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HANDELSHÖGSKOLAN

The Importance of Business Networks: The Impact on the Localisation of a Swedish MNC's Foreign Operations

An Empirical Study of the Elanders Group

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Authors

Hedda Sievers 940210

Emma Åkerlind 950925

Tutor

Inge Ivarsson

Abstract

Title: The Importance of Business Networks: The Impact on the Localisation of a Swedish MNC's Foreign Operations

Authors: Hedda Sievers and Emma Åkerlind

Tutor: Inge Ivarsson

Background and Problem: For the past few decades, companies have to an increasing extent been influenced by external factors in the course of their business, or more specifically: by their business networks. One aspect of internationalisation that has not yet been thoroughly studied in the context of networks is localisation. The aim of this thesis is therefore to begin to fill this gap by studying how networks have affected the localisation of a MNC within the printing industry.

Purpose: The purpose of this study is to define in which way networks have affected the internationalisation of the Elanders Group regarding their localisation, and to thereby show the importance of networks for a large MNC within the printing industry.

Method: The empirical material has been collected through interviews with the Group Finance Manager of the Elanders Group, and through various documents provided by the company. This empirical material has then been analysed in comparison with the theoretical framework

Results and Conclusion: Different types of relationships have been involved in Elanders' internationalisation. Due to the different nature of these relationships, they comprise different resources and thereby affect the localisation factors of Elanders' foreign operations in different ways. However, even though networks are important, other factors are worth considering when studying the localisation of an MNC within the printing industry.

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Hedda Sievers

Emma Åkerlind

Abbreviations

BRIC Countries - Brazil, Russia, India, and China

GPN - Global Production Network

ICT - Information and Communication Technologies

MNC - Multinational Corporation

SME - Small and Medium Sized Enterprises

Keywords

Network, Internationalisation, Localisation, the Printing Industry

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1. Introduction

The introduction will provide the reader with an understanding of the background of the discussed topic, and will also provide the reader with information on the reasoning behind the decision to focus on this topic. This is followed by a problem discussion and a statement of the purpose of the study. These two parts will introduce the reader to the thesis topic, and are followed by a presentation of the research question.

1.1 Background

Companies can no longer be seen as separate units. They are highly influenced by their surroundings and factors that are external to the company play a major role in businesses within various sectors. These external factors have come to affect many decisions within a company and as the world has become more globalised, these factors have become especially important when it comes to internationalisation decisions. When studying the internationalisation of companies, several well-established studies put a strong emphasis on internal factors regarding companies' decisions (Dunning, 2000; Johanson & Vahlne, 1977). However, in recent years new internationalisation theories have emerged that stress the importance of business networks for the internationalisation of businesses (Elango & Pattnaik, 2007; Johanson & Vahlne, 2009). Engaging in networks has several positive effects for internationalisation, for example it reduces the company's perceived risk and is likely to improve their future performance on the market (Hosseini & Dadfar, 2012). Even though a certain network can be beneficial in many ways, it also requires the company to adapt to conditions that are already prevalent in the network. These conditions may also change over time and therefore companies must be flexible in order to stay competitive even when the conditions in the network change (Johanson & Vahlne, 2009).

An aspect of internationalisation that has been frequently discussed is the localisation of a firm's foreign activities (Dunning, 2000; Johanson & Vahlne, 2009). Decisions regarding international localisation are often referred to as international market selection (Brewer, 2001; Brouthers et al., 2009) and are a critical component in the performance of MNCs (Douglas & Craig, 1992). There are several ever-changing factors that affect international market selection (Johanson & Vahlne, 2009; Brewer, 2001; Dunning, 2000).

An industry that has gone through major changes during the past decades is the printing industry. As society has become more digitalised, it has become less reliant on printed media and therefore

companies within this industry have had to change their businesses (Marketline, 2012; The Economist, 2012). Elanders has been present in the publishing and printing industry for more than a century. Since their inception, they have continuously evolved in the way that they conduct their business. In the beginning, they were mainly a printing company present on the Swedish market, whereas lately they have increasingly taken on the role of being a globally present provider of value chain services (Elanders, 2008). The localisation of Elanders' foreign operations has been a central part of this development, both the new markets they have entered but also the markets in which their presence has been strengthened or weakened. Furthermore, during their internationalisation they have created a myriad of relationships which has created their own business network. Being a global player in the printing industry, it is certain that Elanders' network has played an important part in determining the localisation of their international operations.

1.2 Problem Discussion

A review of the existing literature within the field of internationalisation and business networks shows that even though the need for covering this topic is comparatively recent, there are several studies on network theory and on the impact that business networks have on the internationalisation of firms. It is an extensive subject, and these studies consider a wide variety of different aspects of internationalisation and business networks. The focus of many existing studies is, however, the resources that business networks give access to and how these affect the success of the internationalisation (Gadde et al., 2003; Kenny & Fahy, 2015). There are also studies focusing on how companies use business networks in their internationalisation process (Elango & Pattnaik, 2007). There is a gap in research regarding how business networks affect the localisation of firms' international expansions. There is also a gap in research about how decisions regarding international market selection are taken (Brouthers et al., 2001). Localisation is a fundamental aspect of internationalisation (Brouthers et al., 2001) and therefore there is a need for further studies that combine the aspects of business networks and localisation. Because both business networks and strategies regarding localisation are central aspects of a business, attaining knowledge that combines these aspects would be of great importance for a firm.

The printing industry has gone through major changes during the past decades. For example, small, local printers have evolved into being MNCs (Elanders, 2012; The Economist, 2012). There is, however, a gap in research about the internationalisation of companies within the printing industry. As there has been a shift from being an industry based on traditional

manufacturing to becoming an industry with growing technological sophistication (Bell et al., 2004), there is a particular need to study the internationalisation process of firms within this industry.

Furthermore, many of the existing studies within the field of networks and internationalisation are on companies that are classified as SME's or Born Globals (Zhou et al., 2007; Andersson & Helander, 2009). Due to the unique nature of such firms, there are studies that argue that these firms are especially reliant on business networks for their internationalisation. Recent studies (Kenny & Fahy, 2015) have shown that SMEs and Born Globals can benefit from engaging in business networks. However, there seems to be a gap in research regarding how the internationalisation of large companies is affected by utilising business networks in their international expansion processes, and especially regarding the localisation of these internationalisation processes. As the world has become more globalised and concepts like MNCs and GPNs have emerged, there is an increasing need to study how the international localisation of these firms is affected by networks. The purpose of this study is not to compare companies of different sizes, but because this is an empirical study of an MNC, this study constitutes a contribution to the gap in studies that combines the aspects of large companies and networks.

In conclusion, there are several studies in the field of networks and internationalisation, but because factors of localisation are such an important aspect of internationalisation, there is a need for further studies of networks and internationalisation that include the locational aspect. The internationalisation of companies within the printing industry has not yet been studied, and because of the major shifts that have taken place during the past decades, it is an interesting industry to study. Furthermore, there is a gap in network research when it comes to large firms. The aim of this thesis is therefore to fill these gaps by studying how networks affect the localisation of the foreign operations of an MNC within the printing industry.

1.3 Purpose of the Study

The purpose of this study is to define in which ways networks have affected the locations of Elanders' foreign operations and thereby showing the importance of networks for large MNCs within the printing industry. In order to achieve this purpose, we will study Elanders' internationalisation trajectory and answer the questions presented in section 1.4.

1.4 Research question

The research questions for this study are:

- What kinds of existing relationships have been involved in Elanders' establishments abroad?
- How have these relationships affected the localisation of Elanders' foreign operations?

2. Theoretical Framework

This chapter describes the different theories collected from relevant studies which we have chosen to utilise in our analysis. We begin by discussing different network theories, and then we continue by presenting studies within the field of localisation. This chapter ends with a presentation of a simple model of our own which works as a summation of our theoretical framework.

2.1 Studies in the Fields of Internationalisation and Business Network Theory

2.1.1 Network theory

2.1.1.1 Networks in a Business Context

According to Borgatti & Halgin (2011), “*a network consists of a set of actors or nodes along with a set of ties of a specified type (such as friendship) that link them*”, but it is up to the researcher to define the network in each specific case. A different but rather similar view on networks is that they concern social exchange and resource dependency. In the business context, they comprise both formal and informal relationships. These kinds of relationships may include suppliers, customers, competitors, friends, family, and various other kinds of affiliations (Kenny & Fahy, 2015). Kenny & Fahy’s study from 2015 focuses on how network theory contributes to the internationalisation processes of SMEs and the effect of network capability on performance in international trade. They performed a large-scale study on the Irish telecom industry which resulted in a large base of results, the most significant piece of which may be the finding that there is a strong positive correlation between strong network ties and international performance (Kenny & Fahy, 2015). The authors then conclude that they have managed to provide evidence of a collaboration-performance relationship, but also that networks often have implications regarding a firm’s resources, and therefore companies need to “*develop and implement those business strategies that build on these resources in order to enhance the likelihood of international success.*”

Gadde et al. (2003) argue that “*firms operate in the context of interconnected business relationships, forming networks*”. They argue that these networks can affect a company’s actions and nature. According to this theory, it is crucial for companies to develop and maintain relationships while the competitive aspect of formulating and maintaining a strategy is less important. According to them, it is also of great importance for the performance of a firm to coordinate their activities with those of surrounding firms. In other words, Gadde et al. (2003) put

strong emphasis on interaction between businesses, which they define as “*the exchange of products and services and concerned with how two companies choose to organise the flows of goods and information between them*”. The actors in the network definition of Gadde et al. (2003) are similar to the definitions of Kenny & Fahy (2015) and include customers, suppliers, and, somewhat ambiguously, other organisations.

In *Strategizing in Industrial Networks* (2003), Gadde et al. present three strategic resources that networks bring to a business. The first one is the bi- or multilateral relationships in themselves. The individual firm is often reliant on its relationships for technological developments, and the majority of a company’s sales revenue usually comes from a small number of important customers. The second way in which relationships provide the firm with resources is that they work as a bridge by introducing the firm to the partners’ network, giving the firm possibilities to create new relationships. Thirdly, by having a relationship with an external party, the firm’s resources are combined with those of the other party.

2.1.1.2 Business Networks in Internationalisation Theory

Consciously taking advantage of networks in the internationalisation of a business is a rather modern occurrence. Kenny & Fahy (2015) argue that networks are “*non-hierarchical systems where firms invest to strengthen and monitor their position in international networks*”. Utilising business networks when internationalising a business has several positive effects. In addition to the generally positive effects regarding facilitation of expansion, having solid relationships with other businesses may reduce a company’s perception of risk regarding entering a foreign market, it may reduce investment cost and time of the process of integration, and can also improve the company’s international performance (Hosseini & Dadfar, 2012).

Another common obstacle for internationalisation is lack of knowledge. In order to acquire relevant knowledge to overcome this obstacle, it is of considerable importance for firms to engage in business networks (Zarei et al., 2011). Kenny & Fahy (2015) agree with this to a certain extent by stating that because of greater geographical and psychological distance between buyers and sellers, there is an increasing need for networks consisting of long-term relationships based on commitment and trust. The use of business networks may also speed up the internationalisation process as it enables the creation of new relationships that complement the resources at various stages in the value chain. Another interesting aspect of network theory found in their article is their comprehension of the concept of learning. Deep and long-lasting

relationships both lead to the transferral of knowledge about the partners and their needs and capabilities, and they also enable the participants to create new knowledge together. This co-developed knowledge can, for example, concern other firms in the partners' respective home-markets, which leads to both of them being able to participate in each other's business environment. (Kenny & Fahy, 2015)

In Majkgård and Sharma's paper on client following and market-seeking strategies in the internationalisation of service firms (Majkgård & Sharma, 1998), one of their first remarks is that even though service firms constitute the largest and fastest growing segment of the world economy, research on the areas of foreign market entry and market selection has lagged behind. In their paper, Majkgård and Sharma conclude that the process behind the decision of foreign market entry mode is the accumulation of experiential knowledge by the firm, and in this regard, service industry companies are not different from those in the manufacturing industries. However it must also be taken into consideration that this particular study was performed on a small number of software firms, which is to say that more research is inarguably needed on the area in order to rule out any inconsistencies. Majkgård and Sharma also show that clients are not the only driving force for a firm to enter into a new market. In fact, companies in the service industries seem to seek experiential knowledge not only from their clients, but from other members in their business network as well. One other main finding is that what defines internationalising businesses at large is that they strive to choose an entry mode based on restricting their own uncertainty rather than to seek new business opportunities. (Majkgård & Sharma, 1998)

Another study conducted on the topic is Elango & Pattnaik's (2007) study on how emerging market firms utilise parental networks to develop capabilities for international operations. In their opinion, having access to knowledge regarding current international activities within their network provides a valuable source of information for them on which to base their own internationalisation. This knowledge is considered by the authors to facilitate the acquisition of business and institutional knowledge compatible with the focal firm's own capabilities. Whether or not it can be said that this type of knowledge-sharing networks are generally important for a company's success is debatable, however Peng and Luo (2000) concur in this aspect as they provide empirical evidence on the importance of this type of information sharing networks in an emerging economy, in this case China. Parental relationships may indeed prove to be of paramount importance in many markets, perhaps especially in those economies where the reduction of search costs, transaction costs, contracting costs, as well as the occurrences of moral

hazard and various ambiguities are deemed most important by businesses who enter into them. Therefore one may also view this type of business group as a strategic network which provides members with valuable information, resources, technologies, and markets in order to further their business progress (Gulati, Nohria, Zaheer, 2000).

The Uppsala Internationalisation Process Model was created in 1977 by Johanson and Vahlne as a means of describing how firms choose to internationalise their business, and in which order they undertake different modes of international engagement, based on empirical data from the internationalisation processes of Swedish industrial businesses. In short, Johanson and Vahlne found that in general, businesses would develop internationally in the following manner: first they would export their goods; this would initially be done on their own and later via an intermediary such as an agent based in the foreign country. After this they would progress into operating their own sales office in the same country, and finally the company would begin to produce its own goods abroad. This process is now known as the *establishment chain*, though it wasn't a part of the 1977 model but a summary of the empirical observations on which it is based. (Johanson & Vahlne, 2009) Furthermore, Johanson and Vahlne found that the country which the company in question chose to get engaged in was generally one which they chose to refer to as one with a small *psychic distance* to the company's own country. This is to say that businesses in general were risk averse in the way that they chose to branch out internationally to countries with a similar culture to their own.

In 2009, Johanson and Vahlne published a revisited version of their internationalisation model. One of the changes to the model was that they had included the aspect of networking. Their belief was that network relationships have both an enabling and a constraining impact on a business, and that the network in which a company is involved has an effect on its foreign market selection as well as on the chosen mode of entry. Networks bring several advantages, but they do not necessarily work as providers of resources; they can also be consumers of resources. Therefore, it is important for firms to handle relationship decisions carefully, not only to choose among different counterparts but also regarding breadth and depth of the relationships. Relationships with a high level of involvement may be costly to maintain and require large investments. Furthermore, while there may be some formal aspects to relationship building, it is largely an informal process (Powell, 1990). Because relationships are largely a social construction, the tendency for relationships to be informal and subtle leads to psychic distance making a vast difference in the difficulty of building relationships. The core argument of the model is therefore

based on business network research and has two sides. Firstly, Johanson & Vahlne believe that “markets are networks of relationships in which firms are linked to each other in various, complex and, to a considerable extent, invisible patterns. Hence insidership in relevant network(s) is necessary for successful internationalisation.” Though insidership is not the only condition needed for business development, they believe that it is a necessary condition. If a firm has no position in any relevant networks, they are “outsiders” and will suffer from the *liability of outsidership* and foreignness when they try to enter a foreign market. Secondly, Johanson & Vahlne find that “relationships offer potential for learning and for building trust and commitment, both of which are preconditions for internationalization.” A firm’s environment is, in the opinion of the authors, made up of networks, and this affects the ways in which firms consider learning, building trust, and developing commitment, in addition to the propensity to identify and implement opportunities. (Johanson & Vahlne, 2009)

An updated conceptual model was published which highlights some changes to the 1977 model, which can both be found in the appendix (figures 8.1 and 8.2). Firstly, in their original model they believed that a company’s *market knowledge* would be a deciding aspect in the decisions they would come to make regarding commitment. This aspect was revised into also acknowledging the aspect of *recognition of opportunities*, with the intention of indicating the perceived importance to the process of internationalisation that opportunity recognition poses. For a company to be engaged in a network of similar firms of course improves its chances of coming in contact with those who may create a business opportunity. In short, the position of Johanson & Vahlne is that “*opportunity development is an interactive process which is characterized by gradually and sequentially increasing recognition (learning) and exploitation (commitment) of an opportunity, with trust being an important lubricant.*” (Johanson & Vahlne, 2009; March, 1991) Secondly, the *market commitment* variable in the original model is now labelled *network position*. This is due to the assumption that internationalisation processes are inevitably pursued within a network. Thirdly, the aspect which in the earlier model was referred to as *current activities* has been changed to *learning, creating and trust-building*. This was done in order to accentuate the outcome of current activities. Finally, the aspect of *commitment decisions* has been re-formulated as *relationship commitment decisions* in order to further pinpoint the importance of relationships to businesses’ commitment decisions. (Johanson & Vahlne, 2009)

These changes shift the focus of the model in a few ways. Firstly, the authors have come to consider to a greater extent the importance that relationships and networks play in internationalisation. A business's knowledge and recognition ability regarding opportunities of enhancing business endeavours affects their decisions regarding future relationship commitment, and their processes of learning, creating new knowledge and building trust lead to incremental changes in their position within a network. For example, if the business partner of a certain company chooses to expand their business abroad, and they have an extensive network of relationships with other companies in this foreign country, then the company may see the benefits of the opportunity to follow this partner abroad. (Johanson & Vahlne, 2009)

Furthermore, as a response to criticism toward their original model, Johanson and Vahlne also decided to address the declining relevance of the establishment chain mentioned in their original model. This was done because of recent development toward non-traditional forms of internationalisation. Some examples of this are the concepts of *leapfrogging* which is when businesses skip over stages in the establishment chain, when businesses internationalise at a faster pace than in previous decades, or when they start their international expansion right after the inception of their business. (Johanson & Vahlne, 2009)

2.2 Localisation Theory

There are several studies in the field of the localisation of a company's foreign operations. A well-established theory that covers the aspect of localisation is The Eclectic Paradigm (Dunning, 2000). The model from 1978 states that there are three kinds of advantages that determine the foreign activities of a firm: ownership advantages, location advantages and internalisation advantages. As conditions have changed, the reasoning in the original model has been updated in *The Eclectic Paradigm as an Envelope for Economic and Business Theories of MNE Activity* (2000). It is argued that there are four types of foreign based MNE activity, which are: market seeking, resource seeking, rationalised or efficiency seeking, and strategic asset seeking. With this model, Dunning has always argued that locational advantages are important for the foreign activities of MNCs, but in the updated model he discusses new kinds of locational variables. As the economy has become more knowledge-intensive, traditional locational advantages based on immobile natural resources have now been replaced by created resources, where special importance is put on the presence of domestic firms with whom MNCs can cooperate. (Dunning, 2000)

Brouthers et al. (2009) have used the Eclectic Paradigm (Dunning, 1998) in order to study how MNEs select international markets. According to Dunning (1998), companies aim to establish themselves in locations where their competencies can be used in the most efficient way. Market selection also depends on factors such as growth potential, social and economic stability, market potential, and political risk. This study finds that the Eclectic Paradigm is especially appropriate for explaining the market selection of MNCs as it includes other advantages than traditional target market factors. For example, this gives firms an opportunity to evaluate where they can use their ownership advantages in the best way. However, this study is restricted to only studying market-seeking situations, and was limited to studying first time entries.

Another study in the field of international market selection was conducted by Brewer (2001) and examined how Australian firms that are already involved in international business make decisions regarding international market selection. Brewer argues that companies are not always rational in their selection of markets and that it is an unpredictable process. In the study, different factors for international market selection are presented. Firstly, business factors such as overall attractiveness of a market or being able to control the activities of competitors are mentioned. Another important factor is psychic distance which, as previously mentioned, means that companies often establish themselves in countries that are more similar to their own and therefore easier to understand. However, this factor becomes less important as the international presence of the company increases. It is also important to mention chance as a determining factor for the market selection of a firm. One example of this is the client following phenomenon which means that firms sometimes tend to follow their client from the domestic market to a market abroad. This study found that factors such as the maturity of the market, the attractiveness of the market, and the firm's competitive position on the market were important. Information about determining factors is based on the accumulation of knowledge from a number of sources called "informants". These are for example allies, exhibitions, past experiences, previous customers, and networks which provide the firm with data, intelligence and contacts.

2.3 Our Model for Networks' Impact on the Internationalisation of a Firm

Based on the other studies and theories presented above, we have created a theoretical framework for the analysis of networks' impact on the international locations of a firm (figure 2.1). Similarly to for example Johanson & Vahlne (2009) and Gadde et al. (2003), we argue that networks are important determinants for a firm's internationalisation. In the following section, we will explain the components of our model.

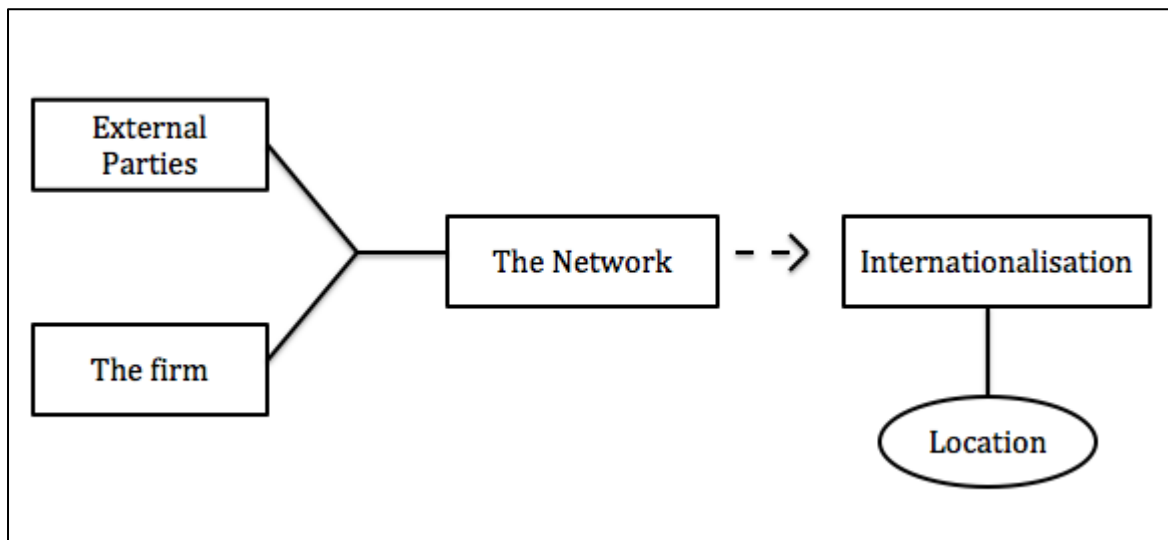


Figure 2.1 Our Conceptual Model of a Network's Impact on the Internationalisation of a Firm

The box in the lower left corner of the model represents the focal firm. The box in the upper left corner represents the external parties with whom the firm has relationships. These two boxes are linked together, which represents the relationship between the firm and the external parties. The characteristics of the external parties and the relationships are, however, not determined in this model. This is due to the fact that there has been no common understanding on the definition of networks, and that earlier studies have had different definitions regarding the participants in a network. Furthermore, Borgatti & Halgin (2011) argue that the components of a business network may vary between different cases. Kenny & Fahy (2015) argue that business networks sometimes consist of both formal and informal relationships, and that they may include external parties such as suppliers, customers, competitors, and personal friends or individuals within companies. Majkgård & Sharma (1998) also support this interpretation by arguing that it is not only clients that affect a company's internationalisation, other actors in their business network are also important. Together with external parties, the firm creates its own network. This is illustrated by the line drawn to the Network box in our model.

An aspect that several studies and theories stress is that business networks are carriers of a several different resources. For example, Kenny & Fahy (2015) argue that an important aspect of networks is resource dependency. The aspect of resources is therefore included in the Network box in this model. Johanson & Vahlne (2009), however, find that networks can be both providers and consumers of resources. Therefore, our model allows for analyses of both the positive and

negative effects of resources. In addition to this, due to the different nature of different networks, we believe that the resources within a network may vary and are specific for each individual case but that there are some common resources between different business networks. Gulati, Nohria, Zaheer (2000) mention information, technologies and markets as important business network resources. These resources are, according to us, some of the resources that networks may comprise.

We would also like to include the three kinds of resources mentioned by Kenny and Fahy (2015): the relationships in themselves, additional relationships, and resources that are combined with the other party. A common obstacle to internationalisation is lack of knowledge, and uncertainty (Zarei et al., 2011; Majkgård & Sharma, 1998). These aspects are strongly linked to resources. Here, we argue that the resources within the network can help overcome this obstacle. In the Uppsala Internationalisation Process Model (Johanson & Vahlne, 2009), a central concept is recognition of opportunities. In our model, we have chosen to include this perspective by defining opportunity recognition as resource that the network brings to the firm. Johanson and Vahlne (2009) also mention the concepts of learning, creating and trust building. We argue that these aspects are also valuable resources that firms gain access to thanks to their business network.

Elango and Pattnaik (2007) argue that firms can base their own internationalisation on knowledge from the network regarding the current international activities. This standpoint is repeated in other studies. According to Gadde et al. (2003), the network can affect the actions and nature of a firm and Johanson and Vahlne (2009) find that international processes are inevitably undertaken within a network. In our theoretical framework, the Network box is followed by the Internationalisation box. These two boxes are linked together by a dotted arrow indicating that the internationalisation can be affected by the network and the resources it comprises. With the term internationalisation we refer to different aspects of internationalisation. Those aspects differ between different cases, and the purpose of this model is that it can be applicable to all aspects of internationalisation. For this study, the relevant aspect is the locational aspect. Therefore, this is the bubble included in figure 2.1 but we intend other users to apply our framework to whichever aspects he or she studies.

Based on the localisation theories presented in section 2.2 (page 15), we can conclude that networks are an important part of localisation theory as well (Dunning, 2000; Brewer, 2001).

However, some studies (Dunning, 2000; Brouthers et al., 2009) argue that traditional factors are also important. This shows that it is important to point out that other factors than the network can affect the localisation as well. We believe that these factors are worth considering when studying the importance of networks, but because the purpose of this study is to examine networks' impact on the localisation of a firm's foreign operations, we have chosen to exclude those theories from our framework even though they will be considered as an alternative explanation.

3. Methodology

This chapter will provide the reader with an understanding of the process of our research. More precisely, it includes sections regarding our chosen research approach and our motivations for choosing it, information regarding our research method, how the theoretical framework was developed, how the empirical material was collected and analysed, as well as limitations in our research and how issues regarding the trustworthiness of this study have been dealt with.

3.1 Research Approach

3.1.1 Abductive Approach

In writing this report, we considered different research approaches. The research approach can either be inductive, deductive, or abductive. In this thesis, we have chosen to use an abductive approach. A deductive approach is one where we as authors would aim to prove or disprove a theory. With an inductive process, we would start off with empirical findings which are then examined in order to generate a theory (Bryman & Bell, 2011 p. 31). An abductive approach can be described as a mix of these two approaches and in so far finds that both empirical data and a theoretical framework would have a part to play in our research. The main goal of this type of research approach is for the reader to attain an understanding by utilising both empirical information and theory (Alvesson & Sköldbberg, 2008). Considering the aim of this dissertation, to analyse the localisation of a large printing company's foreign operations, we considered it fitting to use an abductive approach. This was done considering the positive side of it allowing us authors to consider both empirical findings and a theoretical framework which we deemed appropriate. Both our empirical findings and the theoretical framework were used alternately and simultaneously in order to attain our goal of understanding the extent to which networks may have had an effect on the localisation of Elanders' foreign activities. We believe that our research has benefited from us being able to use both our empirical findings, information provided by the company itself, sources about Elanders which are external to the company itself such as articles from esteemed publications, as well as relevant academic theories on the topic in this our case study, because we have hopefully attained a more well-rounded understanding and been able to supply the reader with the same.

3.2 Research Method

3.2.1 Qualitative Method

A qualitative method to data analysis can be interpreted as a research strategy that usually puts emphasis on the use of words, as opposed to a quantitative method which emphasises quantification of data in both collection and analysis. A qualitative method is most often connected to an inductive relationship between theory and research, where generation of theories is of some importance (Bryman & Bell 2011, p 32).

3.2.2 Justification of the Choice of Research Method

Though the qualitative method of research is most commonly used for inductive reasoning research, we have also found this method to be useful in our abductive research approach considering the fact that this study mostly collects and analyses non-quantifiable empirical data. This method is sometimes under scrutiny because it is at times difficult to assess the validity of findings that come from it. In order to counteract this, several potential methods for quality criteria have been developed, but no conclusive repercussions have come of these various efforts. Not being able to conclusively assess the quality of qualitative data may of course have negative repercussions for the quality of our research project at large. However, in the course of our research we have also developed a theoretical model of our own which we have used in our analysis in order to have a more quantified base of data. We have seen that although it may be difficult to achieve a quantitative study in the field of internationalisation, many authors (Kenny & Fahy, 2015; Borgatti & Halgin, 2011; Majkgård & Sharma, 1998) try to quantify their data somehow in order to make it more easily interpretable. Our chosen method has been to develop a matrix from a few selected variables, then we have analysed our data through these variables. We believe that by venturing to quantify our data in this way, we have been able to achieve research that is both easier to interpret and easier to critically assess regarding its validity. Furthermore, we believe that by simplifying our data, without for that matter diminishing its content, we have made it possible for our peers to have an easier time seeing the pattern in Elanders' international expansion which we analyse later on in this thesis.

3.3 Developing the Theoretical Framework

3.3.1 Literature Sources

When developing our theoretical framework, several types of data sources needed to be considered. Primary, secondary, and tertiary sources may all prove useful for a study depending

on its characteristics. By using relevant keywords in different databases and search engines, several publications have been found which have been used in order to find gaps in research; these research shortcomings have then been assessed in order to formulate the research question. The same process of data gathering through web-based resources, including internet-based academic journals, has also been used in order to formulate the theoretical framework.

The theories included are in the fields of network theory and localisation theory. These theories have helped us to analyse the case from a network perspective, while at the same time taking other possible explanations into account. However, because the main focus of the theoretical framework has been network theory, there might be some aspects of localisation theory missing. This might have had implications on the analysis as we have not been able to fully compare network factors versus other localisation factors.

3.4 Method for Collection of Empirical Material

3.4.1 Primary Sources and Secondary Sources

In performing this study, structured interviews have been performed with the Group Finance Manager of the Elanders Group, Fredrik Einarsson. Our contact with Einarsson commenced with an initial meeting where we discussed what our research on Elanders would entail, how he could help us in our research process, and how we were to stay in touch with one another throughout the research process. In this initial meeting, we also met with Peter Thyren, Vice President of Business Development Supply Chain Solutions, who was in fact our initial contact with the organisation. It was decided that we would begin our data collection process by chronologically going through Elanders international history using the book *Elanders at your Service* (2008). After this meeting, our sole contact at Elanders has been Einarsson

The information which we have found in *Elanders at your Service* (2008) has been the basis of the historical part of our empirical material. In order to ensure that our understanding of the information has been accurate as well as in order to collect supplementary information regarding for example motivations behind certain acquisitions, and whether or not relationship factors played a part in certain business proceedings, we have been in continuous contact with Einarsson. We met with Einarsson for an interview on 6th April 2016, and have thereafter stayed in continuous contact via e-mail. In preparation for interviewing him, we have sent him a list of questions which we have wanted answers to. He has then been able to prepare answers, either from his own knowledge or by asking others within the company for information which he did

not have. This has led to him being more prepared during interviews so as to be able to give us better information. We have also been supplied with supplementary information continuously through engaging in e-mail communication with Einarsson. We believe that because of Einarsson having been able to provide us with supplementary information through other actors within the organisation, we have been able to gain a solid base of information about the company despite only having been in direct contact with one individual within the company.

Secondary sources have also been used, such as various documents from the organisation. Some of these have been published publically while others were only accessible to people within the company. These documents have been beneficial in providing the researchers with background information about the company in addition to adding to the empirical material of the paper. The simple fact that these secondary sources consist of primary information which has then been interpreted by someone within the company may however cast a veil of uncertainty over their validity, as actors within the organisation often wish to positively skew results to shed positive light on the organisation. (Bryman & Bell, 2011, p. 555-556)

Because having access to primary sources is problematic due to the issue of the company wanting to protect certain information which is considered sensitive, we have also used some tertiary information sources such as magazine articles in order to gain access to other actors' opinions on Elanders. These have been used in addition to the primary sources we have been given access to from the company, in order to supplement the information therein as well as to be able to create our own interpretation of the issue at hand as opposed to simply taking the company's own word for granted which may sometimes prove to be a pitfall.

The fact that the main part of our empirical material is based on information from the company itself might have affected our study as we have been given a subjective view. However, due to the nature of our empirical material, we believe that this has not had a significant impact on the result. We do, however, believe that if there had been time to collect empirical material from other sources, for example the other parties in the relationships, our view had been more complete.

3.5 Method for Analysis of Empirical Material

Because of the tendency for a researcher's base of empirical material to quickly grow to a very large size, the analysis of the material may sometimes prove to be difficult. We as researchers

have therefore had to stay vigilant of not drifting off the path of analysing the material to reach a general understanding for businesses and society at large. Though there are not many established and generally accepted methods for empirical data analysis, which further complicates this process, we have chosen to use a common method for this purpose which is described more intricately below. (Bryman & Bell, 2011, p. 574-575)

3.5.1 Grounded Theory and Matrix Analysis

When analysing a large base of data, we in addition to many other researchers have found it useful to employ grounded theory. The definition of grounded theory (Strauss & Corbin 1998 p. 12) is theory that has been derived from data which has been collected and analysed systematically during the process of research. With this method, there is a close connection between collection of data, analysis, and the resulting theory.

Several tools exist to help us as researchers in this method of analysis; we have elected to code our empirical material into subsections, or a matrix of sorts, in order to have an easier time analysing them as well as to make the results of our study easier for the reader to interpret. The process of coding data material began soon after the inception of the collection of data, and the process of coding has continued on as the data collection continues. We have found that an important step in the process of coding is to begin defining the code early on. It is also important to critically review the code continuously, and to remember that any piece of information may often be coded more than one way. We chose to use a common way to “clean up” among the codes, to employ a matrix format, where concepts are listed along one axis and their prevalence on the other. In each part of the analysis we have then followed the same pattern for analysing different kinds of network participants. This technique introduces a quantifying element into the qualitative analysis, and has therefore been employed in writing this essay in order to simplify analysis and interpretation of our data. (Bryman & Bell 2011, p. 589)

One common piece of criticism toward the process of coding in qualitative data analysis is the potential problem of the context of what is being said getting lost. Coding also results in fragmentation of the information which leads to the flow of the interviewee’s speech being lost, which may negatively affect the quality of the subsequent analysis (Coffey & Atkinson 1996). Furthermore, our choice of codes has presumably had an effect on the outcome of the study because of the fact that some variables have received more attention than others. We consider this not to have been a serious issue in our case; because of our having had continuous contact with

our interviewee Einarsson, we have been able to double- and triple-check that the information on which we have based our research is, in fact, accurate.

3.5.2. Credibility, Transferability, Dependability, and Confirmability of the Findings

When presenting research, it is of course of paramount importance that we as authors make sure that the results thereof are trustworthy. In order to simplify the interpretation of this term, Lincoln & Guba (1985) suggest that this criterion may be further divided into four different terms: credibility, transferability, dependability and confirmability. We have chosen to apply Lincoln & Guba's thoughts on research trustworthiness in our research process because we find that it poses an easily interpretable framework of sorts regarding how to ensure research trustworthiness. In this section, these research trustworthiness terms will be briefly explained, and we will also explain how we have seen to it to ensure the trustworthiness of our research specifically.

The question of whether or not a piece of research is credible regards the importance of it not containing any faulty information or distortions of any kind. The research must also be transferable, which is to say that despite of the fact that qualitative research regards an intense study of a small group or of individuals who have certain common traits, it is important that the results of the study are applicable to other contexts and situations as well, or in the same context at a later time. The term dependability corresponds to the quantitative research term of reliability, and regards the need for us as researchers to exercise an auditing approach to our research. This means that we need to make sure to document our research process meticulously so that after our research has been finished, our colleagues may then in turn audit the research in order to find discrepancies and possible faults. However as qualitative research as previously stated usually results in large quantities of data, this potentially lengthy and demanding process of secondary auditing is fairly uncommon within the field of business research. Lastly, with the term confirmability Lincoln & Guba aimed to stress the importance of being able to confirm the results of the research, despite knowing that complete objectivity in societal research is impossible to achieve. (Lincoln & Guba, 1985; Bryman & Bell, 2011, p 402-405)

3.5.3 Execution of the Analysis

In this study, a template has been used in the analysis of the empirical material to ensure its credibility. This was done in order to simplify our interpretation of the collected data, while at the same time aiming to keep the context of the empirical data intact so as not to skew the meaning of it. As previously stated, we also wished for the developed theoretical model to lead to our

readers having an easier time interpreting our research, and to make it easier to have a conclusive picture of the data material. In conducting the interviews with Elanders Group Finance Manager, Einarsson's answers and the notes we took during the interviews were analysed by us both in order to avoid misinterpretations between us. The empirical data has also been controlled by Elanders before the publication of our research in order to assure that our findings were in fact accurate and based on truthful information. Continuous contact with Elanders has also been preeminent in the conduction of this research in order to ensure the credibility of our research.

As for the transferability of this research, our hope is that the theoretical model which we have developed may be adapted and hopefully possible to re-use in future research in similar fields. We believe that our using a matrix model may prove beneficial to this aim as it provides a transferable model for internationalisation of large service companies, and may also prove useful for similar companies. When it comes to the dependability of our research, we have been able to continuously run our research by Inge Ivarsson of the Gothenburg School of Business, Economics and Law in order to ensure the quality of our reasoning, data gathering, and other aspects of our research. Though as previously stated it is difficult to prove the accuracy of empirical material gathered qualitatively, we hope that we have managed to produce a reliable piece of material. With the assistance of Ivarsson, we also hope that the need for confirmability of the study has been achieved, as well as by continuously auditing our work amongst ourselves. We also believe that we have seen to the confirmability of our studies by engaging in two peer review seminars with other bachelor students.

3.6 Delimitations

The focus of this study has been the Elanders Group, a Swedish multinational printing company, and the importance of business networks in the course of the company's internationalisation. More specifically, we have aimed to assess how networks have affected the localisation of Elanders' foreign operations. Our hope is that this study may provide some understanding of the fairly uncovered topic of internationalisation processes of large service firms within the printing industry, and their motivations for establishing businesses in certain locations. Having said this, there may be issues regarding industry characteristics that have made the Elanders case non-transferable to companies of similar size and characteristics that are active within other industries. As previously mentioned, the printing industry has gone through significant changes in the past decades, and these changes may have had effects on the internationalisation trajectory of Elanders which may be not be apparent although they are significant. Furthermore, there is a

need for further research on other firms with similar characteristics considering the fact that this study has been performed on only one company.

4. Empirical Material

This chapter presents empirical findings on the Elanders Group. In the first section of this chapter, the reader is provided with a brief introduction to the Elanders Group and today's printing industry. This is then followed by data on the historical process of internationalisation of this company, and our findings on the topic. Tables and graphs are provided in order to summarise the findings. The section is concluded by a summary of our empirical findings.

4.1 The Printing Industry Today

Today, the global printing market can be divided into three parts where Europe, Asia and the Americas have equal shares of the market. The growth in the industry is mainly driven by developments in the so-called BRIC countries; India and China are growing particularly rapidly. Because a great deal of goods is being produced in these regions, there is a rapidly increasing need for packaging solutions. In the more mature markets in the west there is on the other hand merely slow to non-existent growth. (Elanders, 2012)

The past years' vast developments within ICT have had a profound impact on the printing industry as our society in addition to becoming increasingly globalised and digitalised is also becoming less reliant on printed media. Digital production therefore threatens the traditional printing industry (Marketline, 2012). Many companies worldwide that could previously rely on a steady stream of yearly revenue from, for example, printing telephone directories have now been forced to find other ways of garnering funds. This goes hand in hand with the public gaining access to technological resources that replace traditionally printed information sources, the most important of which of course being the internet. This change has taken place at a rapid pace, which has led to printing businesses being forced to swiftly take charge of finding new possibilities for revenue (The Economist, 2012).

Some companies choose to take on a strategy of branching out into other industries that are sometimes related to their own; one large American printing company has chosen to acquire several somewhat printing-related, more technology-based companies as a means of staying afloat (The Economist, 2012). Other trends within the printing industry include engaging in more service-related activities such as extending e-commerce activities, supply chain solutions and mass customisation (Middle East Printing Communication Magazine, 2015). As the customers in the printing industry now place less attention on new printing technology, it has become more

important to pay attention to shortening delivery times, increasing cost efficiency, and taking environmental issues into concern. Medium-sized traditional printing companies will find it hard to survive in the future, and the graphic industry will probably consist of a mix of large full-service providers and small niche companies (Elanders, 2012). Today, there are only a few companies on the market that are providing globally integrated solutions. The fiercest competition for companies with this kind of business is posed by the corporate customers' own in-house supply chain solutions (Einarsson, 2016).

According to a prospectus (Elanders, 2012) that was published in conjunction with Elanders' acquisition of Deutsche Online Medien and fotokasten, printed materials will still be a carrier of information in the future. The industry will, however, grow at a diminishing pace. This growth will mainly be due to packaging, personalised information materials, and digital printing technology. In addition to this, the prospectus also presents some emerging printing industry trends. There has been a shift from traditional mass media to information that is customised to the receiver, for example through on-demand marketing in social media and mobile applications. It is also more common for companies to actively communicate with the customers through one-on-one-marketing, which generates a higher demand on personalised digital printing (Elanders, 2012). Additionally, due to a growing middle class and an increasing demand for consumer goods, e-commerce has a strong influence on the developmental track within the industry. (Elanders, 2016a)

4.2 Presentation of the Elanders Group

Elanders' history goes back to 1908 when Elanders Boktryckeri AB was founded by Otto Elander, Emil Ekström and Nils Hellner. However, the company had its actual origin in 1901 when Otto Elander acquired the newspaper *Nyaste Snällposten*. A few years later another newspaper called *Tidsfördrif* was established, and in 1908 Elanders Boktryckeri AB came into existence. The company received an important long term contract with the Swedish Royal Board of Telecommunications in 1918, letting them typeset and print the Swedish National Directory. This business expanded during the following years as the telephone networks grew, leading to growth in the size of the directories. (Elanders, 2008, p. 164-165)

The group is currently active in 15 countries on four continents, with China, Germany, Singapore, Sweden, the United Kingdom, and the United States being the most important markets.



Figure 4.2.1 Elanders' Current International Establishments. (Elanders, 2016h)

Today The Elanders Group has approximately 3 500 employees (Einarsson, 2016) and is active in 15 countries worldwide, all of which can be seen in the map above. China, Germany, Singapore, Sweden, and the United Kingdom are the most important markets, and the most important customers worldwide are active in the automotive, computer, consumer electronics, and white goods manufacturing industries (Elanders, 2016e). Elanders' business idea is to be a strategic partner in providing integrated solutions within three areas: supply chain solutions, printing and packaging, and e-commerce. (Elanders, 2016d)

The business area which Elanders refers to as Supply Chain Solutions regards the efficient distribution of goods, information and money between manufacturers and the end consumer. As the amount of products available on the market increases and consumers get more informed, a higher pressure is put on supply chain services. Manufacturing companies have found it efficient to outsource these tasks and to leave the responsibility for, for example, packaging of products and manuals to external parties. For these companies, Elanders offers globally integrated supply chain solutions. These supply chain solutions range from IT systems adapted to the individual customer to graphic services such as printed manuals and labels, as well as packaging of various products (Elanders, 2016d). In the 2015 annual report of the Elanders Group, it is stated that Supply Chain Solutions accounted for 47% of their revenues. (Elanders, 2016g)

The business area Printing & Packaging Solutions comprises the traditional printing industry in which Elanders has been involved for more than 100 years aiming to supply their consumers with innovative and efficient solutions. In addition to this, Elanders offers globally integrated solutions for printing, packaging, kitting, and packing (Elanders, 2016c). In the annual report of 2015, it is stated that Printing & Packaging Solutions accounted for 47% of the revenue (Elanders, 2016g).

E-commerce Solutions is a business area which is being marketed under three brands: fotokasten, myphotobook and Deutsche Online Medien. In recent years, Elanders has established themselves on the e-commerce market. This area comprises a myriad of personalised photo products such as photo books and calendars. The customers are mainly private consumers, but Elanders is developing the proficiency to sell to other companies as well (Elanders, 2016a). In the 2015 annual report, it was stated that E-commerce Solutions accounted for 6% of the revenue. (Elanders, 2016g)

4.3 Elanders' Internationalisation Pattern

4.3.1 The Beginning

The first seeds to Elanders' future international connections were sown in 1913 when a cooperation with schools and organisations within the public sector started. By printing scientific papers in different fields, the company got a foot into the academic world. The papers were written in languages other than Swedish, which gave Elanders the opportunity to, in a sense, begin to internationalise their business. (Elanders, 2008, p. 165)

In 1958, Elanders had its 50 year anniversary. Since the beginning, the company had grown both through greenfield investment but also by acquiring companies. The printing industry had also experienced several technological changes and as directories, which at this point in time were a main part of Elanders' business, grew in size there was a need for a more rapid production. The technical revolution continued during the following decades, for example through the development of computers and photo typesetting. (Elanders, 2008, p. 168-170)

During the first 70 years, Elanders' internationalisation strategy had been based merely on exports. They then started to establish operations in foreign countries, and the first foreign establishment was Elanders Ltd. in Scotland in 1978. According to Einarsson (2016), Elanders considered the United Kingdom to be an attractive market because it was large and because

Elanders had previously exported products there. In order to reach existing customers and to gain access to additional customers, they opened a sales office in Scotland. (Elanders, 2008, p. 169)

4.3.2 Shifts within the Printing Market

Later on in the 1980's, Elanders was met with fierce international competition. They soon realised that in order to succeed, their strategy would have to be to abandon any involvement with cheap products, and instead focus on providing products and services with higher enrichment value. They also saw the need to step up their manufacturing game, and consequently introduced night shifts and larger rotation presses in order to assert themselves on the printing market. (Elanders, 2008, p. 169)

Due to the success of the establishment in Scotland, the expansion within the British Isles continued during the 1980's and 1990's. In 1985 Elanders established Elanders UK in Harrogate, which would come to be joined by Elanders Hindson in 1999 (Elanders, 2008, p. 169). Elanders UK, which had previously only been a sales office, became an independent company and thereby Elanders strengthened their position on the British market. Hindson, however, was an existing printing plant that Elanders acquired in order to reach more customers. By this time, Elanders had a few customers in the automotive industry and considered this a profitable industry. Hindson, in turn, also had many customers in the automotive industry so by acquiring this company, Elanders would gain access to British automotive customers. (Einarsson, 2016)

The international expansion continued in 1993 when Elanders acquired a production plant in Norway called Fabritius A/S (Elanders, 2008, p. 171) in order to broaden their clientele (Einarsson, 2016). Due to the fact that there were organisational and cooperative difficulties with the Norwegian minority shareholders, Elanders decreased their involvement on the Norwegian market by selling a plant back to the original owners in 2012. (Einarsson, 2016)

1994 was arguably an important year for Elanders as well as the rest of the world in that it was then that the information and communication technologies had their boom. This of course presented the printing industry with a conundrum as to how they could adapt to significant market changes such as customers beginning to demand multimedia products such as digital catalogues in addition to traditional printed products. Elanders faced a decreased demand for directories, which had previously been their main business, and so they had to begin adapting their business to this change in demand. (Elanders, 2008, p. 171)

The 90's continued on with the printing industry increasingly being affected by the furthering of ICT. Elanders continued to expand their business by entering into cooperation agreements with Finnish Hansaprint OY and German Schlütersche Verlagsanstalt & Druckerei GmbH & Co (Elanders, 2008, p. 172). These forms of cooperation did not include any direct establishments at this time, but the relationships with Hansaprint OY had an impact on Elanders' future internationalisation. (Einarsson, 2016)

At this time, Elanders also entered the Polish market through their business partner NordTrans Handelshus. Elanders had previously engaged in business with this company which was active in the directory industry and needed extra capacity for their deliveries. Elanders, in turn, saw this as an opportunity to strengthen its position within the industry (Einarsson, 2016). A few years later, Elanders acquired NordTrans Handelshus. (Elanders, 2008, p. 172)

1996 was another eventful year for Elanders. During this year they moved into new sales offices in Moscow, Russia. This was done in order to try to reach directory customers on the Russian market (Einarsson, 2016). However, this office has since then been shut down. As the market in the east grew, Elanders extended its presence in Poland. In 1996 they acquired a printing plant in Plonsk and also opened a sales office in Warsaw (Elanders, 2008, p. 172). These establishments were done in order to reach a wider range of customers, and the company which was acquired was one with which Elanders had previously conducted business (Einarsson, 2016).

As the end of the 20th century was approaching, the printing industry kept facing challenges. Great changes were taking place throughout their business environment, for example in that government telecom monopolies across Europe were continuously breaking up. ICT continued to vastly change all aspects of society, and in order to survive Elanders and other printing business had to take advantage of this shift by upgrading their standard operating procedures. In 1997 the Elander family sold the majority of their stock in the company, and the new owner, Carl Bennet, saw a chance to develop the company into the largest graphic group in the Nordic countries (Elanders, 2008, p. 172-174).

In the beginning of the 21st century, an event which has later been known as the burst of the internet bubble came as a particularly hard hit on the media industry. There was also a drop in orders from the telecom industry, and severe price pressure on both catalogues and magazines.

This period in time was not, however, all about contraction for the Elanders group. For example, in 2002 they established themselves in Hungary by opening a new production unit there. Because of the fact that the Eastern European market had grown during the past decade, many globally leading manufacturers had initiated operations in that region (Elanders, 2008, p. 174). Some of them were customers to Elanders and therefore, Elanders considered it to be strategically prudent to establish a subdivision on the Hungarian market. This establishment would also give them access to new customers (Einarsson, 2016).

The newly initiated activity on the Hungarian market increased swiftly in 2004 as Elanders opened up a new production unit together with Hansaprint. Together, they also started the joint venture company Hansaprint Elanders. Additionally, a sales office and a digital printer were set up in Budapest by Elanders. Elanders' business in Hungary has developed into being of great importance, as it provides both the German and Swedish Elanders affiliates with printed goods at a lower price than if they had been produced domestically. (Einarsson, 2016; Elanders, 2008, p. 175)

An important event in Elanders' internationalisation took place in 2004 when they decided to follow their customer Ericsson to China when they established business there (Elanders, 2008, p. 176). The plant was located outside of Beijing and Swedish management was sent there in order to initiate and oversee production. The tasks that were done there regarded traditional printing, but also database and full-service solutions that comprise storage and just-in-time deliveries. From the beginning, the Chinese plants solely provided Ericsson with products but today there are other customers, and Ericsson only accounts for 60 % of Elanders' sales. A lot of packaging is also produced in the Chinese facilities. These are often handmade products which are produced there due to the low price of labour (Einarsson, 2016).

4.3.3 Developments during the Last Decade

The year 2007 was another important year for Elanders' internationalisation. Firstly, Elanders decided to follow its customer Electrolux to Italy and establish a unit there. In the same year they also agreed on a deal to acquire the German company Sommer Corporate Media, with which Elanders employees had earlier been in contact. Sommer Corporate Media, which then became Elanders GmbH, had premium brand customers such as Audi, Porsche, and Mercedes. This deal gave Elanders access to these customers and helped them in their endeavour of being a leading supplier to the European automotive industry (Elanders, 2008, p. 176)

Another establishment came into place in 2007 when Elanders cooperated with Hansaprint OY. The two companies worked together in a strategic establishment in Romania with the main focus of catering to customers in the automotive, home electronics and publishing industries in the Eastern parts of Central Europe. Reaching the electronics industry was an especially important motive for this establishment. Hansaprint had Nokia as a customer and when they moved their manufacturing to Romania, Hansaprint followed. Because Hansaprint did not manage to provide for Nokia alone, Elanders joined them in the market in order to assist. A few years later, Nokia moved their production to Asia, and Elanders' Romanian plant was shut down in 2010. (Elanders, 2008, p. 177)

In 2007, Elanders also acquired the Brazilian company Artcopy Reprodução de Imagens Ltda, a company with whom they had had a business relationship for many years. Artcopy Reprodução de Imagens Ltda. had for example catered to Elanders' customers in the automotive industry, which were also present in Brazil, with driving products such as manuals (Einarsson, 2016). The operations in the Brazilian plant regard digital printing and fulfilment services. The motive behind this acquisition was that Artcopy Reprodução de Imagens Ltda. was supposed to be a platform for growth in Brazil. Because the tariffs for delivering products to Brazil were high, Elanders considered it necessary to be present in the country. By acquiring Artcopy Reprodução de Imagens Ltda, they avoided these trade barriers and at the same time had control over their deliveries (Elanders, 2008, p. 177). In 2015, Elanders expanded their operations in Brazil together with Mentor Media in order to improve their service to the South American market. (Mentor Media, 2016)

An important step in Elanders' internationalisation was taken in 2008 when American Seiz Printing Co. was acquired. Important customers are for example Mercedes Benz, AT&T, and The Federal Reserve Bank. The reason for buying Seiz Printing Co. was primarily that Elanders wanted to broaden their international base, specifically in the automotive industry. Seiz Printing Co. had previously been a subcontractor to many of Elanders GmbH's customers. (Elanders, 2008, p. 177, Einarsson 2016)

German companies turned out to be good investments, and thanks to research and contacts from Elanders GmbH, a couple of German companies were acquired during the following years. In 2008, the German company Mairs Graphische Betriebe was acquired in order to increase

Elanders' capacity and expand the customer base. Then in 2010, Printpack was acquired in order to broaden Elanders' product range. In 2012 Elanders entered into new market segments, e-commerce and Web2Business, by acquiring Deutsche Online Medien and fotokasten. Deutsche Online Medien was considered successful in e-commerce technology and is developing technological solutions for digital photo and printing services. By integrating them into the Elanders group, the hope was that Elanders would gain access to the latest in e-commerce technology. fotokasten, on the other hand, is a well-known brand on the growing German market and would improve Elanders product offering in the Web2Business sector by providing personalised photo products. Additionally, this deal introduced Elanders to the consumer market (Elanders, 2016d). Both fotokasten and Deutsche Online Medien are companies with whom Elanders for many years have had a close relationship as they have been customers to Elanders. Furthermore, the CEO of Elanders GmbH was engaged in the creation of Deutsche Online Medien (Einarsson, 2016).

In order to strengthen its position within the e-commerce segment, Elanders made an additional strategic move in 2013. By acquiring one of Europe's leading e-commerce companies, myphotobook GmbH, Elanders gained access to a new brand and broadened their customer base (Elanders, 2013). Both fotokasten and myphotobook are providers of personalised photo products, but while fotokasten provides the German market with a range of products, myphotobook only sells photobooks but to 16 different countries. By owning both of these companies, Elanders has the ability to combine them so today they are selling all of fotokasten's products to all of myphotobook's markets (Einarsson, 2016). In 2015, Elanders signed an agreement to acquire another German company in 2016. The company is called Schmid Druck and is a niche packaging company that would help Elanders strengthen their offering, particularly on the German market which is Elanders third largest (Elanders, 2016g).

America, which is the world's largest market for graphic materials, turned out to be a good location for Elanders. In order to invigorate their presence there, Elanders acquired the American company Midland Information Resources in 2013. This is a company with which Elanders had previously had a relationship due to their deliveries to Volvo (Einarsson, 2016). This would also give Elanders access to Midland's technique which was considered to be innovative, as well as to their strong customer base. (Elanders, 2012)

In 2013, Elanders also bought the Scottish label printing company McNaughtan's Printers Limited. The previously acquired company Hindson was in contact with the owner of McNaughtan's and was told that management wished for McNaughtan's to be acquired by a different company. Elanders in turn, were looking for new, complementary businesses and considered this firm to pose a good opportunity for investment into the packaging business. This acquisition opened up for customers in a new segment, the whiskey industry. (Elanders, 2016)

The most recent market into which Elanders has entered is Singapore. This market was entered into in 2014 through an acquisition of the Singapore based company Mentor Media Ltd. This acquisition was according to Aktiespararen (2014) a strategic hit. The motive for this acquisition was that Elanders wanted to expand its global offering of supply chain services, which would be possible thanks to Mentor Media's specialised knowledge in the provision of value added services such as sourcing, warehousing, logistics management, order management, and distribution (Elanders, 2016b). Mentor Media operates in several strategically important markets, mostly concentrated to Asia, and integrating them into the Elanders Group gives Elanders access to a wider customer base. This deal led to Elanders having operations in Mexico, the Czech Republic, India, Japan, and Taiwan, as well as additional locations in China and the United States. Buying Mentor Media was a step toward reaching the new strategy of decreasing the presence in the traditional printing industry and adding Supply Chain Solutions to the two previous business areas Print & Packaging Solutions and e-Commerce Solutions (Elanders, 2014). Thanks to Mentor Media's extensive production network, Elanders now had the ability to cover a larger share of the value chain, something that has become more and more demanded by the customers (Elanders, 2016b). At the time of the acquisition, Magnus Nilsson, the CEO of Elanders, said that *"Mentor Media broadens our service offering, even in e-Commerce, both to companies and directly to customers. It is a stable company with a good reputation, who will be able to develop Elanders' business, people and customers very positively. The acquisition is a step in Elanders' strategy of the past few years to be a global player with progressively less exposure to traditional print. Through the acquisition we also increase our geographic presence from 10 to 14 countries."* (Elanders, 2014)

4.3.4 Contemporary Developments

In recent years, there has been an increased share of global activities and Elanders has arguably gained a strong position on the global market. According to the Elanders Group 2015 annual report, the company has a good standing with its global customers. These are also the customers

that are seen as the best possibilities for Elanders' continued expansion, considering both the short and long term. Throughout the years, the customers have been extremely important as Elanders grows and develops in cooperation with them. Einarsson (2016) argues that during the company's history, sizeable customers such as Volvo and Ericsson have played an important role for Elanders as many of these customers have both driven and facilitated establishments in foreign countries. In 2015, the ten largest customers accounted for 60 % of the sales. (Elanders, 2016)

Einarsson (2016) finds that acquisitions are advantageous because they make it possible to quickly enter a market because of the fact that there already exists an ongoing business with an established customer base. On the other hand, due to the fact that it is an ongoing business it is often more expensive to buy a company, and it also includes a history that is out of the acquiring company's control. Einarsson says that greenfield investment is a cheaper alternative than acquisitions and that it means that the establishing company has more control. However, this way it takes more time to initiate business proceedings. In many of the cases where Elanders has grown through greenfield investments, the reason has been to follow a specific customer. Following a customer is something that Einarsson points out as sometimes being a disadvantage as it leads to there being a strong dependence on one single customer.

4.3.5 Elanders' Future

Elanders' strategy for the coming years is to grow both organically and through acquisitions. In 2016, they plan to make investments that support their organic growth. This will for example be done by optimising and consolidating production plants within the group. There is also a need for research and development in the field of Printing & Packaging in order to come up with new niches or to find business with better profit margins. Elanders is also actively searching for new objects for investment. Companies that are especially interesting for potential acquisition are those that can strengthen Elanders' Supply Chain Solutions, primarily in Europe and North America but also firms with existing customers on the Asian market. In addition to these kinds of companies, Elanders is also looking for acquisitions that can help them broaden their customer base, reach new markets and increase upselling (Elanders, 2015). According to Aktiespararen (2016), Elanders has adapted its business to the new conditions within the printing industry by acquiring strategically beneficial companies. They argue that the company's continued growth will be based on acquisitions. Another strategy that Elanders has for the future growth is to diversify their customer base. Today, a considerable share of customers is present in the

consumer electronics industry. In order to reduce the dependency on customers within one specific industry, Elanders strives to invest in companies that have customers in other industries. (Elanders, 2015)

4.4 Summary of Elanders' Internationalisation in Tables and Graphs

In table 4.1 we summarise Elanders' establishments in foreign countries arranged by the year of the establishment. Column 1 states what kind of relationship was involved in the establishment, column 2 states the mode of the establishment and column 3 states the purpose for the establishment.

The Establishment	Year	1. Relationship	2. Mode	3. Purpose
<i>Elanders Ltd. (UK)</i>	1978	Customer	Greenfield	Reach customers, expand customer base
<i>Elanders UK (UK)</i>	1985	Previous establishment in the country	Greenfield	Strengthen position on the market
<i>Elanders Hindson (UK)</i>	1999	Previous establishment in the country	Acquisition	Expand customer base
<i>Fabritius A/S (NO)</i>	1993	No relationship	Acquisition	Expand customer base
<i>NordTrans Handelshus (PL)</i>	1990's	Cooperation	Cooperation	Strengthen position in the industry
<i>Sales Office in Moscow (RU)</i>	1996	No relationship	Greenfield	Expand customer base
<i>Printing plant in Plonsk (PL)</i>	1996	Undefined Business relationship	Acquisition	Strengthen position on the market, expand customer base
<i>Sales office in Warsaw (PL)</i>	1996	Previous establishment in the country	Greenfield	Strengthen position on the market, expand customer base
<i>Production unit (HU)</i>	2002	Customer	Greenfield	Follow customers, expand customer base
<i>Production Unit (HU)</i>	2004	Cooperation	Cooperation	Strengthen position on the market
<i>Hansaprint Elanders (HU)</i>	2004	Cooperation	Joint Venture	Strengthen position on the market
<i>Sales Office and Digital Printer in Budapest (HU)</i>	2004	Previous establishment in the country	Greenfield	Strengthen position on the market
<i>Beijing (CN)</i>	2004	Customer	Greenfield	Follow customer
<i>Production Unit (IT)</i>	2007	Customer	Greenfield	Follow customer
<i>Sommer Corporate Media (DE)</i>	2007	Personal Contact	Acquisition	Expand customer base, strengthen position within the industry
<i>Romania (RO)</i>	2007	Cooperation	Cooperation	Expand customer base
<i>Artcopy Reprodução de Imagens Ltda (BR)</i>	2007	Supplier	Acquisition	Follow customers
<i>Seiz Printing Co. (US)</i>	2008	Supplier	Acquisition	Expand customer base, strengthen position within the market

<i>Mairs Graphische Betriebe (DE)</i>	2008	Undefined business relationship	Acquisition	Strengthen position on the market, expand customer base
<i>Printpack (DE)</i>	2010	Undefined business relationship	Acquisition	Broaden product range
<i>Deutsche Online Medien (DE)</i>	2012	Customer, personal contact	Acquisition	Broaden product range, ensuring deliveries
<i>Fotokasten (DE)</i>	2012	Customer	Acquisition	Broaden product range, introduction to the consumer market, ensuring deliveries
<i>Myphotobook GmbH (DE)</i>	2013	No relationship	Acquisition	Broaden product range, expand customer base
<i>Midland Information Resources (US)</i>	2013	Supplier	Acquisition	Strengthen position on the market
<i>McNaughtan's Printers Limited (UK)</i>	2013	Personal Contact	Acquisition	Broaden product range
<i>Mentor Media Head Quarter (SG)</i>	2014	No relationship	Acquisition	Strengthen position within the industry, broaden product range
<i>Mentor Media Shenzhen(CN)</i> <i>Mentor Media Xiamen (CN)</i> <i>Mentor Media (TW)</i> <i>Mentor Media Kunshan (CN)</i> <i>Mentor Media Shanghai (CN)</i> <i>Mentor Media Chongqing (CN)</i> <i>Mentor Media Chengdu (CN)</i> <i>Mentor Media (JP)</i> <i>Mentor Media (IN)</i> <i>Mentor Media (MX)</i> <i>Mentor Media California (US)</i> <i>Mentor Media Miami (US)</i> <i>Mentor Media (CZ)</i>	Acquisition of Mentor Media			
<i>Mentor Media Elanders (BR)</i>	2015	Acquisition of Mentor Media	Cooperation	Reach customers
<i>Schmid Druck (DE)</i>	2016	No relationship	Acquisition	Broaden product range, strengthen position on the market

Table 4.4.1 Summary of Elanders' Foreign Establishments

Table 4.4.1 shows several important features of Elanders internationalisation pattern. Firstly, it shows that there has been a shift in where they have established themselves. Between the 90's

and the first half of the 21th century the major part of the establishments was in countries close to Sweden, with a focus on Eastern Europe. During the past decade, many of the establishments have been in other continents. Additionally, a couple of establishments have been made in Germany.

Secondly, this table shows that the mode of the establishment has changed over time. In the beginning of Elanders' internationalisation, the modes of the establishments varied but greenfield investments were most common. However, some establishments also took place by cooperating with other companies. For the past decade, almost every establishment has been an acquisition.

Finally, this table shows that many kinds of relationships have been involved in Elanders' establishments abroad but that some kind of relationship has existed in almost every establishment.

In table 4.4.2 we summarize Elanders' establishments in foreign countries arranged by country. Column 1 states the establishment, column 2 states the year of the establishment and column 3 states the mode of the establishment.

Establishment	Year	Mode
The United Kingdom		
Elanders Ltd.	1978	Greenfield
Elanders UK	1985	Greenfield
Elanders Hindson	1999	Acquisition
McNaughtan's Printers Ltd.	2013	Acquisition
Norway		
Fabritius A/S	1993	Acquisition
Poland		
NordTrans Handelshus	1990's	Cooperation
Printing plant in Plonsk	1996	Acquisition
Sales Office in Warsaw	1996	Greenfield
Russia		
Sales Office in Moscow	1996	Greenfield
Hungary		
Production Unit	2002	Greenfield
Production Unit	2004	Cooperation
Hansaprint Elanders	2004	Joint Venture
Budapest	2004	Greenfield
China		
Beijing	2004	Greenfield
Shenzhen	2014	Acquisition of Mentor Media
Xiamen	2014	Acquisition of Mentor Media
Kunshan	2014	Acquisition of Mentor Media
Shanghai	2014	Acquisition of Mentor Media
Chongqing	2014	Acquisition of Mentor Media
Chengdu	2014	Acquisition of Mentor Media
Italy		
Production Unit	2007	Greenfield
Germany		
Sommer Corporate Media	2007	Acquisition
Mairs Graphische Betriebe	2008	Acquisition
Printpack	2010	Acquisition
Deutsche Online Medien	2012	Acquisition
Fotokasten	2012	Acquisition
Myphotobook GmbH	2013	Acquisition
Schmid Druck	2016	Acquisition
Romania		
Romania	2007	Cooperation
Brazil		
Artcopy Reprodução de Imagens Ltda	2007	Acquisition
Mentor Media Elanders	2015	Cooperation

The United States		
Seiz Printing Co.	2008	Acquisition
Midland Information Resources	2013	Acquisition
California	2014	Acquisition of Mentor Media
Miami	2014	Acquisition of Mentor Media
Singapore		
Mentor Media HQ	2014	Acquisition
Taiwan		
Mentor Media	2014	Acquisition of Mentor Media
Japan		
Mentor Media	2014	Acquisition of Mentor Media
India		
Mentor Media	2014	Acquisition of Mentor Media
Mexico		
Mentor Media	2014	Acquisition of Mentor Media
Czech Republic		
Mentor Media	2014	Acquisition of Mentor Media

Table 4.4.2 Summary of Elanders' Foreign Establishments Sorted by Country

This table shows that the mode of entry for Elanders' establishments abroad has differed between different cases. For example, when first entering the United Kingdom, Italy, China, Russia and Hungary, greenfield investment was the mode of entry. When first entering Norway, Germany, Brazil, the United States, Singapore, Taiwan, India, Japan, Mexico and the Czech Republic, acquisitions constituted the entry mode. Finally, when first entering Romania and Poland, Elanders did it by cooperating with other companies. When Elanders has wanted to strengthen their presence in a country in which they were already active, acquisitions have been a common way of achieving it. In some cases, however, Elanders has strengthened the market position through greenfield investments or by cooperating with other companies. This table also shows that during the past decade almost all first entry establishments took place through acquisitions. It used to be more common for Elanders to first enter a country through greenfield investments.

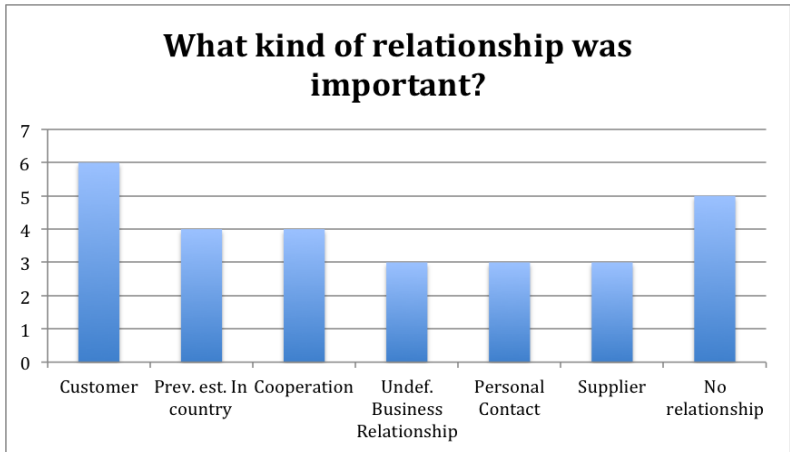


Figure 4.4.1 Relationships that Preceded Elanders' International Establishments

Figure 4.4.1 shows the different existing relationships that preceded Elanders' establishments in foreign countries. The categories are according to table 4.4.1 and are the following: customer relationships, previous establishments in a country, cooperating with other companies, undefined business relationships, personal contacts, suppliers, relationships via a third party, or no relationship. This figure shows that some kind of relationship has been involved in the major part of Elanders' establishments abroad. The relationship that has been important in most cases is customers.

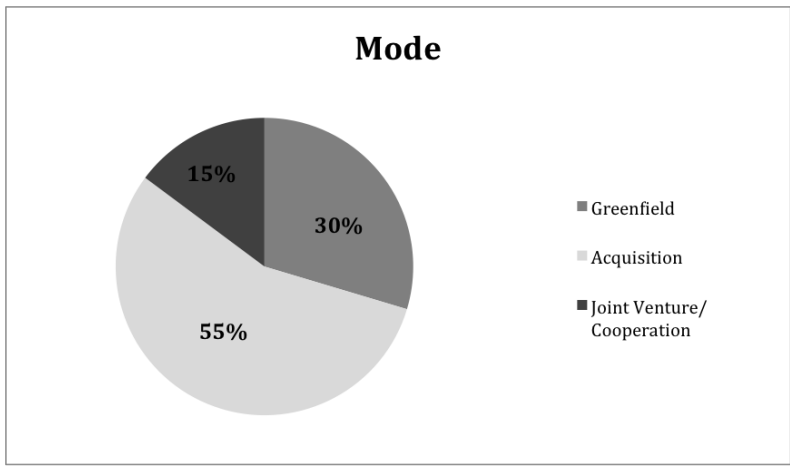


Figure 4.4.2 Elanders' Modes of International Establishment

Figure 4.4.2 shows the shares of the different modes by which Elanders has established businesses in foreign countries. The categories are according to table 4.4.1 and are the following: greenfield investments, acquisitions of external companies, and cases of joint venture/cooperation where Elanders has set up a unit together with another party. Greenfield investments have been the most common mode at 55 %, while 30 % of the establishments have taken place through acquisitions, and a small share of 15 % of the establishments have taken place through joint ventures or cooperating with other companies.

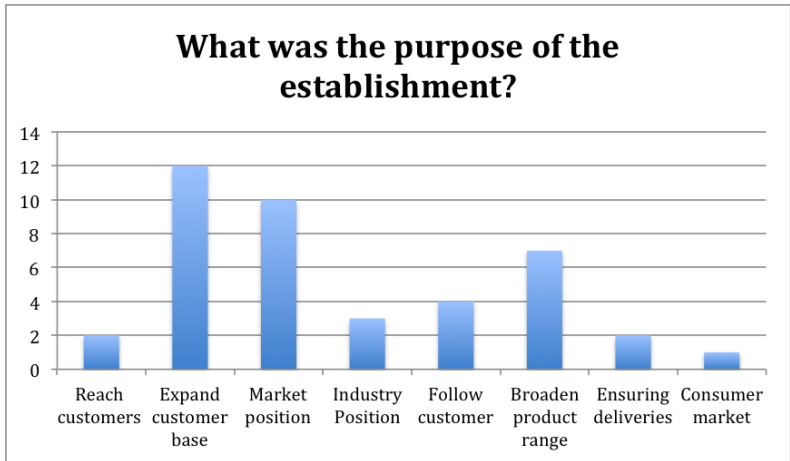


Figure 4.4.3 The Different Purposes of Elanders' International Establishments

Figure 4.4.3 shows the different purposes for Elanders' establishments in foreign countries. These categories are also according to table 4.4.1 and are the following: to reach new customers, to expand the customer base, to strengthen the position on a specific market, to strengthen the position within the industry, to follow existing customers, to broaden the product range, to ensure deliveries from a company that had previously been an external party, and to enter the consumer market. As the figure shows, Elanders' establishments in foreign countries have been due to several reasons. However, the most common reasons have been to expand the customer base or to strengthen the position within a specific market. Other common reasons have been to broaden the product range or to follow customers.



Figure 4.4.4 Elanders' International Establishments Grouped According to Relationship Status Before the Establishment

Figure 4.4.4 shows Elanders' current international establishments grouped according to whether or not a relationship preceded the establishment. The yellow pins indicate an establishment where there had been some type of relationship before Elanders' decision to establish business there, whereas the blue pins signify that there was no relationship to precede the establishment. The green pins are Elanders' headquarters in Sweden. Most of the cases where there was no relationship before Elanders establishment are part of the Mentor Media acquisition where Elanders at once gained access to many markets worldwide.

4.5 Summary of Empirical Findings

Based on the empirical data we can conclude that Elanders has internationalised their business extensively. Today, the company is present in many locations worldwide. The internationalisation has mainly been achieved through acquisitions but also through greenfield investments. Greenfield investments have mainly occurred when there has been a need to follow existing customers or to attract new customers, while acquisitions have taken place for several reasons. Similarly to their growth through greenfield investments, acquisitions have taken place in order to support existing customers or as a means of reaching new customers. Some acquisitions have, however, been done in the hope of extending their business by taking advantage of skills and experiences from other companies. One significant pattern is that many of

the companies that have been acquired are companies with whom Elanders has previously had some kind of relationship. It is not due to chance that most of Elanders' international growth has taken place due to acquisitions. By acquiring already existing companies, it has been possible for Elanders to develop and complete existing businesses with new customers and markets.

Many kinds of relationships have been involved in Elanders' establishments abroad. Customers have been especially important for Elanders as they have had a strong impact on both the localisation of the internationalisation process itself but also on its success. Many of the company's foreign establishments have been initiated thanks to important customers and they have helped Elanders attain a stronger position on the various markets.

In previous years, the printing industry and Elanders were mainly focused on printing standardised materials in large quantities. Lately, as swift ICT development has continued and consumers demand personalised products, focus has increasingly been on servicing customers through so-called mass customisation of consumer products. As previously mentioned, Elanders has adapted to this change by acquiring firms such as myphotobook and fotokasten in order to cater to private consumers.

5. Analysis

This chapter combines the theoretical framework with the empirical material in order to analyse which relationships have been important for Elanders' foreign establishments and how these have affected the localisation of Elanders' foreign operations. The chapter is initiated with a discussion regarding the different kinds of relationships, their resources and how they have affected Elanders' international localisation. This is followed by a discussion of other potential explanations for the localisation of Elanders' international operations. The chapter is then concluded by a discussion of how Elanders' localisation pattern has changed over time.

5.1 Relationships' Impact on the Localisation of Elanders' Foreign Operations

By looking at Elanders' establishments in foreign countries (figure 4.4.1, page 44; figure 4.4.4, page 47), we can conclude that in a majority of the cases, some kind of relationship existed before the establishment took place. This simple fact has arguably had strong implications on the localisation of Elanders' internationalisation. These international expansions have been of different nature depending on the type of relationship which preceded the business establishment, and the different resources of that relationship. In this section, we will use the theoretical framework presented in section 2.3 (page 16) in order to analyse the types of existing relationships that have been precedents of Elanders' international establishments, as well as which resources they comprise and how specifically these relationships have affected the locations of Elanders' international operations. We will also discuss the cases where there have not been any existing relationships prior to the establishment abroad.

5.1.1 Customers

As stated in figure 4.4.1 (page 44), customer relationships has been the most common precedent of international expansions. These kinds of relationships comprise several resources that have affected Elanders' localisation in different ways, for example by the client-following phenomenon mentioned by several studies (Johanson & Vahlne, 2009; Brewer, 2011; Kenny & Fahy, 2015).

Like Gadde et al. (2003) argue, a relationship with an important customer can be a resource in itself as it generates a high share of the revenues. In addition to the relationship in itself and its implications for a comparatively safe stream of revenue early on in establishing business in a new country, there are two resources which we consider to be especially important. These are the

concepts of opportunity recognition (Johanson & Vahlne, 2009) and commitment and trust (Kenny & Fahy, 2015). Opportunity recognition refers to the belief that because of the relationships with these customers, Elanders had the opportunity to expand their business and initiate businesses in new places which they had not had if the relationship had not opened them up to the opportunity. However, we find that it is important to point out that there may be implicit or explicit requirements from the customer for Elanders to follow them or otherwise they would simply have found a different supplier in the new market. In other words, there may be some element of force in client-following establishments. The second important resource that relationships with customers bring is the combination of trust and commitment. Due to prior experiences and the information and knowledge shared between the parties, a relationship based on trust and commitment evolves. Having a trustworthy partner supports the establishment in a foreign country as it reduces the uncertainty level (Hosseini & Dadfar, 2012).

Entering a market in order to follow a single customer can, however, be risky. This was also something that Einarsson (2016) pointed out as a disadvantage in growing through greenfield investments. Because the decision is based on trust and commitment to the other party, Elanders becomes reliant on the customer until they have been able to strengthen their position in the new country. A lot of resources are presumably spent on the establishment and therefore, a failure in the relationship or changes in the partner's business environment could be devastating. For example, when Elanders entered the Romanian market to support Hansaprint in their delivering to Nokia, the plant had to be shut down when Nokia's business environment changed and they moved their operations to Asia (Elanders, 2008, p. 177). This goes hand in hand with the belief of Johanson & Vahlne (2009) that networks can be consumers of resources.

Another resource that comes from relationships with customers which can affect the localisation of a firm is additional relationships that may subsequently be found on the new market (Kenny & Fahy, 2015). For example, when Elanders' entered the Chinese market, they did this in order to follow Ericsson. In the beginning, all of the sales from Elanders were to Ericsson, but today they have found additional customers in China, and Ericsson only accounts for 60 % of the sales (Einarsson, 2016). This either shows that the relationship with Ericsson led to additional relationships after enabling Elanders' initial establishment on the Chinese market, or that Elanders predicted that the relationship with Ericsson would lead to additional customers and therefore chose to follow them to China, despite Ericsson being their only customer there.

In addition to the effects mentioned above, customers have also affected Elanders' localisation in that Elanders has occasionally acquired them. For example, Deutsche Online Medien and fotokasten were customers of Elanders' before they were acquired (Einarsson, 2016). Considering the fact that Elanders was already present on the German market before buying these companies, Elanders' motivation in acquiring them was presumably to get access to valuable resources within the companies and not to establish themselves on the German market. Therefore, we argue that these relationships have promoted the decisions to acquire a specific firm, but that the acquisition in itself has not affected the location of Elanders' foreign operations to any considerable extent. However, the initial relationship led to acquisitions that made them strengthen their position on the market and thereby show market commitment, as mentioned in the Uppsala Internationalisation Process Model (Johanson & Vahlne, 2009).

It is apparent that customers have had a considerable impact on Elanders' localisation as their strategy is to grow and develop together with their customers (Einarsson, 2016). Elanders' customers have affected their international localisation in different ways. In most of the cases, Elanders has followed individual customers when the customer has moved or expanded its business abroad. There are also cases where Elanders has established a business in a country in order to reach new customers. The countries in which Elanders has established themselves due to these reasons are the United Kingdom, Hungary, China and Italy (table 4.4.1, page 39). All of these establishments were cases of first entry into a country, which shows that customers are a driving force for Elanders' entering new markets. In China and Italy, they established themselves because of different customers and in the United Kingdom and Hungary, they established themselves in order to reach new customers on markets that at the time of the establishment were either mature or growing (table 4.4.1, page 39). In some cases, customers have also affected Elanders' localisation in that they have acquired customers. This happened when they strengthened their presence in Germany and a conclusion we can draw from this is that relationships with customers can open doors to acquisitions, especially within a country where they already are present. The fact that the only country in which they have acquired customers is Germany may have to do with the fact that it is one of Elanders biggest markets and where Elanders strengthened their position at the time of these acquisitions. It is possible that these specific acquisitions were coincidences rather than occurrences through which it can be said that customers have affected Elanders' international localisation.

5.1.2 Previous Establishment in a Country

In some cases, the motive for Elanders' establishments has been to strengthen their position on a market where they were already present. In those cases, the success of previous establishments has in itself been important as it has enabled Elanders to seek to increase their commitment in that specific market. These plants have presumably led to the creation of a network, as well as knowledge about the market and experience of its characteristics. These resources can be beneficial when establishing new plants because they, for example, reduce the liability of outsidership (Johanson & Vahlne, 2009) and help in overcoming the obstacle of lack of knowledge (Zarei et al., 2011). The countries in which Elanders' previous establishments have led to further establishments in the same country are the United Kingdom, Poland, and Hungary. In all of these cases, Elanders has established business through greenfield investments in countries that are somewhat close to their home country. Even though the occurrences of this kind of relationship have not led to Elanders having initiated operations in a new country, they still affect the localisation in that they have enabled Elanders to invest in strengthening their presence in a country.

5.1.3 Cooperation

Elanders has sometimes cooperated with other firms when establishing themselves in foreign countries. For example, they entered the Polish market through their business partner NordTrans Handelshus. However, the most prominent cooperation was with Hansaprint and has been an important factor in establishments in several countries, for example in Romania and in Hungary (Elanders, 2008). When it comes to the establishment in Romania, Hansaprint had a relationship with Nokia which opened up an opportunity for Elanders to enter the Romanian market. Exploiting this opportunity together with Hansaprint enabled Elanders to establish business in Romania. This occurrence can be connected to the concept of recognition of opportunities (Johanson & Vahlne, 2009).

Cooperation can also lead to the partners developing new knowledge together (Kenny & Fahy, 2015). Even though there is no clear evidence of this in the case of Elanders and Hansaprint, we still argue that they have presumably developed new knowledge together in the course of combining their operations. The cooperation also led to additional relationships (Kenny & Fahy, 2015) as Elanders was given the possibility to deliver to Nokia. The resources and benefits which the relationship with Hansaprint gave Elanders have all contributed to Elanders' decision to establish themselves on these markets. Both the Romanian market and the Hungarian market

were relatively immature at the time of Elanders' establishments, but by engaging with a partner, Elanders reduced their level of uncertainty and risk. Majkgård & Sharma (1998) argue that companies strive to choose an entry mode that restricts their own uncertainty. This is true for example when it comes to Elanders' establishment in Romania, where they established themselves on the market by cooperating with Hansaprint, showing that the relationship reduced their level of uncertainty and thereby enabled them to initiate operations there. Furthermore, this is a country to which Elanders had a relatively high psychic distance, but the relationship with Hansaprint made them overcome this obstacle. This finding is supported by the theory of Johanson & Vahlne (2009) which says that it is important to engage in networks as it has come to be more important to reduce the liability of outsidership than to reduce the liability of foreignness.

In conclusion, cooperating with other companies has enabled Elanders to enter into Poland and Romania, and has led to a strengthening of the presence on the Hungarian market. All of these are countries were experiencing growth at the time of the establishments. This indicates that Elanders has used partners when establishing business in growing markets. Cooperating with other companies has affected Elanders' localisation in that they have had to take their partners' interests into account.

5.1.4 Undefined Business Relationship

When analysing Elanders' internationalisation, we find that there have been cases of existing relationships that have been difficult to define or categorise. We have therefore chosen to call them Undefined Business Relationships.

Many cases of undefined business relationships having been the main type of relationship before the establishment have been cases of acquisitions. Acquisitions have been a common mode of establishment for Elanders as they have several advantages. For example, this mode of internationalisation speeds up the establishment process significantly and provides access to an already established customer base (Einarsson, 2016). When Elanders has acquired firms with whom there has been a previous relationship, the main reason has been for Elanders to broaden the product range or to expand the customer base (Elanders, Table 4.1). This shows that Elanders has taken advantage of the resources of the acquired firm, for example its knowledge or customer network, and that it has been less important which country the firm comes from. Dunning (2000) argues that it is becoming more important to look for locations where local firms are present,

which supports our belief that it has not been the country itself that has been the deciding factor in Elanders' establishments. Instead, the firms that Elanders have acquired have determined the localisation of their business.

The countries in which Elanders has established themselves due to undefined business relationships are Poland and Germany. Due to the fact that these relationships are difficult to conclusively define, it is difficult to draw any conclusions from these cases related to our specific research purpose. However, both Poland and Germany are European countries, which shows that Elanders has acquired companies in countries that are close to their domestic market. Furthermore, we can conclude that undefined business relationships have affected Elanders' localisation as they have acquired these firms in order to strengthen their position in a country.

5.1.5 Suppliers

For some of Elanders' establishments in foreign countries, relationships with suppliers have been important. For example, Seiz Printing and Midland Information Resources were suppliers to Elanders before they were acquired. In these cases, the previous business relationships have led to opportunity recognition (Johanson & Vahlne, 2009) as they have given Elanders the possibility to later acquire these firms. In addition to this, the prior relationship has probably facilitated the integration of the firms into the Elanders Group as the partners have developed trust for each other and also shared knowledge and experiences. These factors are further discussed by Johanson & Vahlne (2009).

In Brazil, Elanders established themselves in the country by acquiring Artcopy Reprodução de Imagens Ltda, who had previously been their supplier. This led to Elanders having better control over their deliveries (Einarsson, 2016). The fact that they first used a supplier and then chose to buy them in order to establish themselves on the market can be explained by the fact that Brazil was a country to which Elanders had a large psychic distance (Johanson & Vahlne, 2009). This psychic distance presumably meant that they had insufficient knowledge about the market when first starting to deliver to their customers there. Before making the decision to acquire the firm and thereby establish themselves on the Brazilian market, they had already developed a relationship and thereby minimised the liability of outsidership (Johanson & Vahlne, 2009). In addition to this, like Zarei et al. (2011) argue, networks help the firm overcome the obstacle of lack of knowledge.

When Elanders first established themselves on the American market, they did this by acquiring American Seiz Printing, which previously had been a supplier to Elanders and served their customers. However, being the world's largest market overall, it was important for Elanders to enter the American market and therefore we do not think that the relationship was the main factor for this specific establishment. When Elanders strengthened their presence on the American market by acquiring Midland Information Resources in 2013, they had come into contact with this firm thanks to their deliveries to Volvo (Einarsson, 2016). Even though this relationship made them come into contact with Midland prior to the acquisition, we do not believe that the relationship was the main reason for this establishment. If they had not come into contact with Midland, we believe that they would have eventually acquired a different American firm.

Relationships with suppliers have led to Elanders having established themselves in the United States and in Brazil. These are countries that are on different continents than Elanders' home country, which we believe shows that relationships with suppliers can result in establishments further away from the company's home market. It is, however, difficult to explain why this is the case. Elanders was not present on the Brazilian market before the acquisition of their supplier, but had previously had customers there for which they provided goods through the Brazilian firm; the purpose of the acquisition was to have better control over the deliveries to these Brazilian customers. In the case of the American firms, the main reason for the establishments was not relationship-related. In conclusion, Elanders' relationships with suppliers have not in themselves been reasons for Elanders' establishing themselves in new countries, but these relationships have facilitated already established business ventures in remote countries.

5.1.6 Personal Contacts

Not only formal business relationships have been important for Elanders. Personal contacts of people within Elanders have also affected their establishments. In the case of Sommer Corporate Media, employees from within Elanders had been in contact with people from Sommer and in the case of Deutsche Online Medien, the CEO of Elanders GmbH was one of the founders of that company (Einarsson, 2016). Our belief that personal contacts are important for business development is also supported by Kenny & Fahy (2015).

In our opinion, the most prominent resource that relationships classified as personal contacts provide is the possibility to recognise opportunities (Johanson & Vahlne, 2009). By having people within the company that give access to additional contacts, Elanders has had the

possibility to receive information about new investment possibilities. The personal contact can also act as a bridging factor when Elanders is about to create a relationship with a new firm.

All of these establishments had the purpose of strengthening the presence in a specific country. In two out of three cases where personal contacts were involved, the establishments were acquisitions of German companies. The third case was an acquisition of a company in the United Kingdom (table 4.4.1, page 39). The fact that all cases were acquisitions shows that personal contacts affect the localisation in that they may lead to opportunities to acquire firms in different countries. Both Germany and the United Kingdom are markets which are close to Sweden, both in terms of geographic distance and psychic distance. In other words, the companies that Elanders has acquired thanks to personal contacts have all been located in countries that are close to their domestic market.

5.1.7 No Relationship

Even though Elanders has had some kind of relationship in the majority of its non-domestic establishments, there are cases where they did not have any relationship before establishing business abroad. Some examples of this are the cases of Norway, Russia, and when Elanders acquired Mentor Media (Elanders, 2008; Elanders, 2014). Due to the fact that business networks comprise several resources, there can be disadvantages from not being engaged in a network before establishing business in a new country. When analysing the unsuccessful establishment in Russia by considering the theory by Kenny & Fahy (2015) that states the importance of networks, one assumption is that the lack of network connections complicated the establishment in Russia. Why Elanders chose to establish themselves there despite this disadvantage in our opinion probably has to do with the fact that it was a country with a potential for growth and that the purpose of Elanders' establishment was to expand their customer base. This occurrence also goes hand in hand with Brewer's (2001) finding that companies' process for market selection is often unpredictable and not always rational. Some subjectivity may affect the management of a corporation regarding the market's overall attractiveness, the perceived ability to control competitors, or pure chance.

When Elanders acquired Mentor Media in 2014, they did this in an attempt to strengthen their position within the industry by complementing their supply chain services (Elanders, 2014). Mentor Media had resources that Elanders wanted access to, and therefore Elanders considered Mentor Media to be a good object for acquisition. Before the acquisition, Elanders was

something of an industry outsider as they had no connections within the supply chain service industry. In order to reduce their liability of outsidership (Johanson & Vahlne, 2009) they acquired a firm which already had an existing network and thereby established themselves within the network. Through this acquisition, Elanders gained access to a large number of plants all over the world thanks to Mentor Media's global presence. This indicates that even though there is no relationship before the establishment, new partners may appear which affect the localisation of the acquiring company's operations. This is, however, a unique case in that Elanders acquired Mentor Media in order to decidedly establish themselves on the supply chain market. Because this is an industry in which companies are strongly dependent on having operations in different places all over the world, one of the main attractive resources that Mentor Media had was their worldwide presence. There may, however, be other cases where one firm is acquired and the acquiring firm gets additional plants without taking this into account in the decision making process.

5.1.8 Relationships' Impact on Elanders' International Localisation

Relationship	Country	Impact on the localisation
Customers	The United Kingdom, Hungary, China, Italy	Entering new markets
Previous establishment in a country	The United Kingdom, Poland, Hungary	Strengthening position on markets
Cooperation	Poland, Romania	Entering new markets, Strengthening position on markets
Undefined Business relationship	Poland, Germany	-
Personal Contact	Germany, the United Kingdom	Strengthening position on market
Suppliers	The United States, Brazil	Entering new markets

No Relationship	Norway, Russia, Germany, Singapore, Taiwan, the United States, Czech Republic, Brazil, China, India, Japan, Mexico	Entering new markets, Strengthening position on markets
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Table 5.1.8.1: Relationships' Impact on Elanders' International Localisation

This table summarises the different kinds of relationships discussed in sections 5.1.1 through 5.1.7 regarding in which countries Elanders has established businesses through the help of different relationships and what impact these relationships have had on their localisation. The last row covers the establishments where there has not been any relationship to precede a certain establishment. From this we can conclude that relationships have had a major impact on the localisation of Elanders. Due to the different nature of the different relationships, they have affected the localisation in different ways, but a general conclusion is that relationships have either enabled Elanders to enter new markets or to strengthen their position on a market. We can also conclude that relationships with suppliers and customers have enabled Elanders to establish business outside of Europe, while other types of relationships have only led to establishments within Europe.

By comparing the cases where a relationship has preceded an international expansion with the cases where there not has been any relationship to precede a specific establishment, we can conclude that in many cases, the prevalence of a relationship in no way has determined into which countries Elanders has entered. For example, Elanders has entered into Germany, the United States and China both with and without the help of relationships. Furthermore, regardless of whether or not there has been a relationship to precede an international establishment, Elanders have established themselves in countries with varied geographical and psychic distance. However, it is important to point out that many of the countries were entered into in conjunction with the acquisition of Mentor Media even though Elanders did not have any relationship with them before the acquisition. The fact that networks, in some way, have been involved in almost all establishments outside of Europe poses a good example of the belief of Johanson & Vahlne (2009) that relationships facilitate establishments in countries with a large psychic distance to the home market and that networks can help companies overcome the liability of foreignness.

5.2 Other Explanations for the Localisation of Elanders' Foreign Operations

As has been shown so far in the analysis, there are several different types of relationships that have provided Elanders with different resources throughout their internationalisation process. We agree with Gadde et al. (2003) in that networks can affect the actions and nature of a firm and it is clear that networks have been important for Elanders' internationalisation. Johanson & Vahlne (2009) find that networks affect the localisation of a firm, which has also been true for Elanders as shown in Table 5.1.8.1 (page 58). However, as has been stated in the theoretical framework (section 2.3, page 16), we believe that there are other factors in addition to the network-specific ones that need to be considered for having had an effect on Elanders' international localisation. In order to answer the question of how different relationships have affected the locations of Elanders' foreign operations, we find it necessary to discuss other possible explanations for the locations of Elanders' foreign activities.

We believe that it is important to study the purposes of Elanders' international establishments as the purposes in themselves affect the localisation. According to Dunning (2000), there are four types of foreign based MNE activities: market seeking, resource seeking, rationalisation or efficiency seeking, and strategic asset seeking. We think that this can be applied to the case of Elanders considering the fact that there have been several different reasons for their establishments abroad (figure 4.4.3, page 46). The type of foreign based MNE activity that Elanders has aimed to undertake has affected the locations as different purposes require different resources from the target market. For example, in many cases, the purpose of internationalisation has been to expand the customer base, so in those cases it has been important to look for locations where there is a potential customer base. Another common reason for Elanders' establishments in foreign countries has been that they have wanted to broaden their product range. In such cases, they have mainly acquired firms which they think possess valuable resources and in these cases, the geographical location of these companies has not been a determining factor. The various relationships that Elanders is involved in have of course had an effect on these decisions in that relationships for example can lead to opportunity recognition (Johanson & Vahlne, 2009) and may have given Elanders the possibility to come into contact with new partners (Gadde et al., 2003). We argue that in cases where the motive has been to, for example, expand the customer base or to broaden the product range, existing relationships have not had any important impact on the localisation choice. Instead, other factors have been more important for the locations but relationships have still been important as they have opened doors and facilitated establishments.

There are also cases where the purpose for the establishment has been to follow existing customers. In these cases it is, however, clear that existing relationships have affected the localisation of Elanders' operations.

Brewer (2001) mentions business factors such as overall attractiveness on the market as factors for market selection. We think these are important factors to consider because even though the major part of Elanders foreign establishments are linked to some kind of relationship, the market itself and its characteristics have affected the locations of Elanders foreign operations. According to us, network factors and market factors need to be studied alongside with each other. In some cases, a relationship has made Elanders' establish themselves in a certain location, for example when following customers. In the case of China, for example, Elanders followed Ericsson but at the same time, it is a country with an emerging market where there is significant growth in the printing industry (Elanders, 2012). However, as has been previously stated, it is hard to know if Elanders wanted to enter that specific market for themselves or if it was the relationship that created a will for them to enter that market. We believe that there are cases where Elanders had a will to establish business in a certain location and that relationships were not the catalyst for the market selection, but facilitated the establishment there. This shows the importance of conditions on the market and that these need to be considered as a complement to factors within the network when studying the localisation of a firm's international businesses. For example, when the market in Eastern Europe grew in the 1990's, Elanders established themselves there and when growth in the BRIC countries was expected in the early 2010's, Elanders considered it advantageous to establish business in these regions (Elanders, 2012).

5.3 Shifts in the Localisation Pattern of Elanders' Foreign Operations

When looking at the localisation pattern of Elanders' foreign operations, we can see that there has been a shift since the inception of the internationalisation process. Early on in Elanders' internationalisation, they followed the establishment chain (Johanson & Vahlne, 2009) by establishing themselves in countries close to their home country such as the United Kingdom and in Norway (Elanders, 2008). After a few years, when they had strengthened their position and created a business network, they broke this pattern and established themselves in countries that were situated further away from their home country, for example in Russia and China (Elanders, 2008).

We can also see that their modes of establishment, especially when looking at first time entry into a market, have changed throughout the years. The fact that acquisitions have become a common mode of first entry can be explained by the fact that there has been a shift from natural resources to created resources as a factor for localisation decisions (Dunning, 2000). Greenfield investment used to be the most common mode of first entry and we believe that this is because there was a will to reach specific resources within a country, for example customers or efficient production as in the case for the United Kingdom and Hungary (table 4.4.1, page 39). By establishing themselves through greenfield investments, Elanders gained direct access to the market's resources and then the resources and the country itself affected Elanders' further establishments. In the past decade, however, acquisitions have become more common. For example, when first establishing themselves in the United States and in Germany, it was done through acquisitions. Because created resources have become an important factor for market selection (Dunning, 2000) it is not the country itself that possesses the resources but the companies. Therefore, the decisions about which markets to enter into can be based on where there are firms present with whom the focal company can create relationships (Dunning, 2000). This is something that is evident in the case of Elanders. For example, it was not resources within Germany as a country that made Elanders want to establish business there, but the fact that Elanders wanted access to resources that were specific for Sommer Corporate Media. However, the purpose of this establishment was also to strengthen the position within the industry, showing that traditional factors such as growth potential and economic stability are still important (Brouthers et al., 1998).

As a final standpoint for the analysis, we wonder: do the geographical locations of Elanders' international establishments really matter in themselves? As the printing industry has evolved and developed into being more service-based (The Economist, 2012; Elanders, 2008), customers have new demands that require new kinds of operations from the firms. In Elanders' case, this has meant an increased share of supply chain solutions which has created a need for Elanders to invest in complementary business. Due to this shift, Elanders has created an extensive network of plants all over the world in order to serve the customers' global needs. A company's geographical locations are of course important, but due to developments in areas such as the ICT sector for logistics and transport, physical distance has decreased in importance. In addition to this, as the printing industry becomes more and more knowledge intensive, traditional localisation factors have come to be less important (Dunning, 2000). Instead, it has become more important to look for locations where there are firms present with whom Elanders can create relationships.

6. Conclusion

6.1 Main Findings

The main finding of this report is that throughout Elanders' internationalisation process, there have been several kinds of relationships that have been important for Elanders' establishments in foreign countries. The ones found in this study are customers, previous establishments in the country, cooperating with other companies, personal contacts, suppliers, and undefined business relationships. However, due to the different nature of the relationships, they comprise different resources and have therefore affected Elanders' international localisation in different ways. In some cases, there has not existed any relationship prior to the establishment, but relationships have evolved in conjunction with or after the establishment. These relationships are also important to consider because they may affect the locations of future establishments either directly or indirectly. In general, networks have affected the localisation in that they have either enabled Elanders to enter a new market or made Elanders strengthen their position in a market where they were already present.

Furthermore, we argue that it is important to stress that even though network aspects have increased in importance, there are other traditional factors that can affect the localisation of a company's foreign operations, such as conditions on the market, and the purpose of the establishment. However, network factors are strongly linked to these factors as well and it is hard to separate them. Furthermore, we also found that locational factors change over time.

In conclusion, we have found that the localisation of international operations for an MNC within the printing industry depends on a variety of variables. Networks are of great importance but even though they are a major factor for localisation, there are other factors that are important as well.

6.2 Empirical and Theoretical Contributions

In this study, we have confirmed that the belief from earlier studies about the increasing importance of business networks is true also in the case of this printing industry MNC. We have also shown that there are several kinds of partners with whom a firm can create relationships, and that these comprise different kinds of resources that can affect the localisation of a firm's foreign operations. However, we believe that it is still important to consider other factors when studying

the localisation of a firm's foreign operations. Furthermore, we have given an introduction to the research on the localisation of companies within the printing industry.

6.3 Managerial Implications/suggestions for Elanders

This thesis has shown the importance of relationships for the localisation of Elanders' foreign operations. They currently employ a strategy of following their customers abroad, which shows that they are aware of the benefits that such relationships bring. We believe that other types of relationships can also be important for Elanders. By using the knowledge of how their past establishments have been affected by their existing relationships, they can both exploit existing relationships and also create new relationships. In conclusion, being aware of the benefits that different kinds of relationships provide can lead to many successful establishments in the future.

6.4 Suggestions for Future Research

In this introductory study to the field of networks' impact on the localisation of firms' foreign operations, we have presented market participants with whom Elanders have created relationships. However, these relationships may be specific for Elanders, and therefore we believe that it is important to study whether or not there are any other relationships that may be important in this context. There is also a need for further studies focusing on the resources that different kinds of relationships bring. As this study is specific for Elanders and their relationships, it would be of great interest to study other firms, both in the printing industry and in other industries, in order to find out if there are any common features of relationships and their resources. Furthermore, there is a need for further research in the field of how network theories are used practically in companies' decision making of internationalisation, and specifically regarding the location of the foreign activities.

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8. Appendix

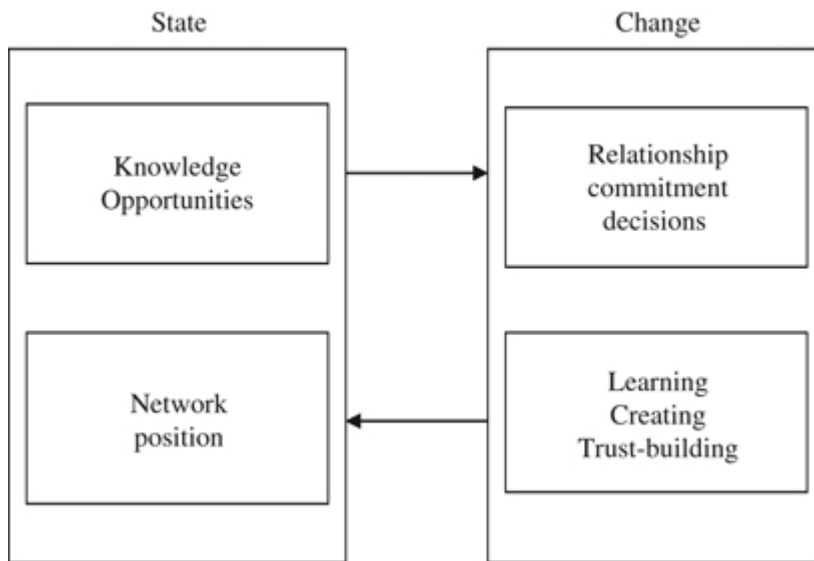


Fig. 8.1

The Business Network Internationalization Process Model (Johanson & Vahlne, 2009)

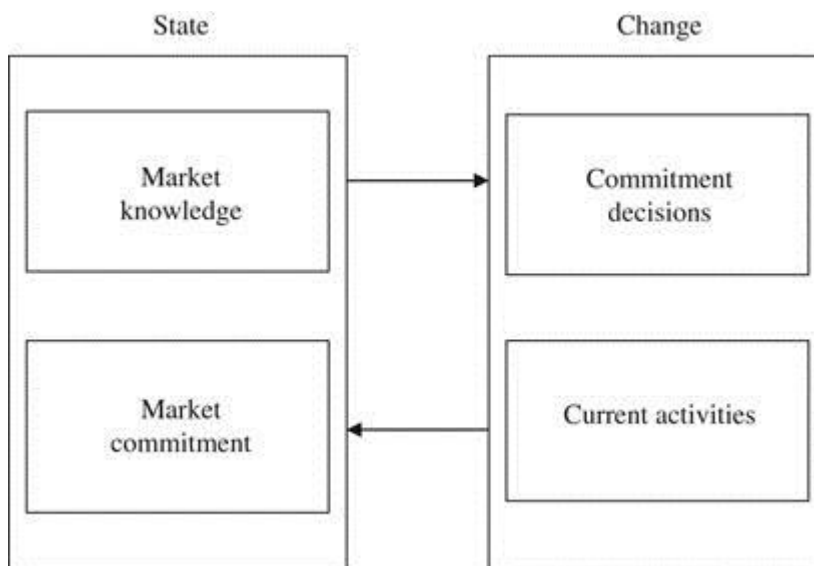


Fig. 8.2

The Basic Mechanism of Internationalization: State and Change Aspects (Johanson & Vahlne, 1977)