and a business concept of enzyme-based therapeutic products. The three founders have different background, which they strongly believe is a key aspect for the success of the company. One of the founders has long experience from management positions in sales and marketing in the pharmaceutical industry at several large companies such as Novo Nordisk, Astra Zeneca and ALK focusing on both pharmaceuticals and OTC products. The second founder has a background in law, working as an advisor in corporate law with start-up companies, and is a board member of a few other companies as well. The third founder entered the project at a later stage and is an entrepreneur having financed and started up many companies from the ground (Manager 1, 2015-03-11). The concept of using enzyme from the deep sea cod came from a research company in Iceland. Company 1 acquired non-exclusive but global rights to this concept, which gave it the right to produce and market enzyme-based products against colds and flu (Manager 1, 2015-03-11).

In 2011, Company 1 was made public on the Swedish stock exchange and new capital was gained to further develop the company. The first product against the common cold was launched on the Swedish market in 2013 with great success as the product was one of the top sellers within its category. The year 2014 was an eventful year for Company 1 as the company entered the Danish, English as well as the Norwegian market, however with slightly different strategies. On the

Scandinavian market Company 1 chose to sell and market the product by itself with its own sales representatives. In the United Kingdom (U.K.) on the other hand, a distributor are used to establish the brand on the market. After a process of evaluation and negotiation Company 1 decided to go with a large and well-established company in the U.K. handling all activities from marketing to sales (Annual Report 2013 & 2014, 2015-03-09).

Company 1 has the ambition to increase their market presence and are consistently searching for new markets to enter around the globe. The expansion strategy is to sell the product through their own channels on the Scandinavian market, and to use this market as a showcase to attract potential distributors. On markets outside of Scandinavia distributors will be used to market and sell the products (Manager 1, 2015-03-11; Manager 2, 2015-03-17).

4.1.3. The process of choosing distributors

4.1.3.1. Drivers for exporting through distributors

Company 1 is in a phase of expansion and the ambition is to quickly reach as many markets as possible, and the most effective way to do this is according to The Head of Business Development at Company 1 (referred to as Manager 1) to reach an agreement with a distributor. This ambition makes the partner equally important to the market, since a distributor with regional market coverage has the ability to launch the product on several markets simultaneously. Being a newly established company with a new product the resources is limited and it is not possible to finance the entire launch on its own. The U.K. was the first market Company 1 entered outside of Sweden and this was a strategic choice as it is a large market with potential for a new product. Apart from being a strategic market an opportunity arose to start a partnership with a large distributor with good market coverage and knowledge. Manager 1 states, "*a distributor contacted us and was very interested to take in our product within the distributor's portfolio, which was one of the reasons why we entered the UK market since this distributor was one of our top prospects.*" The distributor has capabilities of launching the product including transportation, warehousing, marketing and sales. Manager 1 further states, "*this was a golden opportunity as the U.K is a strategically important market to enter in terms of volumes and branding, but the marketing costs attached to an entry are too high for us to bare ourselves. With this arrangement our product reaches a large part of the market due to the large market shares of our partner and the product is sold under our brand.*" The importance of keeping the company brand on the product is an aspect the Head of Marketing & Operations Manager (referred to as Manager 2) agrees upon since one of the main challenges is to build a strong company brand to create value for the shareholders. This is an aspect that affects the process of sourcing distributors to a large extent. The issue of outsourcing versus control is much correlated to the size and experience of the partner in the case of Company 1. Being a small and newly established company with a product, it is always a balancing act when deciding who to work with and how much autonomy should be given to them according to Manager 2.

Almost simultaneously as the entrance in the U.K., Company 1 expanded into the neighbouring markets Norway and Denmark, however with a different strategy than in the U.K. In both Norway and Denmark the decisions was made by Company 1 to enter by itself, selling the product through its own channels. The idea was to quickly establish a strong presence on the Scandinavian market to use as a showcase for potential partners in new markets. Manager 2 concludes "*it is important to show that we have the ability to be dominant on our home market within our field of products to be able to attract new partners.*" One of the board members (referred to Manager 3) states *"To achieve a fast market establishment globally you have to go with distributors, as we do not have the capacity to do it ourselves"*

4.1.3.2. Sourcing

When sourcing distributors the basic strategy is according to Manager 1 to use the Scandinavian market as a showcase to attract companies. By showing good numbers and a strong position on this market can according to him show that the company's product can be successful and thereby attract distributors.

The process of sourcing potential distributors has been developed in Company 1 through the principal of "trial and error" to a large extent, meaning that a few failed deals steered the company into which type of distributors it wants to work with. When Company 1 first acknowledged that it wanted to go abroad through a distributor the management made a list with potential distributors. Manager 2 states that the list was based on networks and contacts. "*We checked each other's contacts. Basically we asked each other what contacts you have that might be interesting for us."* (Manager 2 Company 1, 2015-03-17). When the list was narrowed down it consisted of mostly larger distributors. However after several long and exhausting negotiations with these large distributors Company 1 developed a prospect profile for potential partners in which they sourced after. Manager 2 states that Company 1 does not fit the profile for the absolute largest distributors' business development strategy. "*The larger distributors prefer to own the products and put it under their brand, which is not suitable for us since we want to build a strong brand and create value in the company*" (Manager 2 Company 1, 2015-03-17). Another aspect regarding working with very large companies is the time aspect. Since Company 1 wants to establish the products quickly on many markets, it is important that the process of reaching an agreement has to be smooth and relatively quick. This was a lesson the managers at Company 1 learned through the long negotiations with larger companies. Manager 2 argues that it would be possible to go with one of the giants, but it is too time-consuming as everything has to go through their routines and this involves too much work. Furthermore, Manager 2 argues that the large companies have many projects and therefore much of the work is put on Company 1. After these experiences, Company 1 came to an understanding that the most important attributes for a distributor is flexibility and commitment, and Manager 1 who has a long experience working with distributors in Europe made a list of potential firms that could launch the products in different markets.

4.1.3.3. Evaluating distributors

In the case of Company 1 the evaluation of distributors are related to the distributor's capabilities of launching their products as well as to the circumstances of the contract. Entering a new market with an OTC product requires large investments in marketing and this is an important criterion for Company 1 according Manager 2. The distributor needs to be able to make the product visible and attractive to customers in order to get the right volumes and thereby achieve profitability. This aspect is correlated to the size and current operations of the distributor. In the case of entering the U.K. Company 1 evaluated the distributors' market share as well as market coverage. Manager 2 states that "*we knew that the firm we went with covered almost the entire U.K. and this was an important aspect when making the choice.*"

According to Manager 1 the marketing costs attached to enter a large market such as the U.K. are tough to bare for a small and newly established company. It is therefore important that the partner have the capabilities to provide this service, and this put some emphasis on the financial aspects of the partner. The partner needs to be big enough and financially strong enough to be able to compensate for Company 1's lack of these capabilities. This is a balancing act since Company 1 does not prefer to work with the absolute largest according to the managers. Manager 1 emphasize on a few important criteria when evaluating the distributor. First of all they need to have an interest in the OTC field, which is some kind of commitment guarantee that they are interested to invest in the product. Secondly, they need to be able to cover the market and have sales representation at the pharmacies, which is connected to the company size and market coverage. Thirdly, the distributor needs to commit to market expenses required for a successful product launch. Consequently, the distributor should be ready to take much responsibility in the launch of the product; however there is something Company 1 is not ready give up namely the brand. Manager 3 explains, "*if we lose the brand we are not as likely to be able to create value in the company and we would just become a supplier of products*."

Apart from the basic capability criteria the managers at Company 1 emphasize that the circumstances of the contracts need to be right. Entering a market with a distributor is related to costs in the form of commission or royalties. Manager 1 states, "*It is important for us to at least have a margin of 50 per cent on the products we sell in order to be profitable. It is not unusual for distributors, especially large ones, to claim large shares of the income when selling the product. Some exporters see it as enough to be present on markets in order to straighten the brand, however we see it as a necessity to be profitable and not just be present*." Another aspect in the partnership agreement is that Company 1 probes for performance requirements. These requirements include for example specific sales numbers that needs to be fulfilled. These requirements are important because it gives Company 1 a sense of consistency but not the least an assurance of commitment by the distributor. Furthermore, all of the interviewed managers agree upon the importance that the distributor shows a genuine interest in the products and that they should be enthusiastic to start a partnership. Signs of commitment show according to Manager 1 quite early in the process, and could be as simple as how fast they respond to emails. He further argues that smaller distributors have a tendency to be more committed as the product becomes a more important part of their portfolio compared to larger companies. Manager 1 concludes, "*If they take their time and do not show the required commitment they are not for us. We do not waste time*."

Lastly, Company 1 has some criteria of importance when evaluating distributors that are associated to the field of business. The distributor is required to be ISO certified within medical technology. This certification ensures that the company uphold the standard of a pharmaceutical company. The aim for Company 1's products is to be sold at pharmacies and not health stores.

4.1.3.4. Choice of distributors

The final decision regarding distributor choice at Company 1 comes down to the most suitable option based on a relatively comprehensive evaluation process. Apart from the base of required criteria the key determinants in the decision are flexibility, networks and commitment. The choice of distributors at Company 1 reflects the most optimal alternative based on hard criteria and relational aspects. Notable is that distributors are found through the managers network and their experience in the field is a determining factor when deciding upon which alternative to go with.

4.2. Company 2

4.2.1. Background

Company 2 is a small Life Science with approximately 20 employees focusing on Real-time polymerase chain reaction (qPCR). qPCR is a technology in which a segment of DNA or RNA is copied or amplified making it more easily read. Company 2 offers a relatively wide range of services and products within the field of qPCR. The company offers training and education in the area of DNA analysis, which is the cornerstone of the business. In recent years the company has also started to develop and sell qPCR products and instruments (Company Webpage, 2015-04-05). Apart from their own products Company 2 also act as a distributor selling products from other manufacturers in the life science field (Manager 1, 2015-04-08).

4.2.2. Story

Active since 2001 Company 2 is a fairly experienced player in this highly innovative business of qPCR technology (Annual Report 2013, 2015-04-05). When Company 2 first established, it only provided courses within the field of DNA-analysis, however as the company evolved the business portfolio grew with providing services and product sales. The step towards internationalisation was taken quite early and the company has established permanent facilities in Czech Republic and Germany outside of Sweden. At a later stage the company entered other markets through distributors such as South Korea, Latvia, Poland and France (Webpage, 2015-04-05). Due to the line of business of providing courses and training within the area of expertise Company 2 has created a network, and thereby opportunities of expansion for the sales of products (Manager 1, 2015-04-08).

The company base in Sweden has an instrument park with high tech laboratories where all steps of the real-time qPCR is offered to customers including sample preparation, extraction, control of nucleic acid integrity, cDNA synthesis, qPCR quantification and post-PCR analysis. The instrument park is used to develop new products, offer services and conduct research for customers such as biotech and pharmaceutical companies as well as to governmental funded research projects. The company emphasis on having a constant R&D activity to keep updated in order to expand its knowledge within the life science field. With state of the art equipment and knowledge in the field of real-time PCR Company 2 offers hands-on training including introductory courses to more advanced application based courses. The education is one area of business focus and another is the development and sales of products for quantitative real-time PCR applications. The products are sold through distributors worldwide (Webpage 2015-04-05).

4.2.3. The process of choosing distributors

4.2.3.1. Driver for exporting through distributors

Even though Company 2 has a fairly long experience within its field the company just recently started to internationalize through distributors. One of the major reasons to why Company 2 chooses to export its products through distributors, is that it is still a fairly small company and in order to be present in different markets globally it needs someone that can represent the company locally. The In-house Sales Representative (referred to as Manager 1) states that "*having distributors and sales persons present locally who can represent us makes a big difference compared to having only sporadic contact with customers over the phone or email.*" This is a way to give customers more constant and good support as well as to increase the level of commitment to the customers. Being represented locally increases the likelihood of building relations, which can generate business opportunities according to Manager 1. The company's goal is to increase sales and therefore it is important to have a distributor locally that can sell the products more efficiently. In this line of business, personal contact is according to Manager 1 especially important since these products are very complicated. In order to sell these products the customers' need a thorough presentation in order to understand that there is a need for them. "*The customers don't buy spontaneously from our web shop. It is the personal contact with customers that leads to increased sales since it takes time to sell these types of products. If you do not have sales persons present it is reflected on the sales numbers*" (Manager 1 Company 2, 2015-04-08). Therefore, Company 2 seeks to work with distributors that have good knowledge within the life science field and makes an effort to sell the product. Currently Company 2 mostly works with small distributors abroad, which is achieved with mixed results. Manager 1 argues that working with small distributors is not always easy, since they usually have different products within their portfolio and cannot always market Company 2's products, which is understandable according to her. On the contrary to the successful partnerships with distributors the company has distributors, which have not placed an order in one to two years. According to Manager 1 one reason for why this occurs might be that these small distributors cannot reach the same customer base as the larger distributors. Another reason is that the distributors do not put the same effort on the company's products within these markets compared to others' products, and that they do not actively sell Company 2's products. "*What distinguishes a good* *distributor from others is how actively they sell the product. There is a big difference between selling the product and just to put it up on the webpage*" (Manager 1 Company 2, 2015-04-08). How they market and sell the products is however mostly up to the distributor to decide according to Manager 1. The company only provides the distributors with support if problems arise, which they cannot solve themselves. "*They turn to us for support if there are any questions they cannot answer. Otherwise they are mostly self-sufficient"* (Manager 1 Company 2, 2015-04-08). In some cases the company also participates in marketing campaigns with the distributors, or provides the distributors with marketing material in the distributor's domestic language. For example in France which has one of Company 2's most important and largest distributors it is according to Manager 1 important to provide them with marketing material in their own language. The company use distributors to sell and market the products but the services, lab activities other tasks are kept in-house. The company believes that these services are best kept in-house since there is a risk that the quality will decrease if they outsource them.

4.2.3.2. Sourcing

Company 2 does not actively source distributors and Manager 1 states, *"The Company does not put so much energy on finding distributors and how we find and evaluate distributors is not much of a process.*" Company 2 usually find distributors internally from contacts and networks. According to Manager 1 most of their distributors are found by the customers, which have participated in courses held by Company 2. The customers that are interested in purchasing the products contacts a distributor located in their country, which then contacts Company 2. Where after Company 2 sets up an agreement with the distributor in form of supply and list prices, and then provide them with the support they need. It is then up to the distributor to decide if they only sell to the customer which contacted them or expands their sales to new customers. Another way in which Company 2 finds distributors is through their CEO or salespersons networking. They are often on fairs where they meet other companies that are interested in the products and want to include them in their portfolio. "*Our CEO is the kind of guy that knows everyone. It is through his contacts that we also find distributors*" (Manager 1 Company 2, 2015-04-08). On these fairs and events the company's CEO meet someone who is interested in distributing the products, and from this point a partnership can be developed.

4.2.3.3. Evaluating

Regarding how Company 2 evaluates potential distributors Manager 1 states "*we do not evaluate distributors to a large extent.*" Manager 1 mentions that evaluating and analysing potential distributors would be of higher priority if the company had more time, which is a goal for the upcoming year. Company 2 does not have any concrete criteria in which they evaluate their distributors. The only requirement Company 2 has on its distributors is that they have a customer base within the data analysis field. "*If they do not even have that they cannot present our products in a good way*" (Manager 1 Company 2, 2015-04-08). She argues that if a distributor has a customer base in the line of business of DNA analysis it shows a lot of commitment, which in turn means that they are committed to us. The company does not have any financial requirements except for prepayment requirements from distributors depending on the economic situation in their country. Company 2 does not require the distributors to provide them with market analysis or the distributors' sales performance. According to Manager 1 it is important to have trust towards the distributors since Company 1 is small and the distributors are small. The first step Company 2 takes when evaluating distributors is to check their webpage and to see if they have similar products within their portfolio. "*If they have not changed their web page since 1993 one might wonder where the ambition level is*" (Manager 1 Company 2, 2015-04-08). Apart from the website review, Manager 1 mentions that email conversation often gives a good feeling if the distributor is appropriate. "*If the person is reasonable and the salesperson is reasonable, then the distributor is often good* "(Manager 1 Company 2, 2015-04-08).

Furthermore, Manager 1 argues that the size and experience of the company hinders it from setting as high demands as larger companies. She further argues that it takes time to build up an organisation and that Company 2 function differently compared to other companies. She mentions that she for example has the same the role as three to four employees might have in a larger company. Manager 1 does not only work with in-house sales but also with customer orders, product support, distributors, suppliers, marketing logistics and other tasks. She argues that larger companies have more time to allocate on evaluating distributors than she has and selecting distributors is therefore a gamble sometimes. "*Signing with a distributor does not take that much time. If one customer who wants our product contacts a distributor who in turn contacts us, we can sign the agreement in one or two days. After that we hope that distributor wants to sell to other customers as well*" (Manager 1 Company 2, 2015-04-08). Manager 1 argues that to have a distributor in a country even if they are not active is not harmful, since Company 2 does not sign any exclusive agreements they can always sign with other distributors. The company tries to keep the agreements as simple as possible. Manager 1 states that the decisions to select distributors are sometimes spontaneous but that it has worked so far. "*We have not changed our process since we are still happy that the sales have increased in the last years. You have to be happy for what you get"* (Manager 1 Company 2, 2015-04-08).

4.2.3.4 Choice of distributors

The selection of distributors is not prioritized in Company 2. They decide to partner up with all distributors that contact them and that have a customer base within the life science field. The selection of distributors is very dependent on the managers' opinion. Manager 1 argues that it is never wrong to have distributors since the distributors are signed on non-exclusive agreements and the company is therefore not tied to a certain distributor in a market.

4.3. Company 3

4.3.1. Background

Company 3 is a small, Swedish and relatively new Biotech Company established in 2004 with 20 employees. The company is in the business of quality of biological samples and sample preparation in life science and clinical research markets. The product concept of Heat-stabilization is state of the art and is a product without substitute in today's global market. The concept was originally invented by two students at a Swedish university and has been materialised into a product that stabilizes biological samples. The product is an instrument that helps scientists enhance the quality of data received by analytical techniques. The company is still in the start-up phase and is seeking further opportunities to launch the product abroad. Company 3 has already established themselves on several markets in Europe by itself and has entered markets in Asia and North America in-direct through distributors (Webpage, 2015-04-11)

4.3.2. Story

Company 3 is based on a specific and highly innovative technology, which make the company unique on the global market in its field. The idea of the technology took shape at a Swedish university by two students writing their thesis in collaboration with GE Healthcare. During this time the problem was identified that tissue samples have a tendency to degrade after being separated from the entity. The idea to prevent this degradation was to rapidly heat the sample, which could stop the enzymes causing the changes. Based on this idea the young students started Company 3, however it would take some time until the actual product was materialised and sellable. It was not until 2008 when the product was launched at a branch fair, the business could start to grow.

The company is based in Gothenburg, however has an additional a research and application facility in Uppsala. Due to the narrow field of the technology the customers of the product are relatively specific, and the Swedish market was too small in order to achieve profitability. The typical customers of the products are academic labs, clinical research facilities, bio banks, and pharmaceutical companies (Manager 1 Company 3, 2015-04-13). The step to launch the product internationally was taken early in the start-up process. The internationalisation strategy of Company 3 has been customised between markets, and has not followed a general pattern. In major markets in North America and in Europe Company 3 entered by setting up subsidiaries and the sales is conducted through the company's own channels, while in other markets in Asia the products are sold through distributors. As late as in January 2015 the company announced that two new partnership deals had been made with distributors covering the areas of Taiwan, China, Hong Kong, Macau and Korea. Company 3 always strive to increase their presence in new markets around the world and plans exist of entering new partnerships, which would take the products to Australia, as well as new markets in Asia (Webpage, 2015-04-11).

4.3.3. The process of choosing distributors

4.3.3.1. Drivers for exporting through distributors

According to the Sales and Marketing Manager (referred to as Manager 2) Company 3's strategy is to sell the product globally and to reach as many markets as possible. Since the product is a specialized instrument the customers are more concentrated compared to other products and Company 3 needs to find customers that work with this cutting edge technology. The Vice President of Marketing and Sales (referred to Manager 1) argue; *"In this line of business you do not have a few major markets. We need to find customers that work within this field in different countries"*. In order to reach this customer base the company export through distributors for mainly two reasons. First of all in countries such as France, Germany, Japan and India Company 2 uses distributors because of the language barriers and cultural differences. According to Manager 2, the distributors' market knowledge is essential to be able to sell the products. Secondly, it is too expensive for a start-up company to have salespersons or affiliates present in all countries. According to Manager 1 a start-up company needs to adapt to the environment and try to grow as the business grows. However the company usually grows faster if having "feet on the ground". He refers to this as a "Catch-22 problem" and a way to get around it is to use distributors, "*by using distributors we can expand our network without making large investments*".

Although working with distributors may be a good way to increase the presence in different markets, it still requires some effort according to Manager 1. Since distributors often have a large portfolio they have a tendency to sell the products that requires the least amount of effort according to Manager 1. In order to work against these problems Company 3 tries to get the distributors attention by working with incentives, which they refer to as "pull-marketing". This essentially means that the company helps the distributors to create an interest for the product in their market. Company 3 is responsible for the overall marketing and tries to make their products more exciting or as manager 1 states; "*We need to make exciting marketing material in order to get their attention*". Furthermore Manager 2 says that they occasionally assist the distributors in arranging sales conferences in accordance to the company's preferences. Another way to get around the problem is through renegotiate the distributor contract. "*If we want them to sell 10 products we expect them to follow through with some activities to reach that level otherwise we can renegotiate their margins*" (Manager 1 Company 3, 14-03-2015). Manager 1 argues that they have to work with different incentives "carrot and stick approach" to get the distributors attention towards their products.

It is important according to both managers to have a continuous two-way communication with distributors to make sure that they understand the technology and how to present the products in the efficiently. "*We need to know where they are with their prospect and potential sales in order to understand what we can expect of them and to help them*" (Manager 1 Company 3, 14-03-2015). The communication is also important in order to secure that the distributors share the same view of the relationship as Company 3 according to Manager 1. "*There are many distributors, especially in Asia, with the goal to have as many well-known products in their portfolio as possible. That way they believe that customers will turn to them since they are trustworthy distributors.*" (Manager 1 Company 3, 14-03-2015). He further argues that these distributors are usually not interested to invest the time and effort required to sell the products and that they only want well-known products on their web-page. Even though Company 3's product is unique, it requires a lot of effort from the distributor to sell the product. Manager 1 argues that the products require "consultative selling" that the distributor needs to explain the advantages with their products to the customers compared to the customers' standard procedures. "*It is not possible to sell these types of products the same way you sell catalogue products*" (Manager 1 Company 3, 14-03-2015). Despite this, Manager 2 argues that the uniqueness the product can be an advantage for distributors as well. Since the product is high-tech it can be a "door opener" for the distributors to meet new customers.

Since these products require time and effort from the distributor in order to brand themselves in their region most of the Company 3 distributor agreements are exclusive. According to Manager 1 most distributors require exclusive agreements since Company 3 is a new company with a new product. However in some cases they use another form of agreements, which they refer to as accreditation letter. There is no large difference between accreditations letter than distributor agreements according to Manager 1. Basically the difference is that in accreditation letter the distributor is only allowed to market their product in a specific country compared with a distributor contract where agreements regarding price, expected sales is stated. A distributor contract is more detailed compared to an accreditation letter.

4.3.3.2. Sourcing

Company 3 has mainly two ways in which they source distributors. The first way is through internal and external contacts. If Company 3 has a specific market they want to enter they use their own network as well as contacting other companies of the same size in the industry. "*We try to find companies that are successful with similar products in those markets*" (Manager 1 Company 3, 14-03-2015). By contacting other companies Company 3 tries to find out what distributors they use and what kind of experience they had working with them. Manager 1 argues that by asking around he will get input and advice, which guarantees that the distributors are professional. In addition, Manager 2 mentions that they also find potential distributors through the Internet. The company has also had informal contact with Business Sweden to find distributors in some markets such as Australia but has not actively used them. The second way that Company 3 source distributors is when distributors contacts them. Manager 1 argues that there are many distributors that search for this type of cutting-edge technology with attention to sell the products "*They usually have heard about the technology from a scientific article, conference or something else and contact us. They ask if we have distributors in their country and if not they wonder if they can be our distributor*" (Manager 1 Company 3, 14-03-2015). In these kind of situations Company 3 also ask around with other companies in the same market if they know of the distributor and what they do, in order to get feedback. Otherwise Company 3 tries to go through their financial capabilities such as turnover, annual reports and how large they are. In some cases they also check their credit, especially in Asia, to see if they are financially stable.

4.3.3.3. Evaluation

According to Manager 1 one crucial factor Company 3 takes in consideration when evaluating is the size of the distributors. The distributors must be large enough so that they have approximately the same number of salespersons on the field as Company 3 would have, but small enough so that the products does not "drown" in the distributor's portfolio. "*We are about 20 people so we are searching for distributors that have between 10 to 20 field based salespersons in that country*" (Manager 1 Company 3, 14-03-2015). Distributors that are larger than this would create internal competition among the products within the portfolio, and they would therefore be too complex to work with according to Manager 1. He further argues that Company 3 needs to have a contact person that is fully dedicated to the company. Furthermore, the contact person needs to have a influential position at the distributor, in order to be effective for Company 3. Manager 1 also highlights that they want to work with distributors that are committed to the company and its products.

As mention above, Company 3 often relies on recommendations from its network and other companies that have worked with the distributors when evaluating them. The company does evaluate the distributors' financial capabilities as well as their interest in the product, but rely on others' advise as well. Manager 1 argues that larger companies usually conduct a survey with potential distributors, but due to restrained resources Company 3 bypass this step and rely on recommendations instead. "*It would cost several 100 thousands SEK to take in external companies to conduct these types of search and evaluation processes*" (Manager 1 Company 3, 14-03-2015). According to Manager 2 the ambition of the distributor is evaluated e.g. how many adds, how many customer visits, how many sales they intend to achieve. Furthermore, an important component when evaluating distributors is whether distributors take the initiative to contact them or not. According to Manager 1 this shows that they are committed and interested in the product since they have taken the time to do a thorough background check of the product and the company. "*It is advantageous for them when they contact us, however it is not a guarantee that they are good distributors*" (Manager 1 Company 3, 14-03-2015). Manager 1 also argues that in some cases it can be worth to test distributors in markets where the company has no experience, especially if the distributors are signed on an accreditation letter basis. In contrast to distribution agreements thorough descriptions with clauses regarding lawsuits, marketing problems etc., accreditation letter is more of a buyer/seller transaction, which reduces the risk. "*They buy the product which we deliver. The only risk we take is if they declare bankruptcy"* (Manager 1 Company 3, 14-03-2015). However Manager 1 argues that there exists a "sanity-level", and distributors need to achieve certain financial requirements. If these requirements are fulfilled the relational aspects are decisive. Although relying on the commitment from the distributors, how serious they are and their interest are good indicators to evaluate distributors it involves a risk since it is based on subjectivity according to Manager 1.

4.3.3.4. Choice of distributors

The choice of distributors in Company 3 is largely based on external parties' recommendations in regards to both sourcing and evaluating potential distributors. Even though they rely on others' opinion the company evaluate distributors based on their own criteria. Furthermore Manager 1 mentions that the choice of distributors is to some extent based on the "feeling" that you have a distributor that is committed. In addition he mentions that because of the company's size it is prevented to make fully accurate decisions, however the company evaluate potential distributors against relevant criteria, which increases the rationality of the decision.

4.4. Company 4

4.4.1. Background

Company 4 is a medium sized company with 90 employees based in the South of Sweden, and is active on a niche market in the Healthcare sector. The company develops and manufactures assistive listening devices helping people with hearing impairment. Within this field Company 4 is a pioneer as it was among the first to develop digital hearing products using digital modulation to transfer sound. By patenting the technology the company has secured its uniqueness on the market. Today, Company 4 has expanded and the products are available throughout Europe and North America (Webpage, 2015-04-13).

4.4.2. Story

The company was started by two young men in 1994 and is privately owned. The company produces and sells hearing devices to complement the regular hearing aid. The breakthrough technology was that the hearing aid was done digitally. Before this, the only available products were of analogue techniques. Over the years, the company's innovation has developed and new products have subsequently been launched on the global market. Today, the company has several product lines with different functions and characteristics aiding the everyday life for hearing impaired people.

(Webpage, 2015-04-13). Even though the firm has existed since 1994 it was not until 2008 the decision was made to launch the products abroad. That year the products were launched in Europe through distributors, however the company entered Denmark as well as the United States directly by setting up subsidiaries. The following years the fast expansion abroad would exceed and new subsidiaries were established in Norway in 2009, Germany in 2010 and in the Netherlands in 2013. Although, the entry mode strategy was to enter directly by setting up facilities in these countries, Company 4 uses distributors in many markets, and is constantly looking for new distributors to continue the growth (Webpage, 2015-04-13).

4.4.3. The process of choosing distributors

4.4.3.1. Drivers for exporting through distributors

According to the former Chief Executive Officer (referred to as Manager 1) entering a market through a distributor is a way to not invest as much capital as starting up a subsidiary. The Chief of Marketing Officer (Referred to as Manager 2) also argues that the company does not have the capacity to set up subsidiaries on all markets. Another reason to enter certain markets through distributors is according to Manager 1 connected to the aspect of time. According to her this option is much faster than setting up a subsidiary. The initial usage of distributors in new markets can according to Manager 2 be seen as a stepping-stone towards increased presence on a market. She further states that the ambition is to sell the products through its own channels when there are indications of potential success. Another scenario that could justify the decision to enter a market with a subsidiary is if there is a lack of good distributors. "*Sometimes investing and entering by yourself is the only viable way due to different circumstances*" (Manager 1 Company 4, 2015-04-14). Manager 1 further argues that the most prominent factor why Company 4 uses distributors on new markets is to quickly spread the products to larger geographical areas. A successful relationship is when the distributor function as a part of the company and embraces the company culture, and thereby functions as an extension of the company according to Manager 1.

In Company 4 the level of control kept in the company differs between different markets due to the nature of the products. The tasks Company 4 usually outsources to distributors are sales and distribution of the products. However due to the complexity of the product and the competence of the distributor, customised solutions are occasionally required where preparations and service are conducted at the headquarters. Furthermore, Company 4 insists on keeping control of marketing in-house. Marketing material is mostly designed in Sweden and then provided to the distributor. The pricing is as well steered from the headquarters. According to Manager 1 the desire to control these aspects is correlated to the profiling and image of the company. The high degree of control is also correlated to the fact that the products are classified as medical devices, which have special restrictions.

The most evident disadvantages using a distributor is according to Manager 1 the restricted market knowledge the company can attain as well as the limited control of operations. Manager 1 explains that the distributor can be controlled through agreements; however you can never be sure that the agreements are followed. Company 4 has had a case where the distributor ignored the agreement even though a joint strategy had been developed. *"This is a really bad scenario as we had put both time and money on this distributor, building up a relationship and training them"* (Manager 1 Company 4, 2015-04-14). Another factor influencing the decision to enter a partnership is the risk of opportunistic behaviour. Based on Manager 1's experience she states that there is always a risk that the distributor has financial problems and declares bankruptcy. "*Now, this is a real problem as there is a risk that we will not get paid for the delivered products"* (Manager 1 Company 4, 2015-04-14). Manager 2 further argues that there is always a risk connected to the uncertainty of the partner's intentions. "Sometimes the distributor only wants our products in their portfolio in case of somebody ask for them" (Manager 2 Company 4, 2015-05-11).

4.4.3.2. Sourcing

According to Manager 1there is a risk that small companies are flattered when a distributor contacts them and want to sell the products and the choice of market can therefore be rather random. To change this behaviour Manager 1 established a new strategy for the company. The strategy included guidelines for how the company should work with distributors, and which markets the company should enter. The aim with this strategy was to avoid wasting time, energy and money on markets and relationships, which were not prioritised. It is typical for small companies to have sales in countries without really knowing why according to Manager 1. The strategy to prevent this pattern included a classic market prioritisation where the company labelled potential markets as A-countries, B-countries and C-countries indicating the importance and the level of energy that was going to be allocated. The A countries represent the most important markets for Company 4 and are therefore the most prioritised with regards to time and capital.

Manager 1 states that a distributor can be reached in all possible ways. Company 4 uses several methods when sourcing suitable distributors, however a typical example is through fairs, events and networking. "*You meet somebody willing to take on your product at for example a fair and the relationship start to take shape*" (Manager 1 Company 4, 2015-04-14). In some cases third parties such as Business Sweden has been used to find potential distributors. Manager 1 says that when the company was going to enter China this method was used where Business Sweden helped identify potential distributors suitable to represent Company 4. The use of third parties is although sporadic and according to Manager 2 the sourcing of new partners is not always structured, and states that sometimes searching for distributors on the internet is an efficient method.

Even though there are many methods in finding new partners it all comes down to networking and meeting people. Manager 1 explains that the business Company 4 is active in is quite small, which means that potential distributors are quite easily identified. Every year there is a fair in Germany where almost everyone from this business is present, and this is a good platform for networking and meeting potential distributors.

4.4.3.3. Evaluation

Manager 1 explains that the company was in a phase of growth during the years she worked at the company and before she arrived there were no concrete evaluation model of distributors. At that time the focus relied almost exclusively on the relation and chemistry between companies. However a thorough evaluation model was implemented in the process of distributor evaluation. The criteria and the circumstances regarding this process differ to some extent between markets, depending on whether it is a prioritised market or not.

First of all there are the financial capabilities and information transparency, which is a fundamental aspect when entering a partnership with a company. It is very important to look into the financial aspect according to Manager 2 so that the company has the capability and size to take on the responsibility of conducting business on behalf of Company 4. Manager 1 explains that they are careful conducting a proper check-up in order to prevent going into business with a company on the verge of bankruptcy. Secondly, the aspect of competence within the product field and customer area is important to Company 4. The distributor needs in other words to understand the products and the business in order to be able to handle the sales and represent Company 4 on new markets. The distributor needs to know the market according to Manager 1, and they evaluate the sales force thoroughly. How many sales persons they have and even more important how capable are they in selling the product as well as perform service activities. The marketing capabilities are important when launching the product, which is why this capability is evaluated. Manager 1 states that: "*there is a wide range of criteria that is evaluated by our side to make sure that the company is able to represent and sell our product in the best possible way*". Furthermore, Company 4 evaluates the distributors' portfolio, making sure that they do not sell competitors' products, and that other products in the portfolio are in compliance with Company 4's products.

Apart from the capability related criteria Company 4 tries to get an understanding of what kind of reputation the distributor has on the market. The image and reputation of a distributor is of highest importance, and this is something Company 4 is very strict about. Manager 1 emphasize the importance of the reputation of a distributor, because it could, if not ruin your chances, set you back in the development on that particular market. Manager 1 further explains that: "*if the distributor has a bad reputation or image it is not even an alternative, because they are not aligned with our philosophy or vision*". The reputation is hard to measure however speaking with other players on the market such as customers and competitors the company is able to get an idea of what the distributor stands for.

Manager 1 concludes that Company 4's criteria for distributors are comprehensive and works as a guideline for what the ideal distributor looks like. In reality all distributors do not fulfil all the requirements, however this is where the aspect of relation comes in. Manager 1 explains that you always have to compromise to some extent and this is "okay" as long as the distributor do not lack the most important attributes. The commitment from distributors is an important aspect according to Manager 1 and a distributor showing real commitment and will, can weigh up the lack of capabilities in other areas. This is however something that does not always show immediately but reveals itself along the process. The commitment is hard to predict and Manager 1 explains that she relied on her intuition and the chemistry with the distributor. Relations are a an important ingredient in a partnership however can be negative in some situations as well. Manager 1 explains that if you have built up a strong relationship with a business partner it might be hard to change the terms of the relationship. "*When I tried to implement the changes in how to handle the relations with distributors for example to set higher sales requirements etc. the people working with the distributors were afraid to face them. They had become too friendly*" (Manager 1 Company 4, 2015-04-14).

4.4.3.4. Choice of distributor

The way Company 4 selects distributors has changed from being strictly subjective to being more objective. By setting up criteria based on the perception of what an ideal distributor looks like the company knows what to strive for. The criteria are seen as guidelines rather than something to be followed slavishly. There are still room for subjectivity when Company 4 selects distributors since much emphasis is put on relations and thereby making the choice intuitive to some degree. The company's decision usually reflects the best alternative based on a mixture of hard criteria and relations through the company's perspective. Manager 1 states that sometimes the selection process is based on the evaluation process but also on the "gut feeling" that the distributor is committed.

4.5 Empirical summary

Table 2 represents the most characterising aspects from the cases and summarises the empirical findings. This table summarises the extensive empirical data and intends to clarify the different aspects in each case in order to simplify the base for the analysis in chapter 5.

	Background	Drivers	Sourcing	Evaluation	Choice
Company 1	• 15 employees • OTC products • Experienced managers	• Domestic market saturation • Quickly reach many market • Limited financial resources	• Scandinavian market show case • Prospect list • Networking and established contacts	• Marketing skills • Size, market share and coverage • Financial capabilities • Commitment and flexibility	• Most optimal choice based on hard and relational aspects • Key determinants; flexibility, networks and commitment • Subjective judgement
Company 2	• 20 employees • Life science field • qPCR training and education • qPCR products sales	• Local presence • Efficient way to increase sales	• Distributors are found through course participants • Fairs • Networking	• Knowledge in data analysis field • Webpage review	• Managers perception • Subjective judgement
Company 3	• Initially an university project in collaboration with GE Healthcare • 20 employees • Biotech company • Heat stabilizing product	• Narrow and scattered customer base • Local presence • Low investments • Market saturation • Language barrier	• Networking • Internet • Approaching distributors	• Recommendations • Size • Product portfolio • Financial capabilities • Ambition and commitment	• Recommendations • Evaluation process • Subjective judgement
Company 4	• 90 employees • Digital hearing aid products • Established in Europe and North America	• Fast entry • Low investments • Increased market knowledge	• Networking • Fairs • Recommendations • Internet	• Financial capabilities • Sales force; size and competence • Product portfolio • Marketing skills • Reputation • Commitment	• Criteria; mixture of hard and relations • Subjective judgement

Table 2: Empirical summary compiled by the Authors

5. Analysis

In this section the empirical data collection is matched and compared with the literature review and conceptual model presented above. The first part of the analysis will review the empirical findings in detail and cross-compare the cases, leading to a more general discussion towards the end of this section. Consequently the analysis will first discuss and compare the different stages of distributor selection among the cases and what factors influence them in detail. These stages will then be matched up to thereafter fine-tune the conceptual model.

5.2. Drivers for exporting through distributors

When looking at the drivers behind using distributors to enter new markets one aspect stood out. The aspect of cost as a determinant for using distributors is represented in all of the cases. The five companies are of different sizes and as Wolff and Pett (2000) argue the expansion strategy is closely related to the resource capabilities. Company 2 is a good example of a company where the options of how to enter and launch its products on a new market are limited. The company has subsidiaries abroad however its main source of income is in other lines of business than product sales. Focusing solely on the sales of products, the viable alternative is to sell the product through a distributor. The reason is that the current sales and the potential business do not justify the high investments of setting up a subsidiary. According to the literature e.g. Sethuraman et. al. (1988) and Andersson and Narus (1990) the drivers of using distributors are to gain partnership advantages. Although the studied companies enter partnerships to gain advantages in different forms the motives appear to be more basic compared to the literature review. Contractors' (1986) groups of benefits include several aspects that are not apparent among the companies. "Co-opting or blocking competition" and "Complementary technologies and patents" are examples not touched upon by the studied companies. These benefits are not as general and seem to be applicable to specific circumstances or markets, and the pattern is that Contractor's (1986) more basic motives for partnerships such as "Risk reduction" and "Access to partners capabilities" are more applicable in these cases. The advantages sought after in the four different cases vary to some extent but often include marketing capabilities, market coverage, market knowledge and fast entry. In some cases these attributes are more essential for the exporter than in others, especially for the smaller companies. Company 1 does not have the resources required to penetrate the larger markets in Europe on its own. In this case the most prominent reason explaining the need for complementary capabilities is connected to the nature of the product. On the contrary to some of the other companies with more specialised products, Company 1 seeks large markets, which demands distributors with extraordinary market coverage and marketing skills. The aspect of market knowledge advantage seems to be a driver for partnerships among the companies mainly because of the connection to risk assessment. The methods of handling the issue of risk are different between the companies. Company 4 has a prioritisation model structuring the geographical expansion strategy. In countries where the company do not have full knowledge and where the circumstances are unknown, the use of a distributor is initially a way to increase the market knowledge and thereby decrease the risk of investment. The distributor partnership can be seen as a stepping-stone to setting up subsidiaries in prioritized markets. Heide (1994) and Anderson and Gatignon (1986) argument that external uncertainties are aspects affecting the willingness of control delegation can be clearly seen in company 4's strategy. In markets where the uncertainties are larger distributor partnerships are preferred. This way the risk is minimised because of the distributors' market knowledge and the low investment requirements. Company 1, 2 and 3 are in earlier phases of internationalisation, and the approach towards risk and investments are somewhat different. For Company 1 the entry through distributors is more of a necessity not to make risky investments in foreign markets. The strategy is to find a suitable partner with the right profile who can bare the high costs of marketing the product. Company 3's narrow customer base is scattered across the globe and the endeavour is to be present on many markets in order to reach the customers. Occasionally, Company 3 contracts distributors on accreditation letter basis in order to reduce the risk even further. This strategy is used when the relationship with the distributor is fairly unestablished or some uncertainties about the distributor exist. Strong connections can be seen between Company 3s contractual arrangement and Andersson and Gatignon (1986) and Heide (1994) arguments that external uncertainties affect the desire for control. Because there are uncertainties regarding both the market as well as the distributor, the accreditation letter arrangement reduces the risk and thereby increases control for the company. Similarities can be seen in the other companies as well but the methods of increasing control vary to some extent. Company 2 sign non-exclusive agreements with their distributors on foreign markets and also insist on payment in advance in uncertain markets. Company 4 is cautious when outsourcing certain tasks to the distributor especially when it is not totally confident in the distributor's managing capabilities.

5.3. Sourcing

The empirical findings show that SMEs use different ways to source distributors, and that all companies use external contacts to some extent. According to Simon and Houghton (2002) and Burke and Jarratt (2004), SMEs limited resources restrict their collection and interpretation of data, and are therefore dependent on external relationships to gather information. Company 3 reasons that conducting comprehensive sourcing is too expensive and that there is no assurance that the result will be better compared with sourcing through networks. In the rare cases when Company 2 actively source distributors it is through contacts or fairs. Company 4 and Company 1 mostly source distributors through personal contacts, fairs, and networking. A clear pattern can be seen that the companies rely on relations and information that is easiest accessible to them when searching for potential partners, and avoid more expensive options such as consulting firms, which confirms Burke and Jarratt (2004) argument that smaller companies acts on others opinion and judgemental inputs more than larger companies. Furthermore, Burke and Jarratt (2004) argue that information gathered from external relations must originate from persons with relevant experience. This is most prevalent in Company 3 and 4 where much weight is put on the advice from customers as well as competitors to some degree. According to these companies it is important that the advice comes from companies from similar contexts and with the same prerequisites.

A tendency has been seen that if the distributor makes the first approach the comprehensiveness of the souring and evaluation suffers. The commitment from the distributor outshines the possible lack of capabilities and the companies generally do not look for other alternatives in that market. In the case of Company 3 it is seen as a positive attitude when distributors take the first initiative since it shows commitment. Since Company 2 does not actively source distributors to any significant extent they it contracts almost all distributors that show a willingness to establish a partnership. Company 2 emphasises that the lack of employees, affects the company's sourcing capabilities. Liberman-Yaconi et. al. (2010) identify the tendency that managers at small companies need to make decisions on different levels simultaneously, which makes the quality of data collection and interpretation suffer. The situation at Company 2 confirms this argument as the respondent claimed to be in charge of too many tasks to allocate the desired time to distributor management. Company 4 identified the tendency of prioritising approaching distributors and took an active decision to put more effort in improving the objectivity in the process of sourcing distributors.

In addition, Liberman-Yaconi et. al. (2010) argue that manager's personality, perceptions and experiences influences how information is gathered at a company. This is especially the case for Company 2 and 4 but on opposite levels. In the case of Company 2, it is rather the manager's lack of experience with working with distributors that influence the sourcing process, and in the case of Company 4 it is the manager's expertise in the field that influence the process. Company 4 changed the process of sourcing distributors, from only relying on contacts to actively source distributors that are in compliance with the new strategy, which the manager implemented. These strategies were mostly based on knowledge that she gained from working in larger companies. Company 1 also adapted a similar process where the new Head of Marketing and Operations Manager (Manager 2) implemented a prospect list of distributors.

5.4. Evaluation

The distributor selection guidelines provided by Cavusgil et. al. (1995) and Wann et. al. (2009) are very extensive and include many aspects to consider when selecting a distributor. Initially, it can be concluded that none of the companies in this thesis use such a comprehensive base of criteria when evaluating distributors, but there are similarities. The most prevalent criteria evaluated by the companies are marketing and financial capabilities, commitment and compatibility, however the comprehensiveness of these criteria differed between the companies. Cavusgil et. al. (1995) argue that the evaluation process is build on previous experiences and achievements, which shines through in all of the cases.

Cavusgil et. al. (1995) criteria of "Financial Capability and Company Strengths" of a distributor is an aspect most of the studied companies consider in the evaluation process. But the extent of the evaluation of this criterion differs between the companies. Company 1 is the case where the most focus is put on the financial strength and also marketing capability of the distributor. The main reasons why these are emphasised seems to be because of the broad customer base as well as the commercial products. The sales and marketing of the product holds higher costs than in the other cases why it is so important for Company 1 to have a distributor with heavy investment capabilities. More specific aspects evaluated when assessing the marketing capabilities are market coverage, reach out potential and sales profile. The market coverage is fundamental not only due to the benefit of many potential customers, but also to assess the need to contract additional distributors. Company 1 further emphasises on securing the products' sales profile, and to evaluate whether the distributors' sales methods are in compliance with the product image. Ring and Van Der Ven (1994) argue that the most prominent driver to enter partnerships is to gain capabilities such as marketing skills, which is fully in compliance with Company 1's strategy. The managers at the company have much experience from the industry, and the thoroughness in assessing distributors marketing capabilities is probably learned from previous ventures with similar products. In line with Goodman and Dion's (2001) argument that dependency is a factor for commitment, Company 1's dependency of the special capabilities of the distributor increases the significance of the partnership.

As for Company 3 and 4 the dependency of the distributors' marketing capabilities are not as apparent. For these companies it is a minimum requirement that the distributor has a good financial situation in order to commit to the partnership, but more importantly that there is no risk of bankruptcy. The fear of bankrupt distributors comes from previous setbacks of the same scenario. Despite Cavusgil et. al. (1995) and Wann et. al. (2009) emphasis on evaluating marketing capabilities three of the companies does not consider this aspect as a ruling determinant when selecting distributors. Why this aspect is not emphasised is seemingly because of the slim customer base of the products. Compared to Company 1's commercial product the potential customers are more easily identified, and distributors are seen as a tool to reach the customers. It seem as if the there is more focus on sales capabilities rather than evaluating the marketing. Furthermore, Company 3 and 4 partly steer the marketing from the headquarters, which makes this criterion less significant. The reason for this marketing strategy relates to risk minimisation and increased control, and this certainly decreases the dependency of the distributor linking back to Goodman and Dion's (2001) argumentation of dependence and commitment. Company 2 stands out in this context because it does not consider these aspects at all when evaluating distributors. The poor evaluation can be related to the fact that the company solely use non-exclusive agreements and therefore minimise the risk, however the responsible managers' lack of experience in sales and lack of time to perform the evaluation seemingly contributes to the situation. This directly correlates to Liberman-Yaconi et. al. (2010) and Simon and Houghton's (2002) arguments that managers' experience and spread focus affects the thoroughness and objectivity of the decision-making.

Wang and Kess (2006) finding that the partner related criteria are very important when selecting distributors is in compliance with the empirical findings. Both Cavusgil et. al. (1995) and Wann et. al (2009) included intangible criteria in the evaluation process such as commitment and degree of fitness. Based on the empirical findings it can be concluded that these aspects are equally important to the companies as the concrete financial capabilities. An often-mentioned factor in the evaluation process is the aspect of commitment by the distributor. Both Goodman and Dion (2001) and Madsen et. al (2012) emphasise on the importance of commitment in a manufacturer-distributor relationship. All four companies emphasise on the importance that the distributor shows a genuine interest in selling the products and to be a part of the project. In several cases this criterion was a cornerstone in the evaluation process. In accordance with Lassar and Kerr (1996) who argue that if the relationship is striving for the same goal it decreases the need for incentives, most of the companies know from previous ventures that a more committed distributor is more efficient which in turn might decrease the likelihood of steering. However the companies see how to evaluate the commitment as somewhat problematic, because this is an aspect you cannot put a number on and is often seen when they already are in a partnership. Company 1 argue that the distributors' commitment or their interest in establishing a partnership shows quite early in the process. If the distributor is fast when answering e-mails, are flexible, willing to compromise and commit to certain expenses, give good indications of commitment. Furthermore, all of the companies consider the initiative to make the first approach as a determinant of good commitment, since this shows that the distributor is really interested in doing business. The requirement Company 4 has, that the distributor is not allowed to sell competitors' products can also be seen as a criterion of commitment. The reasoning behind this is that if a distributor is willing to exclude competitors' products they are fully committed to the company's products.

In order to have committed distributors the compatibility of two partner must be high so that both partners strive for the same goal. In line with Madsen et. al. (2012), Company 1, 3 and 4 also look on the distributor's motivations, visions and goals to get an idea whether it is a suitable partner or not. This has a lot to do with the effort needed to steer the partner in the partnership. Company 4 actively educate the distributor to perform as desired and the company sees this as a large investment. Lassar and Kerr (1996) argue that the relationship quality affects the need for incentives and if the partnership is relatively new and if there is a conflict of interest regarding goals, the need for an outcome-based contract increases (Lassar & Kerr, 1996). A way to reduce the need to control and motivate the distributor is to select a suitable one from the beginning. The degree of fitness criteria presented by Wann et. al. (2009) addresses the compatibility between the exporter and the distributor in terms of culture, organization willingness to share expertise and flexibility. Company 1 and 3 have clear preferences of compatibility regarding the size of distributors. It is important that the distributor is large and strong enough to reach the customer base and to bare the required costs. Notable is though that both companies also have claims that the distributor should not be too large. The problematic with large distributors according to Company 1 is that they are not interested in small projects and the product tends to drown in enormous portfolios. Another disadvantage with large companies is the lack of flexibility sought by Company 1, which it knows this from previous attempts of contracting larger companies that rendered out in long and costly negotiations. In compliance Company 3 seek distributors equivalent to its own size, because the products will not get the attention needed due to large portfolios. The size preference is a sign of experience as well as long-term planning by the companies. Finding a distributor with the capabilities to launch the products effectively while also giving the products the required attention is the cornerstone for a long lasting relationship to these companies. The general idea is that if the organisations are of approximately the same size in terms of sales persons the collaboration will be manageable. Both organisations can relate to the other and thereby be flexible when needed. A criteria that both Wann et. al. (2009) and Cavusgil et. al. (1995) emphasise is the aspect of portfolio evaluation, which is evaluated by all companies in the study. The reason why this aspect is of such importance to these companies is because of the complexity of the products. All companies have specialised products, which put requirements on the distributor. The basic requirement for the companies is that distributors need to have some knowledge in the field. Because of the relatively specialised products the companies offer, the distributor needs competence in the particular field and have complementary products in the portfolio in order to sell successfully. Company 1 has a special requirement, which is that the distributor needs to be able to sell the products at pharmacies and not only health stores. Company 4 is the only company in the study, which considers it as a problem when distributors sell competitors' products. Although, this is seen as a negative aspect, it can be compromised if necessary. Company 3 does not need to consider competitors products since its product is non-substitutable, meaning that there are no other products that compete with the company's product. Company 2 on the other hand do not necessarily see this as a negative aspect, but can rather be a factor for increased sales.

To conclude, all companies have some criteria in their evaluation process but the magnitude of the evaluation process differs between the companies in this study. Notable is that even though the companies are active in similar lines of business they assess different capabilities of distributors. The most prominent reasons are that the companies have different products and previous knowledge and experience with working with the distributors. These factors tend to shape what the managers and the companies perceive as important to evaluate. Simon and Houghton (2002) argue that the larger and more mature companies have more established routines and procedures, which moreover enables them to better asses the data. This is in compliance with Company 4, which is the largest company and has a more extensive evaluation process compared to Company 2 and 3. In contradiction to Simon and Houghton (2002) Company 1, which is the smallest of all the companies, has an equally comprehensive evaluation process. Interestingly the skill of evaluating distributors has evolved in both Company 1 and 4 and has gone from solely relying on existing network and relations to properly evaluating potential distributors. In other words the process was changed from a subjective to a more objective and comprehensive process, which partly is a result of the newly hired managers as well as experience gained from previous partnerships. Cavusgil et. al. (1995) argue that the evaluation process is build on previous experiences however evidently the learning period can be shortened by acquiring knowledge, since managers' experience affects how the data is interpreted and collected according to Liberman-Yaconi et. al. (2010). The incoming managers at Company 1 and 4 with expertise in the area formed frameworks with criteria and process plans when selecting distributors. In compliance with Liberman-Yaconi et. al. (2010) and Simon and Houghton (2002), who argue that SMEs restricted resources forces them rely on information that is easiest accessible to them, Company 3 argues that it does not have sufficient resources to conduct a proper evaluation and therefore rely on other companies experience and recommendations when evaluating distributors. This can also be a way as Burke and Jarratt (2004) argue to minimise the risk of the decision, which Company 3 also points out. Even though they rely on advice from others they also have some criteria when selecting distributors. Company 3 argue that a comprehensive evaluation process would be too expensive and would not guarantee results. Lastly, in the case of Company 2's process of evaluating distributor the criteria, are not as thorough compared to the other companies. Company 2 argues that it does not have time to do a proper evaluation of distributors but this can also be related to that the company and the manager has little experience in working with distributors. As mentioned Simon and Houghton (2002) argue that smaller companies do not have established routines to make in-depth analysis, which make their decisions more subjective. Since Company 2 does not have enough experience working with distributors it does not know what to evaluate and therefore rely on a narrow evaluation process. The main requirement Company 2 has for its distributors are competence within the field of products. Occasionally, to safeguard themselves Company 2 demand payment in advance if the distributor is considered not trustworthy.

5.5. Choice of distributors

To be able to get an understanding of the factors influencing the choice of distributors the process as a whole needs to be analysed in detail. The decision making process among the companies is heavily influenced by the drivers and the ambition entering a distributor partnership. Company 1, 3 and 4 have a clearly established goal of the expansion, which is one of the determinants of a rational process (Eisenhardt & Zbaracki, 1992; Liberman-Yaconi et. al., 2010). Company 1 has a few targeted markets they want to enter and Company 3 and 4 do as well, however the companies do not hesitate to seize an opportunity outside the game plan. Company 2 on the other hand has an ambiguous goal to increase revenue, but which markets to enter is not considered. The goal ambiguity in Company 2 is reflected throughout the process. As Company 2 does not actively source distributors and enter partnerships randomly the process cannot be defined as rational. Company 2 and 3 have similar processes of the muddling through character, however with some distinct differences between them. Both companies select distributors that approach them, which makes the ambition to enter the market and the selection much connected. The modelling through is characterised by the goal and the action being intertwined (Schweizer, 2012). In both companies other options to enter the market, either other distributors or other entry modes, are neglected. This is also brought up in the muddling through process where not all possible consequences are considered (Weiss & Woodhouse, 1992). Company 2 does not conduct a proper analysis of the distributor, which is in compliance with the muddling through process (Schweizer, 2012). The difference between the companies is that Company 3 evaluates the distributor more thoroughly, which makes the decisions more rational. Even though Company 2's process follows a muddling through process it can be questioned if the decision of selecting distributors is a strategic decision. Since the company signs non-exclusive agreements it is not attached to one distributor and since it does not delegate any important responsibilities to the distributor the importance of selecting the right distributors decreases.

Company 3 and 4 have a more rational step-by-step process, in accordance to the rational model (Liberman-Yaconi et. al., 2010), in markets that are strategically important to them. They have a clear goal to enter the market but Company 4 has a more comprehensive sourcing and evaluation process. Company 3 does not source all potential distributors but bypasses this step by taking references from external parties. Elbanna and Child (2007) argue that managers' reliance on experience and risk aversion can make their decisions fairly accurate even if it is not fully rational, and this is pattern can be seen in Company 3. Since the company has restrained resources it relies on other companies' recommendations and thereby have a guarantee that the distributors are good, which minimises the risk of the decision. Even though the company relies on references it also evaluates the options based on its own criteria, which minimises the risk even more. Furthermore Elbanna (2006) state that decision-makers' rationality is bounded by their own capabilities, which is clearly seen by the selection process of Company 3 and 4. Their selection process can be considered as rational, but their capabilities hinders them to make fully rational decisions, and they are satisfied with distributors that are good enough. Company 1 has a clear strategy of what markets to enter and are actively sourcing and evaluating alternatives to enter these markets, but has not found the optimal one yet. In the U.K. market, which is a prioritised market, the company chose the distributor that approached them. The distributor was one of the already prospected alternatives, and the company seized the opportunity. Although comprehensive, it cannot be considered as a step-by-step rational process because the company ignored other alternatives. Notable is that all of the companies' decision process is restricted by various factors such as time and resources. These factors forces them to neglect some information and to not properly evaluate the distributors, which in turn makes them base their decisions partly on intuition and judgemental criteria. However this depends on how important the market is to the companies. It has been clearly seen throughout the empirical findings that markets that are more important to the companies are allocated more resources to make accurate selection of distributors.

5.6. General analysis

According to Elbanna (2006) and Liberman-Yaconi et. al. (2010) strategic decisions are decisions defined by the importance for companies' present survival as well as future performances, however the process of how to derive at a strategic decision differs. On one hand the process of the decisions can be seen as a step-by-step problem solving method i.e. rational and on the other hand the process can be seen as incremental (Elbanna, 2006; Fredricksson, 1983; Schwenk, 1995). It is clear that the four companies go through a process when selecting distributors, in some cases the process is linear and comprehensive and in others more fragmented. Regardless of what the process looks like, what makes the decision strategic is to what extent the company considers it to be important for the business. If a company considers the distributor partnership as a vital piece of the puzzle in the company's development it will be reflected in the effort invested in selection of distributors.

Since a company's view of a distributor is connected to the strategic importance of the selection, it needs to be more clarified what factors that affect the view. Firstly, the most prominent factor affecting the view of distributor selection among the companies is the significance of the market. It has been seen in the cases that the strategically importance of the market is much connected to the effort invested in the selection process. Ross (1972) argues that the performance of the distributor reflects how thoroughly a company has analysed and selected the distributors, which is in compliance with some of the companies. However the connection between performance and selection thoroughness is not as apparent for all the companies a it is for Ross (1972). If the market is not a targeted market, the effort invested in sourcing, evaluating and selecting distributors is minimised. The low significance does not only show by the lack of effort but also in the contractual agreements signed with distributors in these markets. The companies are generally not afraid of seizing the opportunity in low prioritized markets, however actions in form of safeguarding are taken to minimise the risk as well as justifying the poor selection process. To further elaborate on the reasoning of the correlation between the quality of selection process and importance of the market, the process of selecting distributors can sometimes be a part of a larger expansion strategy, which makes the decision of selecting the right distributor even more important. To clarify, the selection of a distributor can initially be a stepping-stone to invest further in the market or distributor i.e. setting up a subsidiary or place personnel at the distributor. With increased investment the risk increases, which is why the companies put more emphasise on selecting the "right" partner.

Another aspect which is evident is that the companies that view the partnership as a way of increasing sales, not just short term but also in the long run, put more emphasis on the selection process. All of the companies have in some ways unique products, which requires "consultative selling" i.e. that distributor needs to motivate and identify the customer's need for the product. In order for the company to achieve positive sales figures, they need to have distributors that are committed to the task. Madsen et. al. (2012) and Goodman and Dion (2002) argue that by sharing the same goals vision the likelihood of the distributor being committed increases, which is clearly recognised by some of the companies based on the evaluation of compatibility. Given that the company has identified that achieving good sales figures depends on the quality of the distributor, it is reflected in effort put in the selection process. Furthermore, the uniqueness of the product puts higher demands on the distributor as well as the exporter. The view of the partnership is heavily characterised by the need to educating the distributor. When launching a product the exporter generally needs to educate the distributor, which increases the importance of the decision even further. A distributor needs to be found who is willing to commit to the partnership both with regards to the product as well as to the company. Educating the distributor means a high degree of interaction as well as adjustments from both parties, which in turn place high demands on the relationship. The effort to build a healthy relationship with a distributor is seen by several of the studied companies as an investment and returns are expected. Generally, the companies that are delegating resources and educating distributors view the selection as a necessity to evaluate the partner more thoroughly. In compliance with Heide (1994) and Andersson and Gatignon (1986) when the company is not certain of what to expect in terms of output the desire for control increases. In other words, the companies that are investing in the distributor make sure that they choose the best distributor by evaluating different options and criteria before delegating control and investing resources. The companies that do not view the partnership as important and do not invest or delegate control to the distributors do not have investments to protect to same extent.

The distributor selection is also important to prevent the costs attached to the issues of the principal agent theory, which addresses the difficulty and need of steering and controlling agents (Lassar & Kerr, 1996; Vermillion et. al., 2002). Although the issue of controlling the distributor is an aspect in established relationships, it has been seen that the companies actively work to prevent costs of these measures. Developing methods such as contractual incentives to motivate the agent takes time and therefore money. Building up a sound partnership with a compatible distributor might reduce the need for steering methods according to Vermillion et. al. (2002). If the distributors' and the exporters' view of the partnership is aligned they can more easily build a sound relationship and changes can therefore be implemented without too much resistance. Factors affecting the compatibility between the exporter and the distributor are culture, vision, goals, aspirations etc. The endeavour to find a compatible partner is strongly linked with the view of the partnership. Finding a partner with not only the right financial and marketing capabilities, but also who is compatible in terms of company culture and aspirations place high demands on the selection process. If a company views the relationship aspect as important they tend to invest the effort needed to find a compatible distributor. The methods of monitoring (Fama, 1980) and controlling by incentives (Jensen, & Meckling, 1976) are not a primary focus in the selection however tendencies do exist among the studied companies. The companies in this study that actively work towards improving the performances of their distributors use different methods to motivate them. The most recognized method in this study is in line with Vermillion et. al. (2002) is to develop and maintain a strong relationship with the distributor. Training and educating the sales force as well as to maintain a good communication with the distributor strengthen the relationship.

Lastly, the dependency level of competitive advantages heavily affects the view of the relationship among the companies. The reason to enter markets with distributors is according to Sethuraman et. al. (1988), Anderson and Narus (1984) and Ring and Van Der Ven (1994) to gain competitive advantages, in form of market presence, market knowledge, shared costs etc., by delegating control and sharing the profits. If the company is highly dependent on the distributors' competitive advantages for the company's future performance, they tend to invest more in selecting the right partner. More specifically the importance of the evaluation process increases, when certain capabilities are sought after. In some cases the marketing capabilities are necessary in order to launch the product successfully and in other cases having feet on the ground locally is a priority. The dependency level of competitive advantages is reflected on the exporters shortcomings and therefore also the need for complementary capabilities. The entire international expansion might be in the faith of the distributor' capabilities, which evidently increases the need for a competent distributor. The dependency level of competitive advantages differs to a large extent between the companies in this thesis. Some of the companies are satisfied with distribution of the product, but to others the distributor needs to contribute with marketing and a commitment to sell the product i.e. consultative selling.

Based on the empirical findings it can also be concluded that the companies do not consistently view the distributor partnership as strategically important. The first reason why the partnership is not emphasised in some cases, is because of the low importance of the particular market. As mentioned the companies have a tendency to seize the opportunity when distributors approach them but with low risk models and low commitment. This said, it does not mean that if a distributor makes the initial approach, the process cannot be classified as strategic. This approach can be seen as a muddling through process where the goal can be identified in retrospect (Schweizer, 2012). The decision can in other words turn out to be a strategic move after a time period, but when the decision was made it might not have been a strategic decision. The reasoning is that it depends on how the company takes stand towards the opportunity, the partnership and delegation of control.

Secondly, the attitude towards the line of business where the distributor is required affects the significance of the partnership. In one of the studied companies the sales of products is a relatively new business and the product export is still in an experimental phase. The sales of products are not the main source of income and evidently the importance of selection of distributors decreases. In other words the company is not dependent on the success of distributors for the company's performance and sustainability. It seems that the company reasons that the quantity rather than the quality of distributors increases the sales of the product. The strategy is in other words characterised by a trial and error process where the outcome is not properly evaluated. An extension in this reasoning seen in the empirical findings is that if the company does not believe in the correlation between the quality of the distributor selection and increased sales, they do not emphasise the execution of the distributor selection.

Clearly seen in the empirical findings is that the maturity level of the company as well as the managerial experience reflects the goal ambiguity with the foreign operations, and therefore the distributor relations. Evidently, if the company has a clear and long-term goal to with the distributor it tends to invest more in the selection process. If the company believes the success on a particular market will affect a company's future it will carefully select the distributor that will do the best job of launching the product. On the contrary, if the company does not have a clear goal with entering the market, it is reflected by a poorly executed selection process. The aspect of managerial experience affecting the selection process is especially evident in the cases where competent managers were recruited. At the point where competence was acquired the goal ambiguity decreased, which was reflected by the increased rationality in the selection process.

Even though companies possess the required competence and strive towards a serious selection process they are affected by certain factors such as lack of time, resources and information. In these cases the companies are forced to rely on subjective inputs such as intuition to complement the lack of prerequisites and choose the alternative that is good enough rather than the optimal alternative. This pattern is in fact in line with the literature contributions of Liberman-Yaconi et. al. (2010), who argue that SMEs lack of resources hinders them to make fully rational decision and therefore have to rely on subjective judgements.

5.6.1. Redefined conceptual model

With regards to these aspects the conceptual model needs to be reshaped to better reflect the empirical findings of the selection process.

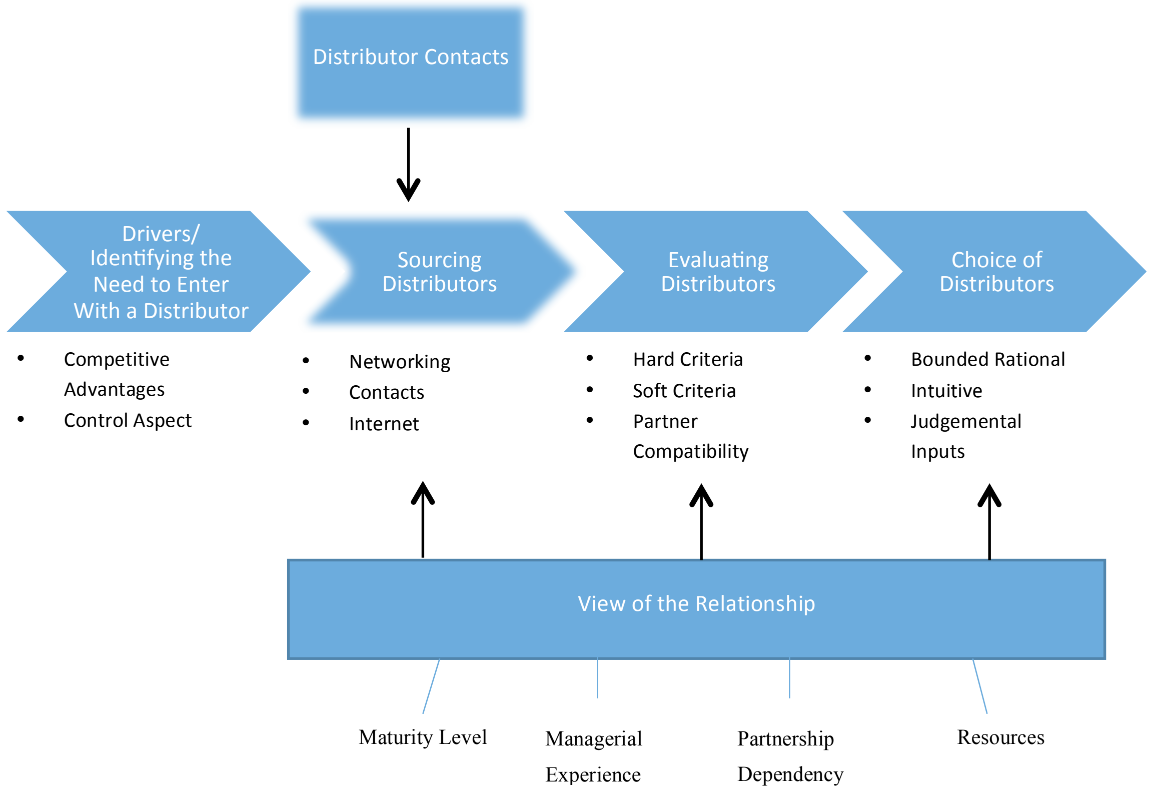

Figure 2: Re-defined conceptual model compiled by the Authors

First of all, the main drivers mentioned in the literature to enter a partnership with a distributor are to a large extent aligned with the empirical findings in this thesis. The reasons to enter with a distributor is to gain competitive advantages in different forms such as risk reduction, fast entry etc., while at the same time keeping control of certain capabilities.

As argued in the general analysis, the distributor selection process is heavily affected by the company's view of the partnership why this factor needs to be added to the process. This factor does not only affect the selection process as a whole but all the stages in the process. To generalise, depending on whether the company views the relationship as strategically important or not the following steps in the model are more comprehensive. On the contrary, if the partnership or the market is not directly viewed as strategically significant the following steps are more intertwined. To exemplify if a distributor approaches the company from a low prioritised market the sourcing and evaluation is generally not done as thoroughly. As a company's view of the partnership affects the selection process the factors influencing the view is due for a clarification. Based on the empirical findings it is shown that four aspects heavily influence the way companies value the distributor partnership namely managerial experience, partnership dependency, maturity level and resources. A company's dependency relates to how important the partnership is for the overall success of the company. Some cases have shown that the distributors capabilities are vital for the companies, which increase the dependency of the distributor. If a company is largely dependent on the distributors performance the selection process is generally more vital, and clear goals are set up for the partnership. Furthermore, goal ambiguity is very correlated to managers' lack of experience as well as the maturity of the company. In the cases of the more experienced companies the distributor selection is a natural part of reaching the clear goals set up for the international expansion, and the sourcing, evaluation and decision process is consequently more thorough.

The sourcing step of the selection process model is, based on the empirical findings, a step that is sometimes compromised when a distributor makes the initial contact which is why the box has soften edges in the model. The assessment is made that the distributor interested is a solid alternative and consequently the company do not put more effort into finding alternatives to compare with. In the cases where the companies actively source distributors they gather information from external parties such as networks, other companies etc., however the comprehensiveness of the sourcing differs between the them. The more mature companies rely on more sources when they gathered the data. The managerial experience also affects the procedure of rationality in the sourcing phase. This corresponds with the initial model that the managers' characteristics affect the company's collection of data. It seems that companies with more experienced managers are better at gathering data and knows where to look for the information.

The evaluation process of distributors differed between the companies, but it can be concluded that none of the companies had as a comprehensive evaluation process as the literature suggest. The evaluation process is affected by time and resources to different extent, depending on the maturity of the company as well as managers' characteristics in accordance to Liberman-Yaconi et. al. (2012). Even though the companies' evaluation process differs they generally look at similar criteria. It can be concluded that the companies' hard criteria such as financial capabilities, marketing skills etc. is evaluated in all of the cases. The soft criteria are as important to the SMEs as Wang and

Kess (2006), Wann et. al. (2009) and Madsen et. al. (2012) suggests. The most desired characteristics are flexibility, commitment, loyalty as well as transparency for the companies. Due to the complexity of measuring soft criteria they are largely based on subjective interpretation by managers and consequently varies between them.

Conclusively, the choice of distributors depends on the evaluation of the alternatives but also the gut feeling of the managers. Another factor that influences the choice of distributors is the relations to them. If a company has established a positive relationship with the distributor they seem to be prioritized when entering other markets as well.

6. Conclusion

This study focuses on the distributor selection among SMEs in the Healthcare sector and more specifically the strategic importance of the decision and what factors that influence the selection process. Prior studies have mainly focused on the internationalisation process among SMEs where the distributor selection often is one component among others. Distributor selection is in fact a studied subject, but the existing research in this field does not consider the size and available resources of the companies and therefore do not give an accurate picture of the process among SMEs. The Healthcare sector is a suitable industry to investigate for this purpose because the industry is characterised by the widespread use of distributors and has not been targeted for this research purpose. This multiple-case study sheds light on the importance of distributor selection and increases the understanding of distributor selection among SMEs. The ambition is to address the issue of distributor selection and to increase the knowledge of this process.

6.1. Results

Based on the restrictions of the multiple-case study method applied in this thesis a completely accurate picture of the phenomena cannot be given. The findings of this thesis can only be generalised within the cases, but can be used to increase the knowledge of the phenomenon.
In order to clarify the findings the results is divided into two parts.

To what extent is the selection process of foreign distributors among SMEs a strategic decision...

The distributor selection among SMEs is evidently a vital decision, especially in the Healthcare Industry. The complex products in this industry increase the need for competent and committed distributors as well as investments in product sales and service training. The distributor selection among the SMEs in this study is a strategic decision in three out of four cases. In these three cases the distributor partnership is considered as a long-term relationship with the clear objective to achieve sustainable growth. This is reflected by the fact that all of these companies invest and train the distributors in order to shape them into a representable extension of the company on the foreign market. Furthermore these companies mostly sign exclusive agreements, which further resembles the ambition with the partnership. These aspects echoes throughout the process of selecting distributors since these companies put more emphasis on evaluating and selecting the right partner in accordance to the companies' values and goals. In the case where the distributor selection is not regarded as a strategic decision the partnership represent sporadic attempts to enter markets with the hope of generating short-term sales. These attempts are often safeguarded through non-exclusive agreements decreasing the risk of failure and consequently reducing the effort invested in the selection process. Even though the entrance of a partnership can be perceived to be a strategic move in retrospect, the conditions of the partnerships and perfunctory evaluation impede the decision from being considered as strategic when it was taken.

...what factors influence the selection process among SMEs?

Based on the empirical data there are several *factors* influencing the selection process as well as the decision. Firstly, the company's *dependency* of the partnership affects the importance of the distributor selection process among the studied SMEs. If the company is dependent on the distributor to be successful on a market the decision making process is generally more comprehensive. A clear tendency from the cases is that the more decisive the partnership is the more emphasis is invested to find the best partner. Secondly, as the literature points out, the time, the information and the resources available affects the decision making process. Smaller companies do not always have the ability to allocate the necessary *resources* and time to properly source and evaluate the information to the extent desired by them. Thirdly, companies have different capabilities to allocate the limited resources, and this capability is correlated to the *managerial competence and experience.* Based on the empirical findings it is clear that the managerial experience is an equally contributing factor to the quality of the distributor selection as the size is. Furthermore, a notable tendency is that once the companies acquire experienced managers the distributor selection reforms to a more structured process with less ambiguity. Fourthly, *the maturity level* of a company is a factor influencing the selection process as well as the decision among SMEs in this thesis. The companies further along in their international expansion have developed more comprehensive and rational procedures when selecting distributors. Both these tendencies (managerial experience and maturity level) are verified by Schweizer (2012) case study, which found that SMEs go from a muddling-through to a more rational process once they gain experience either through a learning process or acquiring new managers. The results do not only confirm studies addressing the managerial effect on decision making but also verifies the applicability of this aspect in the distributor selection.

6.2. Managerial implications

Besides the previously discussed factors the empirical findings have shown that there are several managerial implications in the process of selecting distributors, not the least when aspiring to improve the process. As mentioned the distributor selection process reflects the ambition of the international expansion at a company. In order for a SME to take the next step and streamline the process of distributor selection, investments are required with regards to time, resources as well as effort, and the implication is to motivate these investments. Changing the procedures of a company is even more difficult if the overall aspiration of the foreign operation is already met. Conclusively the selection process reflects the top management and the owners' ambition with the company and the implication is to motivate and justify the investments required to change procedures.

6.3. Limitations and suggestions for future research

The results of this study are limited to the exporter's perspective and do not consider the distributor's view. The distributor might have different agendas compared to the exporter, which in turn can affect the selection. An aspect affecting the reliability of this research is the fact that the targeted companies are active in a line of business with relatively niched products. It can be assumed that the nature of the product affects the characteristics as well as the competence requirements of a distributor. These limitations indicate that there is room for further research in this field. First of all, a more detailed look of how the product structure affects the selection of distributors needs more clarification as this factor affects how companies work with distributors. How would the importance of distributor selection be affected if the products were in an industry that is not as complex? Secondly, the owner structure of a company is as well an interesting subject to look into. How does different shareholders' interest affect the distributor selection process regarding for example the choice of selecting a distributor that is instantly profitable in contrast to selecting a distributor that is sustainable?

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Appendices

Apendix A

Interview questions:

Could you give us a brief description of the company you work for and the responsibilities you have.

What were the firms' driving forces using distributors in foreign markets?

What are the disadvantages entering a relationship with distributor? Have you had an unsuccessful partnership with a distributor. Please elaborate.

What are the most important factors when entering a partnership with a distributor and how would you describe a good relationship with a distributor?

Describe the process you and the company go through when selecting distributors.
What characteristics does your company value when selecting distributors?

How do you find distributors?
How do you evaluate and compare distributors?