Understanding decisions – giving meaning to choices in SME internationalization

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Abstract

In an in-depth study of ten attempts to enter a foreign market I found that managers enact rather than make decisions. In their daily activities, they handle numerous possibilities for business, and some of these lead to something. This particular activity is thus enacted as a decision. Managers begin searching for new ways of doing something only when a particular way of doing things does not work do. Old frames are used to understand new information and actions are carried out according to these frames. There is always an enacted causal chain leading to a particular decision, as well as a causal chain leading to the next decision. Business actors are thus creating an understanding of the past and the present through a sense-making process that occurs after the actual events take place.

Key Words: Decision-making, SME, market entry, organizational memory,

Introduction

Rational decision-making has been challenged time and again over the last decades (e.g. Simon, 1955; Simon & March, 1958; Cyert & March, 1963; Kahneman & Tversky, 1986; Cohen & Bacdayan, 1994; Elsbach & Barr, 1999). Despite this, we constantly meet descriptions of rational decision-making in business firms. When Ford bought the Swedish car manufacturer Volvo in 1998, we heard the CEO of Ford claiming that it was the 'logical' and 'rational' thing to do. This common usage of rationality has been contrasted with studies of how decisions are really made, the basic critique of being that rational actors must make two guesses about the future: one about the future consequences of current actions and the other about future sentiments with respect to those consequences (March, 1999). Bounded rationality implies that not all alternatives are known, not all consequences are considered, and not all preferences are evaluated at the same time (Cyert & March, 1963).

Why, then, do we find this popular belief in rational action and the contradictory organization studies view of decisions as less than rational? One tentative answer to this could be that we feel a need to portray decision-making as rational in order to facilitate future decisions. If decision-making has led to the creation of meaning and knowledge, it has been rational. Decisions become rational when they create some desired results. What the CEO of Ford claim is thus that their actions are going to lead to a number of anticipated results. Given the difficulty of knowing what ones actions are going to lead to, and if this is what we will really want in the future, the easiest way to achieve rationality would appear to be through defining decisions after they have been made.

The purpose of this paper is to describe how organizations enact decisions in the process of acting in the direction of a certain goal and thereby extend our understanding of collective enactment of the meaning of decisions. In particular, I explore decision-making that occurs in the market entry process of ten medium-sized Swedish manufacturing firms. I begin the paper by discussing theory building using a multiple case method. Thereafter, I describe the data and the insight drawn from this data and draw conclusions by connecting the insight to a learning perspective on organizational decision making.

The major result of the study has been empirically based theoretical insight about decision making. First, I found that managers enact rather than make decisions. In their daily activities, they handle numerous possibilities for business, and some of these lead to something. This particular routine of activity is thus enacted as a decision. Secondly, managers follow established routines until proven wrong. That is, only when a particular way of doing things does not work do they begin searching for new ways of doing something. Old frames are used to understand new information and actions are carried out according to these frames. Thirdly, there is always a enacted causal chain leading to a particular decision. Business actors are thus creating a world view of the past, an understanding about the present and a guess about the future through a sense-making process that occurs after the actual events take place.

The study

Through collecting information in real time during ten market entry attempts and then comparing cases, I try to find common traits in decision making. Information was collected from all persons directly involved in the market entry. The study included both real-time observations and retrospective data. In order to follow decision making, I investigated medium-sized Swedish manufacturing firms (50-200 employees). The reason for choosing medium-sized firms was that in larger, more complex organizations, it is difficult to follow the decision making process, since it is often part of a larger political game (Cyert & March 1963). The reason for choosing manufacturing firms was that it is easier to follow changes in routines surrounding a physical product.

In 1994, there were 1438 medium-sized manufacturing firms in Sweden (SCB Företagen 1995). I was able to identify 727 as having international sales amounting to at least 10% of total sales. Out of these I selected 152 Swedish medium-sized manufacturing companies with international activity in three administrative areas

(Stockholm county, Uppsala and Södermanland administrative provinces). The reason for choosing these three geographic areas is that I wanted to visit the firms in the study at a regular basis.

First a short telephone survey was conducted with these 152 firms to find firms who had initiated a market entry within the previous six months. From this survey, I identified 16 firms with new market entry attempts. Two firms declined to participate and another four were later excluded because the market entry attempt had ended before the first interview was to take place, leaving a total of ten firms to interview.

******Figure 1 about here***

The interview guide used in the study was designed to capture market entry from inception to completion. By asking the informants the same questions again at various points in time I tried to capture the evolving decision. Data was collected from several different sources, including personal interviews, observation, telephone interviews, annual reports, promotion material and company archives, with the main source being personal interviews. The informants were asked open-ended questions that let them relate their stories of how the market entry evolved. The interviews lasted between one and four hours. The representatives of the two firms who managed to establish a working business relationship in the beginning of the study, Epsilon and Kappa, were asked to keep simple diaries where all contacts with the customer were registered.

Using the interviews and secondary sources, a 10-20 pages long case report was written for each company. The collected data was analyzed by first building individual case studies and then performing cross-case comparisons to construct a conceptual framework (Eisenhardt, 1989). To check the accuracy of the case descriptions, the interviewed persons were asked to read through them and discrepancies and errors were discussed at meetings in each firm in the autumn of 1997. As well as a chance to check on the accuracy of the data, these discussions were also treated as data collection opportunities. Following this, cross-case analysis was used to develop a conceptual understanding of decision-making during the market entry.

Decision-making

In all ten cases, the various informants of a company consistently agreed on what constituted a decision, though not necessarily on how the decision was made. Accounts of how a decision came into being and who made what differed between the informants. The discrepancies did, however, become smaller as time went by. Consensus on a decision and its context grew as time went by. The problem and alternative solutions tended to be forgotten, while the decision became more and more rational for the actors over time. We find one example of this in the Kappa case. The firm hired a manager from one of their suppliers to start a quality program in Kappa. This manager had worked with a number of Finnish firms for some time and suggested that Kappa try to get them as customers. He approached two of these companies and one of them decided to try Kappa as supplier. In retrospect, the CEO of Kappa perceived this as one of the intended consequences of recruiting this particular manager, but the primary reason for his having been recruited was his involvement in quality work the previous year. The views of the CEO and his new quality manager gradually converged and both came to view his role as both quality- and sales manager.

The enacted decisions included choices concerning whether or not a certain customer was worth pursuing, whether new market entry opportunities should be sought, and whether or not the firm should start selling to a customer or end a particular market entry attempt. All things considered to be decisions among the informants included some form of change. No change was thus considered no decision – though even such a choice made at a certain time, e.g. to not get involved with a second party, can have consequences for a firm. An example of this is the Alpha case, where a decision was made to pursue an American customer. After a while, Alpha began to have problems with their production capacity. They had been working at full capacity for some time and the wear and tear on machines and personnel had begun to show. No decision was made, but since other orders had higher priority, deliveries to the US firm were delayed. This led to Alpha losing their customer. Only when the board of directors forced the managing director to consider the US as a possible location for a new plant did management become aware of the fact that a choice had actually been made to not give priority to the American customer. Non-decisions can thus be transformed into decisions due to changed attention spans within the company. The people working in a company make choices daily that can be seen as decisions, but only some of these choices receive the attention necessary to transform them into decisions. What constitutes a decision is thus as much a cognitive as a factual matter.

During each interview, the same set of questions were asked: What were they going to do? Why were they going to do it? And what had they done earlier? The past, the present and the future were described again and again by the informants in interviews at intervals of 2-4 months. I thus got a picture of the continuous stream of the changing understanding of the market entry. The decisions were described before they were made, during the decision-making process and after the fact—at multiple points in time. In figures 2a and 2b, I summarize the ten decision-making processes witnessed. It is important to point out that, as an interviewer, I was also part of the understanding of the decisions. Perhaps the discussion during the interviews served to create a greater awareness than we usually find in firms. However, I do not think that this had any major impact on the way they viewed the decisions. The decision points were moments when something decisive happened in the relations between the firms and thus not subject to influence from the interviewer.

*******Figure 2a about here******

*******Figure 2b about here******

As indicated in tables 2a and 2b, there were substantial differences in decision-making between the firms. Seven decisions led to failure and three to success. Failure led to a varying amount of change in the firms, while success had a greater impact. Since the successful decisions led to more time being spent on the market entry, and since they led to changes in the daily life of the companies – this is quite natural.

Failure can also lead to new decisions and new ways of doing things, but the path-dependence is so much more visible for successful processes.

The data generated a picture of how decisions are enacted in an ongoing process of individual and collective reflection. The informants continuously arranged the past as a stream of decisions that was connected to other decisions, thus creating a meaningful whole. Successes were seen as more rational decision-making than failures. Chance was considered a stronger factor in explaining failure than in explaining success. Decisions that led to failure contained unresolved uncertainty such that the firms could not use existing ways of doing things to solve problems and were therefore unable to find the routines to handle this particular uncertainty.

An example of this is Alef who tried to enter a new market in Poland. Alef manufactures product that is considered high-end in its market. The firm has a strong market position in Western Europe and wants to keep that position in Eastern Europe as well. The result of their work was a long search process that led to the identification of two possible segments for their product: Foreign companies investing in Poland and Polish companies with exports. Polish companies working on their domestic market cannot demand the prices that high-end products such as Alef's require. The market segment is still small and the failure showed that it is too small. Alef thus discovered that their way of doing things was not suited to the Polish market and they were not interested in searching for ways that were.

Market entry

In all the ten cases, there were positive expectations about the future. The market entry in question was to become an important part of the particular firm's future business. So how was the initial decision to get involved in this relationship reached? A common trait of the successful cases is that there was a history of doing business with each other before this contact. In these cases, the contact was in fact a continuation of processes already underway in the companies. One example of this is Epsilon, where the initiator was a customer who had used Epsilon's product in a project together with Epsilon's largest customer. For Epsilon, this contact fit both their cognitive and production systems. One of Epsilon's goals was to expand abroad and they had recently acquired machinery that made the inclusion of the new product much easier than it would have been earlier. The decision was thus more or less built into the system.

In the seven unsuccessful cases, the contacts between the firms were either completely new or had been limited. This meant the distance between the customers was greater here than in the three successful cases, in turn leading to situations where the firms in some cases felt cheated by their potential customers. Delta, for example, believed that their offer in the world bank project was the best one, but that the other firm got the contract because they had better contacts. Gimmel felt that their potential customer had only used Gimmel's bid to pressure their existing suppliers into lowering their prices.

In all ten cases the new business was considered to somehow fit into the firm's existing business. There was thus a cognitive readiness to enter into the new business. The possibility of establishing new business relationships in a new country had been discussed in the firm for some time. It thus appears that there has to be an agreed-upon reason for a firm to get involved. Little similarity, however, was displayed in how the contacts were established. In some cases, the firms were surprised when they were approached by the new customers. In other cases, a conscious strategic decision was made to start producing in another country—for market or production reasons. In yet other cases, the decision to go international was part of a normal search for new customers.

The company histories show that larger investments are made infrequently and that these investments have been driven either by customer demand or situations where the existing structure is not longer effective. Rules and structures are developed to handle the daily activities of the firm. To change these demands, either a promise of substantial new business or threat to the existence of the firms must be present. Several firms started to search for business abroad as a result of lost business on the domestic market that freed production capacity.

This suggests that we basically have two situations in which firms attempt market entry: (1) when external pressure or internal slack either forces or enables possibilities for finding new business; and (2) when a new business opportunity is found that fits the existing business structure of the firm. Experience, either with a potential partner or of international business in general, makes it easier to determine if a new business relation does in fact fit the system or if the resource demands are prohibitive.

In the midst of the process

In all companies, there was an ongoing process of action, reaction and evaluation in the market entry. These processes were triggered by something that set off the action. The companies were never working exclusively with this specific market entry, but rather pursuing a number of possibilities. As the activities in this particular market entry started to occupy more and more time in the company other activities were downgraded and supporting systems and routines for handling daily activities in the firms directed to the new business opportunity. Success was decisive in how resources would best be allocated. Managers reacted to what happened in a particular relationship—spending more resources on the successful ones.

I could not find the same pattern for failures. Managers did not usually react to things that did not work out by expending more resources to get them on track again. In the successful cases, there was a realization that a lot of resources were directed towards the market entry. In the failures, however, there was a realization that nothing had happened in that particular market entry and it was thus decided that it was a failure. Thus, managers appear to spend more time reacting to what happens in the business network surrounding the firm, than acting towards a certain goal.

When asked why they chose a certain way of conducting business, the firms usually stated that it was because the method had worked earlier. The firms used existing routines without reflecting upon it too much. If their existing forwarding company could handle transports—that was the way they were handled. If their existing suppliers could handle new demands on raw materials—that was who supplied them.

Planned searches for good solutions occurred when uncertainty was great, as when Omikron hired a consultant to search for possible production facilities to lease in Estonia. After initiation of the relation, however, firms used existing practices to handle the exchange. In only one case did a firm make any major changes in their existing routines and structures. That was when Alpha approached its customer suggesting the construction of a joint-production unit in the US. This was, however, a change forced upon the company by its board of directors. In actuality, management wanted to build a new production facility in Sweden to handle the expanded business, but since the Swedish market is mature, and future growth is expected to occur in the US and Asia, this was not seen as the optimal solution by the board of directors.

Understanding decisions

There was not one occasion when the informants told me that they were going to make a decision about the market entry. They did say that they had made a decision after the previous interview. An interesting phenomenon is that sometimes the decision they claimed to have made had in fact occurred before that previous interview. Decisions are thus often enacted after the fact. In the midst of the process, people act and react in response to what happens around them, but when there is a decisive change in an routine, the actors can see that something has changed. This awareness makes it possible for actors to evaluate their actions and later enact decisions based on these actions, despite the fact that they may have reflected very little upon what they were doing while they were doing it.

In the case of Redishka, the initial contacts with the customer indicated that the exchange relationship could be handled within the existing routines and structures of the firm. Only after work on the adaptations demanded by the customer had begun did they understand that these adaptations would demand major changes in Redishka's existing way of doing business. The amount of business generated by the new exchange relationship would not cover the costs of making the adaptations. After the initial contact, Redishka thus reacted to the customer's acceptance of Redishka as their supplier and started to produce a test batch of the product. When they discovered the costs of making the adaptation, they approached the Norwegian company with an offer to make the product but with a number of alterations that would make production cheaper. The customer responded with a demand that they fulfill the previously agreed-upon specifications. Redishka then demanded, in return, a substantial order of the product to cover the costs of more expensive raw materials and a new machine to handle those materials. The customer reacted by telling Redishka that they could not place a large order with a company they had not worked with earlier.

The decisions were enacted by the management of Redishka to have occurred at the times when they decided to approach the potential customer, when they agreed to make some adaptations to the product, and when they demanded changed specifications or larger orders. These points in the ongoing stream of choices were thus of such a magnitude as to constitute decisions. There was also a belief that their choices had in fact been informed—there had been an anticipation of the consequences of the decisions. This understanding was however enacted after the fact, when they had seen the results of their actions. The managers claimed that the demand on the customer to change specifications or place a larger order was made with the anticipated consequence of losing the deal, while at the moment when they made the demand, it was seen as an ongoing negotiation with the customer. They tried to resolve uncertainty by acting and then waiting for the reaction from the customer. What the company did expect was another round of changes in specifications and order size, not a flat-out refusal from the customer to make any changes on their end.

Looking back - the ex post creation of meaning

The complexity of even quite simple decisions makes it advantageous for people to follow rather simple procedures in deciding. People follow the routines they have been socialized into and that they have developed through their actions. In choosing, they use the context of the decision as contrast to choose among the existing alternatives (Tversky & Kahneman, 1986). No search was therefore made for better machines, suppliers, forwarding companies, law firms, banks, etc., if the exchange could be handled within the existing routines and structures for conducting business. This would indicate a cognitive frame containing possible action patterns surrounding a specific decision process (cf. Goffman, 1974).

Framing can be seen as the process of bringing relevant knowledge to bear on a situation (Minsky, 1968). Whether or not business fits into existing frames was a central question for the managers when confronted with the development in the various cases. Matters that fit into an existing frame were acted upon at once without much reflection. Actors with little experience had more difficulty judging whether the emerging information did fit into an existing frame. Acting upon a development, using a frame it did not fit, usually led to unexpected situations, followed by uncertainty concerning whether future developments could be acted upon according to existing frames.

In the two firms where things worked out without any major problems, management experienced very little uncertainty. The market entry could be handled using existing routines. In the other cases, however, moments of great uncertainty occurred before the firms failed. The way of handling this uncertainty was usually not to start evaluating the situation, but to *act* and then await a *reaction* of the customer in order to clarify the situation. If people are uncertain about what alternatives there are to choose from, what road to follow, or even what they should decide, they act and then evaluate the results of that action (Weick 1987). Once people begin to act, they generate tangible outcomes in some context, which helps them discover what is really happening, what needs to be explained, and what should be done next (Weick 1995, p. 55).

To some extent, we learn to make decisions from experience, but learning is dependent on accurate and immediate feedback about the relations between situational conditions and appropriate responses. This feedback is often lacking because outcomes are commonly delayed and not easily attributable to a particular action. Another problem with evaluation is that information about what the outcome would have been, if another decision had been made, is also lacking. Moreover, most important decisions are unique and therefore provide little opportunity for learning

(Tversky & Kahneman, 1986). The information collected after a decision seems to be useful in clarifying what the decision really was, that is, to determine which of the many things people did earlier led to the situation they have today.

People thus let action clarify meaning. Once a decision is made and the person is committed to a given course of action, the non-chosen alternatives will tend to be downgraded as a justification for the taken course (Festinger, 1964, p. 5). Action is thus path-dependent, and constrained by what has been decided earlier and what has been learnt from that decision. The emerging structures will become the framework for future decisions. Routines and structures thus undergo continuous change through a process of action and reaction within and between firms.

The fact that much activity occurs mindlessly, with little or no real problem-solving or conscious awareness, is nothing new (cf. Ashfort & Fried, 1988). We create cognitive structures that specify a typical sequence of occurrences in a given situation to handle our daily activities. These structures are organized into organizational routines in a group of actors linked by relations (Cohen & Bacdayan, 1994) within and between firms. These routines are not single patterns, but a set of possible patterns from which organizational members enact particular performances (Pentland & Rueter, 1994). A comparison can be drawn here to the view proposed by March (1994), who states that the difficulty to make well-founded decisions makes rule-following an interesting option for decision-makers (March 1994, p. 58-59). In an organization, people will tend to execute their tasks by following a set of rules that they accept as part of their identity (ibid. p. 68).

The managers thus perceive a decision only when they see the results of their past actions (cf. Weick, 1979). Rational decision-making is only possible if actors can enact their decisions and causal chains after they have been made. At any given moment, the actors in a firm have a frame of possible routines. They will either choose among these routines or instigate a search for new ones. Search is, in the short-term, almost always more expensive. Actors therefore usually choose an existing routine they consider appropriate and handle difficulties as they emerge.

The activities that follow a decision provide the actors with an understanding of the decision that has been made. The picture of the decision becomes more and more simplified as time goes by. Information is gathered more in an effort to enact better explanations of the decisions made than to actually make the decisions. An action is put into a frame within which it has meaning. In a firm, this frame consists of both the physical and cognitive structures that have been developed to handle daily business activities. The frame is at first fragmented – but consecutive actions and constructions clarify the actions and make them a part of a larger more clear picture as time goes by, and the frame itself also becomes increasingly clear, unfragmented and solid.

The frame within which choices and decisions are made consists of the routines used by a firm. Hierarchies, structures and routines develop in the firm as it acts. The firm can be seen as similar to human beings in that it exhibits memory functions (Walsh & Ungson, 1991). Individuals and social systems depend on rules and on the standardization, routinization and organization of action they provide (March. 1994, pp. 60-61). The past imposes itself on the present through retention of experience in routines. Rules are a residue of the past. Inferences derived from historical experience are folded back into the actions that create subsequent history (ibid. pp. 79-91).

This standardization and routinization is not an exclusively intrafirm phenomenon. The same processes go on in exchange relationships firms have with other firms. Uncertainty of the exchange processes forces upon exchange members a need to develop an interorganizational organization (Lebleci & Salancik, 1982). This "quasi-organization" is as important for decision-making as the organization within which the actors are members. For an individual decision-maker, what happens in a specific business relationship is at least as important as what happens within the firm. The results of their actions are influenced by the context within which the firms directly involved in the business are embedded. The people to whom these actions are directed must incorporate these activities into their interconnected routines, making the results of changes in routines difficult to see other than in retrospect.

Everyday life of people in firms creates a set of possible routines. These routines make some actions and reactions possible, while hindering others. The routines make up the frame within which choices are made. Only when something out of the ordinary occurs does a search for new routines begin. The out-of-the-ordinary happening is either a result of an opportunity to do something new or of a necessity in the face of destruction. Routines are arranged around the stream of activities that constitute the firm. New routines have to be connected to the ones that already exist and the less routines have to be changed the easier it is to include a new one.

Conclusion

I have described how ten firms and 17 managers enacted the meaning of decisions through their actions after the decisions were made. Ex post interpretations of what had happened were part of the sense-making processes that made a decision into a decision. The informants often tried alternative explanations to make sense of what had happened, thus creating coherent myths. The actors also created supporting systems of routines and structures to handle the enacted worlds of the new exchange relationships. These myths, or stories, and interconnected activity systems supported by machines and routines, connected different decisions and groups within and between companies into a coherent whole. They made it possible to understand the history of the companies and connect future decisions with past decisions.

Decision-making is often not a one-sided phenomenon. Decisions about business relationships involve at least two, usually more, actors. This means that actors must wait for the reactions on to their activities to determine whether an action has led to a positive outcome. The actions and reactions in the business network will change the meaning of most actions rendering retrospective understanding of a decision the only feasibility. This means that most managers will not waste their time with ex ante rational decision-making. Experience makes predictions about what will happen in a new situation more accurate, but still not perfect. The understanding of the decision is a result of interaction between the knowledge structures created through experience and current environmental factors. This means that the people involved in the happening will be partial creators of their own history and of their memory of that history.

The main findings of the study are that, wherever possible, managers use existing routines when trying to include a new activity into the firms activities. Managers work with a number of routines and new business relationships often call for routines to change or the inclusion of new routines. Some of these opportunities for change result in new routines coming into existence. These are the ones that are seen as decisions. Changes are given attention through common reflection and discussion with the other actors involved. The result of this attention is meaningful routines with choices that are connected to one another. These choices are then reproduced to create a meaningful routine that will create the desired result. Failure also includes meaningful decisions, but failed decisions are often attributed to the actions of others while success is attributed to one's own actions.

In the cases in this study, there was a stream of choices made by the actors, usually with little reflection on alternative ways of doing things. Some of their choices held consequences important enough to be considered decisions. In the study, these were usually the choices that did not fit into the routines and structures that had already been developed to handle the firms' daily business activities. Choices that led to change were thus usually considered decisions, while those that did not—though often equally important for the firm—could be considered non-decisions.

There seems to be three key properties in this way of looking at decision-making: (1) managers do not make decisions, they explore different routines trying to connect them to established ways of doing business; (2) managers connect decisions created retroactively to a stream of other decisions in a causal chain structured by time; and (3) managers use existing routines as much as possible, even when there may be better ways of doing things. The importance of being seen as rational will make managers enact decisions out of a pool of possible happenings. Happenings that lead to a change are the obvious choice as a rational decision-making process.

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Company	**Emplo yees**	**Turn-over**[1]	**Inter-views**	**Phone Inter-views**	**Diary**	**Observ -ation**	**Information collection period**	**Customer country**	**First contact between firms**
Epsilon	72	75	16	2	Yes	2	12/95-04/97	Holland	11/95
Alef	186	190	8	2	No	0	01/96-11/96	Germany	09/95
Alpha	175	200	11	4	No	0	12/95-05/97	USA	06/95
Delta	120	100	5	1	no	0	01/96-04/97	Malaysia	05/95
Gamma	150	100	5	4	no	0	01/96-09/97	Italy	05/95
Gimmel	72	60	2	4	no	0	01/96-05/97	Belgium	02/95
Ikotec	73	100	4	3	no	0	01/96-05/97	France	06/95
Omikron	53	40	2	4	no	0	12/95-05/97	Estonia	09/95
Rediska	62	50	4	4	no	0	01/96-05/97	Norway	10/95
Kappa	53	40	16	0	yes	2	01/96-05/97	Finland	05/95

Figure 1: basic facts

[1] M SEK in 1995 Annual statement

	Epsilon in Holland	Kappa in Finland	Alpha in USA
Trigger to market entry	A Dutch firm, familiar with Epsilons products from a joint project with Epsilons largest customer, approaches them. Epsilon is quite dependent on a few large customers and is looking for new ones. Sweden is not an option for expansion.	Kappa hired a quality manager and he had contacts with potential customers in Finland. Kappa needs higher sales volumes to use their new production capacity better. Kappa thus approached the Finnish firms through the new manager.	An American machine manufacturer has problems with securing supplies of an important component. Alpha hears this from one of their customers and approaches the American firm. Alpha has a low market share in America and this potential customer is a fast growing actor.
Handling market entry	A representative of the Dutch firm visited Epsilon in September 1995 and a couple of months later Epsilon visited Holland to sign a contract. A first order worked out to the satisfaction of both parties and the parties signed a contract for monthly deliveries for a year. Epsilon could handle production with existing routines. The Dutch firm handled uncertainties about deliveries and payments. Epsilon had to reorganize packaging as it was incorporated into the customers JIT system.	The Finnish customer is always on the lookout for new competent suppliers. The parties signed a contract for a trial order in October 1995. The first order was satisfactory for both parties and Kappa got a new order in June 1996. Kappa is part of the customer's regular supplier base. The customer is in an unfamiliar industry, raw materials are different but can be handled with existing production routines. Kappas main raw materials supplier could help with materials and the tools supplier helped with machine calibrations. A new forwarding company handles transportation.	The customer is interested but considers price in Alpha's offer too high. A large order forced the customer to accept it anyway. A contract was written in December 1995. Alpha was working at full capacity and when it started having production problems the US customer received lower priority than Alpha's regular customers. The customer refuses to order more. Alpha realized that they have to create more production capacity. Together with customer they create new plant in the US. The customer thus first put an end to the business relationship, but it was initiated again by Alpha. Alpha put in great effort to make the customer happy.
Decision-making as it was described by the firm	Epsilon has worked hard to make production more efficient and as a result it needs to expand internationally to become less dependent on their existing customers. Through one of their customers they became aware of the Dutch firm and could soon come to an agreement about deliveries.	An investment in new production capacity made it possible to expand business and to get new competence they hired a manager with international experience. He managed to find a new customer in Finland in an industry that is new to Kappa thus expanding the production competence of the firm.	Alpha approached the customer in order to build a better market position on the important American market. Due to production problems they had to give the customer low priority and consequently the customer was unhappy. A strategic decision was made to go for the American market and thus Alpha worked to get back the customer and use their knowledge to get a foothold on the market.

Figure 2a – The successful relationships

	The market entry attempt	Decision-making as described by the firms
Alef in Poland	Alef initiated the relation to get into a new market. The customer had earnings from export and could thus afford alefs product while firms working solely for the Polish market could not. The customer placed an order in May 1996, but then decided to go for cheaper products elsewhere. Alef's products too expensive and too high quality for the low-end market.	Alef needs to get a bridgehead in the East European market and thus made a market survey of the Polish market. They found a potential customer and approached them. This customer was the best option in Poland, but the market has not yet developed to a level where they need Alefs high end product.
Delta in Malaysia	Delta made offer to World Bank project as a part of their attempts to get into new markets. Delta considered their offer as the best and cheapest in the long run. The Malaysian authorities wanted a product with lower initial costs and another firm got the deal.	Delta made the best offer in a the project but it did not have the resources to convince the authorities or bribe the right persons. Delta needs to cooperate with larger actors if they are to compete in similar projects in the future.
Gamma in Italy	An Italian research institute wants to replace an existing supplier and contacts Gamma. Researchers in the institute have worked with Gammas product earlier. Gamma makes them a financially good offer but the customer is not satisfied with the service organization of Gamma. The reason for breaking with the old customer is that their service was bad. Gamma refuses to set up a service unit in Italy and the deal is off.	Through a contact made at a conference Gamma is approached by an Italian research institute and Gamma makes them a very good offer to get a reference customer in northern Italy. The customer demands a service unit nearby, but the cost of creating a new unit is very high and Gamma can not set it up for just one customer. Italy is not a high priority area anyhow.
Gimmel in Belgium .	Gimmel approached the customer when it heard that they were looking for new supplier. The customer is large and well-known, and can generate much new business. The customer decided to use existing local suppliers and there was thus no order.	Gimmel made a very competitive offer but did not get the order. Gimmel suspected that customer had used them to negotiate better deals with these suppliers. Gimmel does not have the resources to sell abroad and it will concentrate on the Swedish market.
Ikotec in France	Ikotec approached the French firm as part of regular sales tour. Ikotec had just begun working on the French market. Agreement in 1995/09, but problems after the deal led to breaking of contract. Ikotec's product needs to be integrated into the customers production and the technician assigned for this was unable to cooperate with the customer.	Ikotec has a strategy to expand business to southern Europe and thus hired a sales representative in France. He found a customer and Ikotec sent a very experienced team to oversee the integration. The cultural differences are large between Sweden and France and the routines used in Germany does not work in France.
Omikron in Estonia	Omikron wanted to start producing in low-cost country. The Counterpart was the company that gave the best impression. Omikron wanted to pay with production equipment from Sweden, but the Estonian counterpart wanted money and in the end the deal failed.	Omikron needed to lower production costs to be able to compete. The Estonian firm needed to update their production equipment and Omikron was to help them accomplish that but in the end the Estonian firm made unacceptable demands.
Redishka in Norway	Redishka found out that the a Norwegian firm was producing products similar to another of its customers. The firm was interested, but demanded large adaptations of Redishkas product. These adaptations would lead to higher costs for Redishka. Redishka demanded changed specifications or long-term contract to make a deal, but the Norwegian firm would not do either.	Redishka is very interested in starting to sell to the Norwegian oil industry. It approached a firm in Norway, but this firm was not that interested in the deal. The Norwegian firm was not cooperative and thus Redishka decided to stop the process.

Figure 2b – The unsuccessful relations