Internationalization of Finnish construction companies: An interview-based study in the Swedish construction industry

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Title of thesis	Internationalization of Finnish construction companies: An interview-based study in the Swedish construction industry
Degree	Master of Science in Economics and Business Administration
Degree programme	International Business
Thesis advisor(s)	Iiris Saittakari
Year of approval 2015	**Number of pages** 97 **Language** English

Abstract

The purpose of this thesis is to discover what aspects affect the internationalization success of Finnish construction companies and how that success could be improved. According to the existing business network literature, internationalization can be seen as a company's entry to a new international business network rather than a new country. Therefore the internationalization process can be described through the process of network development. In network development the elements of trust and commitment are identified as essential, but business network literature does not exhaustively describe how trust and commitment can be developed. According to branding researchers, business-to-business brands have the potential to improve trust and commitment between companies. Thus, branding theory is introduced to fill the research gap identified in the network literature. By combining important theoretical models from the two research fields a theoretical framework for this thesis is created. The resulting framework portrays the internationalization process from a network perspective and introduces supporting brand-building elements to go with each step of the process.

Semi-structured interviews conducted with Swedish construction industry experts largely confirmed the findings of the existing literature. The majority of purchasing and partnering decisions within the Swedish construction industry are made based on past experiences and references. If the prospecting Finnish company is not part of a Swedish company's business network it will be almost impossible for it to internationalize into the Swedish construction industry. One modification was made to the theoretical framework based on the interviews. The brand-building element "reputation" was replaced by "references". References were seen as the most important source of good reputation in the Swedish construction industry.

As a theoretical contribution to the business network literature the thesis sheds some light on the creation of trust and commitment between companies in new international business networks. Trust seems to be increased by focusing on the company's reputation, a part of its brand equity. The most efficient way of establishing good reputation in relation to a new network is found to be the creation of trustworthy and transparent references.

From a managerial point of view the thesis provides valuable information about the Swedish construction industry as a target for internationalization. The most common business network type in the industry is the flexible network. Entering flexible networks can be relatively easy because they need a lot of companies with different capabilities to tackle different projects. Another managerial implication is that the initial contact with potential new partners should be done face-to-face to increase the sense of trust and commitment in the relationship.

Keywords internationalization, construction industry, business networks, B2B branding

Tekijä Juuso Saloranta	
Työn nimi Internationalization of Finnish construction companies: An interview-based study in the Swedish construction industry	
Tutkinto Kauppatieteiden maisteri	
Koulutusohjelma Kansainvälinen liiketoiminta	
Työn ohjaaja(t) Iiris Saittakari	
Hyväksymisvuosi 2015	**Sivumäärä** 97 **Kieli** Englanti

Tiivistelmä

Tämän tutkielman tarkoitus on selvittää, mitkä asiat vaikuttavat suomalaisten rakennusalan yritysten kansainvälistymisen onnistumiseen, ja miten onnistumista voitaisiin parantaa. Olemassa olevan yritysverkostokirjallisuuden mukaan kansainvälistyminen voidaan nähdä uuteen maahan siirtymisen sijaan yrityksen liittymisenä uuteen kansainväliseen verkostoon. Siten kansainvälistymisprosessi voidaan kuvata yritysverkostojen kehitysprosessin kautta. Verkostojen kehityksessä pidetään tärkeänä yritysten välistä luottamusta ja sitoutumista, mutta verkostokirjallisuus ei tyhjentävästi kerro, miten luottamusta ja sitoutumista luodaan. Bränditutkijat ovat sitä mieltä, että business-to-business-brändit voivat parantaa luottamusta ja sitoutumista yritysten välillä. Siksi bränditeoria on otettu mukaan tutkielmaan täyttämään verkostokirjallisuudesta löytynyttä tutkimusaukkoa. Tutkielmalle on luotu teoreettinen viitekehys yhdistämällä näistä kahdesta teoriasuuntauksesta löydetyt teoreettiset mallit. Lopputulos on viitekehys, joka esittää kansainvälistymisprosessin verkostonäkökulmasta ja tuo prosessin tueksi brändinrakennuselementtejä.

Semistrukturoidut haastattelut ruotsalaisten rakennusalan ammattilaisten kanssa vahvistivat olemassa olevan kirjallisuuden löydökset suurelta osin. Valtaosa Ruotsin rakennustoimialalla tehtävistä hankinta- ja kumppanuuspäätöksistä tehdään kokemusten ja suositusten perusteella. Jos kansainvälistyvä suomalaisyritys ei kuulu yhdenkään ruotsalaisyrityksen verkostoon, on sen miltei mahdotonta päästä Ruotsin rakennusmarkkinoille. Tutkielman viitekehykseen tehtiin yksi muutos haastattelujen perusteella. Brändinrakennuselementti "maine" (reputation) korvattiin elementillä "suositukset" (references). Suositusten nähtiin olevan tärkein lähde hyvälle maineelle Ruotsin rakennustoimialalla.

Tämä tutkielma tuo yritysverkostokirjallisuuteen lisää ymmärrystä siitä, miten yritysten välille luodaan luottamusta ja sitoutumista uusien kansainvälisten verkostojen kohdalla. Luottamusta voidaan kasvattaa keskittymällä yrityksen maineen rakentamiseen. Tehokkain tapa hyvän maineen luomiseen näyttäisi olevan luotettavien ja läpinäkyvien suositusten hankkiminen.

Käytännön johtamistyön näkökulmasta tutkielma tarjoaa arvokasta tietoa Ruotsin rakennustoimialasta kansainvälistymisen kohteena. Tyypillisin yritysverkostotyyppi toimialalla on "joustava verkosto" (flexible network). Joustaviin verkostoihin liittyminen voi olla suhteellisen helppoa, koska ne tarvitsevat toimiakseen suuren määrän erilaisilla kyvykkyyksillä varustettuja yrityksiä. Toinen johtajia koskeva löydös on se, että ensimmäisen kontaktin potentiaaliseen kumppaniyritykseen tulisi tapahtua kasvotusten, jotta tuetaan luottamuksen ja sitoutumisen tunteen syntymistä.

Avainsanat kansainvälistyminen, rakennusteollisuus, yritysverkostot, B2B-brändäys

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1   INTRODUCTION

Finnish construction companies are facing increasing internationalization pressures. According to KIRA-foorumi (2015), the construction industry is internationalizing rapidly and the internationalization touches even the companies that are used to operating domestically. Furthermore, KIRA-foorumi (2015) states that in the Finnish construction industry even small and medium sized companies need to take part in international business networks in order to stay competitive. According to Rakennusteollisuus (2014) Sweden was the biggest export country for Finnish construction companies by revenue in 2013. Therefore, the current research focuses on Finnish companies' expansion to the Swedish construction industry. The construction industry in Finland is a traditional service industry with relatively limited internationalization compared to many other industries. According to Tilastokeskus (2014a & 2014b) the construction industry in 2013 accounted for 7% of the turnover for all Finnish companies but only for 3% of the total Finnish export. Increasing export revenue of companies would be highly beneficial for the Finnish economy and, therefore, it is interesting to study the aspects that lie behind successful internationalization of construction companies. The purpose of this thesis is to discover what aspects affect the success of their internationalization efforts and how those efforts could be improved. The contribution of the thesis is twofold: On one hand, the thesis contributes academically to internationalization research by examining the effect of corporate networks and business-to-business branding to companies' internationalization. On the other hand, the managerial contribution comes from findings that can help Finnish construction companies internationalize successfully.

To approach my research objective I have studied previous research on business networks and business-to-business branding and, based on that, created a framework that explains theoretical foundations for successful internationalization. Next, I have interviewed eight professionals from the Swedish construction industry and compared the interview results to my theoretical framework thereby testing its validity in practice. Throughout this thesis the goal has been to identify ways in which Finnish construction companies can improve their internationalization process.

This chapter introduces the background and problem setting of the current research. Also, the relevant research gap will be demonstrated by providing a brief overview of existing literature and by showing that not all aspects of internationalization and B2B branding have been exhaustively studied. The chapter then goes on to describe the research objectives and research questions of the thesis. After that, the limitations of the research are stated and the key concepts defined. Finally the chapter is concluded with a description of the structure of this thesis.

1.1 Background

The construction industry is an important part of the Finnish economy. According to Tilastokeskus (2014b) it is the third largest industry after industrial manufacturing and retail with a turnover of 28.5 billion euros. Tilastokeskus (2015) states that there are in total 42484 companies within the Finnish construction industry. According to the Finnish standard industrial classification TOL (2008), the main categories of construction companies are: construction of buildings, civil engineering and specialized construction activities. Other related categories are: architectural and engineering activities and related technical consultancy as well as manufacture of construction related products such as fabricated metal products. In this thesis I am studying a sample that consists of architect companies, consulting/project management companies, companies purchasing construction projects, and a special equipment manufacturer.

By analyzing the public revenue information of construction companies it is clear that 10% of the companies make 75% of the industry's revenue. It seems, therefore, that a few large players dominate the industry. According to KIRA-foorumi (2015) the construction industry in Finland has been internationalizing rapidly since the beginning of this century, which means that the Finnish companies are facing increased competition also from foreign companies on their home turf. It is no longer possible for companies in the construction industry to exclude themselves from international competition and they need to take an active role in maintaining their competitiveness. One way for the

Finnish companies to remain competitive is to develop their own international operations.

Internationalization is not unheard of among companies in the Finnish construction industry. According to Tekes (2009) particularly strong internationalization has been seen in the construction products segment where not only sales but also production has been shifted abroad. The report states further that even the Finnish infrastructure developers, which have traditionally been very nationalistic, are starting to consider internationalization as viable development.

Finnish construction companies already engage in foreign activities but the extent is relatively small compared to domestic activities. Rakennusteollisuus (2014) provides the most recent statistics on construction firms' international activity and according to their report the total turnover of international operations was 3.8 billion euros. The largest individual turnover of 930 million euros came from Sweden. This indicates that Sweden is the primary internationalization target for Finnish construction companies. That is an important reason for choosing the Swedish market as the geographical context for this study. The results of the study may be generalizable to other geographical markets, but in doing that cultural differences should be taken into account. In other words generalizability is probably better for Norway than for Japan.

1.2 Research gap and questions

Research gap

Business networks and brand management are topics that are well covered in business research. However, within these topics there still exist fields that have not been studied exhaustively. The main research gap addressed in this research is in the business network literature. More specifically it is in the role of business networks in the internationalization process of companies. The role of business networks in internationalization has relatively recently been acknowledged by Johanson and Vahlne (2009), the pioneers of internationalization research. Johanson and Vahlne (2009) are of the opinion that

internationalization can be understood as a company's entry to unfamiliar networks rather than foreign countries. Therefore, a company's ability to enter new international networks becomes an important determinant of the success of its internationalization efforts. However, there is limited research about the aspects that facilitate this entry to new networks. Trust building between the internationalizing company and its target network is seen as essential in business network literature (Morgan and Hunt, 1994; Johanson and Vahlne, 2009), but the ways in which trust can be achieved are not explained. Achieving trust in new international networks is the main research gap addressed by this study.

Marketing literature has found that branding can increase trust between companies in the B2B sector (e.g. Webster and Keller, 2004; Lynch and de Chernatony, 2004; Blombäck and Axelsson, 2007; Leek and Christodoulides, 2011). Based on these findings the current research intends to complement the research gap identified in the business network literature. The intention is to study whether B2B branding can improve trust building and thus help companies in their internationalization efforts.

Research questions

This study attempts to uncover determinants of internationalization success on the construction industry from a dual perspective of branding and business networks. In previous research it has been found that both branding and business networks have an effect on internationalization. To achieve the research objective of this thesis I have formulated the following research question to serve as a guideline throughout the study:

> *What aspects affect the success of a Finnish B2B company's entry into the Swedish construction industry?*

The following sub-questions have to be answered in order to duly address the main research question:

> • *What are the main obstacles that hinder the internationalization of B2B companies?*
>
> • *Through what measures can the obstacles of B2B internationalization be overcome?*

4

This study strives to contribute both to academic literature and managerial decision-making. The academic contribution is achieved by studying the two research fields of business networks and branding. More specifically new insight is brought into business network literature by complementing it with findings from branding literature. From the managerial decision making point of view, the aim is to provide relevant findings for B2B business leaders that they can use to improve internationalization efforts.

1.3   Definition of key concepts

Business-to-business company – Also referred to as "B2B company". A company that sells its products to other companies instead of consumers.

B2B branding – Brand building activities that are meant to improve a company's brand image in a B2B context.

Business partner – A company that another company cooperates with when creating added value to the end-customer. The business partners of a construction company are often contractors and subcontractors.

Construction company – A company that operates primarily in the construction industry. It can be a service company (e.g. an architect agency) or a product company (e.g. a manufacturer of concrete elements).

Corporate brand – The value attached to a company's name as opposed to the names of a company's products or services. For B2B companies, corporate brand may be more important than product brand.

Internationalization – The act of a company expanding its operations outside the geographical borders of its country-of-origin.

Partner company – A company that is in a direct business relationship with the focal company. A partner company can be e.g. a subcontractor, a supplier or a customer of the focal company.

References – This refers to business references used by companies to promote their products or services. References are especially useful when trying to enter new markets where the company has no previous first-hand business contacts.

Reputation – The way in which a company is perceived by other companies. A company that has good reputation is one that can be trusted and that does what it has promised to do.

1.4   Structure of the thesis

This thesis is divided into six chapters of which the first one is the Introduction chapter. In the Introduction chapter I aim to arouse the reader's interest and set the scene for the current study. Further objectives of the Introduction chapter are the description of the research gap and the research questions. The first chapter also contains definitions of the key concepts used throughout the thesis.

The second chapter contains the literature review where the extant research on business networks and B2B branding is covered. I begin the chapter with an introduction to business networks. After that I compare the descriptions of different network types by various researchers. I then go on to discuss networks' role in the internationalization of companies. From business network literature I move on to discuss research on B2B branding and how that research stream combines to the business network literature. I start by describing the concept of customer-based brand equity and move on to cover the specificities of branding in the B2B context. As a conclusion to the chapter I present

a theoretical framework that is based on the extant research and that will be tested in the empirical part of the thesis.

In the third chapter I describe the methodology of the current research. I start by describing the context in which the research was carried out and move on to my research sample. After that I go through the methods that I used to collect and analyze research data. Finally, I finish the chapter by evaluating the ethical considerations, validation and limitations of the current study.

Chapter four presents findings from the expert interviews that form the empirical part of my thesis. I have divided the chapter into three sections based on the structure of my findings. The first section covers the findings about the development of relationships in business networks. The second section discusses the role of branding in the Swedish construction industry. Finally, the third section presents findings about the effect of reputation in the B2B context.

In chapter five I summarize the central findings from the expert interviews and compare them to the existing research covered in chapter two.

In chapter six I evaluate the theoretical and managerial contributions of the current research and make suggestions for further research.

2 LITERATURE REVIEW

This chapter provides an overview of the theoretical perspectives most relevant to the current study. The chapter starts by examining the business network perspective and the ways in which networks can help B2B companies to internationalize. Next the brand equity perspective will be discussed in order to gain a good understanding about what is meant by brand building and how, combined with business networks, it can benefit B2B companies that are trying to enter new markets.

2.1 Business networks

According to Johanson and Vahlne (2009, 1413) existing studies show that business networks play a significant role in the internationalization of companies. In fact, internationalization can be seen as a synonym to a company's entry to new international networks. In the following sub-chapters I discuss existing literature concerning business networks in order to create a thorough understanding of their relationship to internationalization. I start by introducing the network concept itself and by describing different ways of classifying network types. Next I move on to cover what existing research has to say about the role of business networks in internationalization. To conclude my literature review on networks I present the so-called "business network internationalization model" by Johanson and Vahlne (2009) and discuss the implications it has had on the business network theory.

2.1.1 Introduction to networks

In the most general terms a network is defined as a set of *nodes* that are connected to each other by *threads* (Håkansson and Ford, 2002). Thorelli (1986) calls them *positions* and *links* but both agree that they constitute the basic structure of networks. Networks exist in many different contexts, but here we focus on a single type, namely business

networks. In business networks the nodes, or positions, are represented by companies and the threads, or links, are represented by the relationships between the companies.

Before the network perspective became commonplace in business literature, networks were seen as something that mainly exist among non-profit organizations (Thorelli 1986, 37). For instance Provan (1983) describes how federations enable organizations to reduce environmental uncertainty and complexity. In this context federations are seen as structures that facilitate more efficient inter-organizational cooperation within and across networks. Aldrich and Whetten (1981, 387) on their part argue that organizational networks are "constructs of an investigator who derives them as part of a strategy for analyzing inter-organizational relations". Although Thorelli (1986) agrees with the aforementioned scholars on a number of issues, he insists that studying networks may be even more fruitful in the context of *for-profit* organizations. The author sees that networks are especially beneficial for companies that market services or companies that operate in industrial markets. Another field where he predicts that networks will be important is companies' international operations. More recent research by Thornton, Naudé and Henneberg (2012) points out that the business network is not limited to the apparent direct relationships between companies. Instead we should also take into account and pay more attention to the indirect relationships that are an important part of the dynamics of business networks.

A company's position within a network is related to how much power it has over the other member companies. According to Thorelli (1986) the position of a company is influenced by three main factors. Firstly, the *domain* of the company, i.e. what its main business is, determines how big the company's role is in the network's division of labor. Secondly, the company's position in other networks will affect its position in the focal networks. Thirdly, a company's position is affected by the amount of power it possesses in relation to the other member companies. One major source of power mentioned by Thorelli (1986) is trust. Here, trust is based on the company's reputation and past performance.

The links between companies are what ties a network together. A network might seem merely as a group of dyadic business relationships tied to each other but in fact,

according to Håkansson and Ford (2002), there are even connections between the relationships. This means that the companies within a business network are heavily interdependent.

In order to understand not only how networks are constructed but also how they evolve, Thorelli (1986) has identified a group of factors called *network dynamics*. Network dynamics consists of four dynamic processes that describe the actions of the network members in relation to each other. The processes are called *entry*, *positioning*, *repositioning* and *exit*. According to the author the entry barriers to networks are very similar to the ones associated with entering new markets. He mentions that a particularly strong entry barrier in networks is switching costs. Switching from one network to another requires a lot of adaptation and can be risky. This implies that the exit barriers are closely related to the entry barriers. Once a company enters a new network it has to position itself correctly according to its domain and power relative to the existing members. It might be necessary for the existing members to reposition themselves in order to accommodate the new member.

Business networks are not all alike, and when a company is entering a new network it is important to understand what type of network is being targeted. This is the case also when a Finnish construction company is trying to enter the Swedish market. Therefore, it is relevant to examine different network types identified by existing research. I have chosen to present here the views of Miles and Snow (1992), Achrol (1997) and Liu and Brookfield (2000) (see Table 1 below). The reason I chose the network groupings by these authors is that the comparison between them shows how the perception has developed through a decade. I also attempt to broaden the geographical perspective from the USA-centric Miles and Snow (1992) and Achrol (1997) by including Liu and Brookfield (2000) with focus on Taiwan. A summary of the different network groupings is presented in Table 1.

Miles and Snow (1992) have divided network organizations into three categories (see Figure 1) in order to compare them to traditional organizational forms. These three categories are *stable network*, *internal network* and *dynamic network*. The stable network is described as the more traditional type where there is a large core company surrounded

by different smaller companies that act as suppliers or distributors to the core company. In order to stay competitive all the companies in the stable network extend their linkages also to companies outside the network. It is beneficial for the core firm to keep an arms-length distance with the auxiliary firms instead of trying to manage them actively. Too deep involvement in their activities would turn the organization into something closer to a traditional functional organization meaning that the benefits offered by a network organization would be lost.
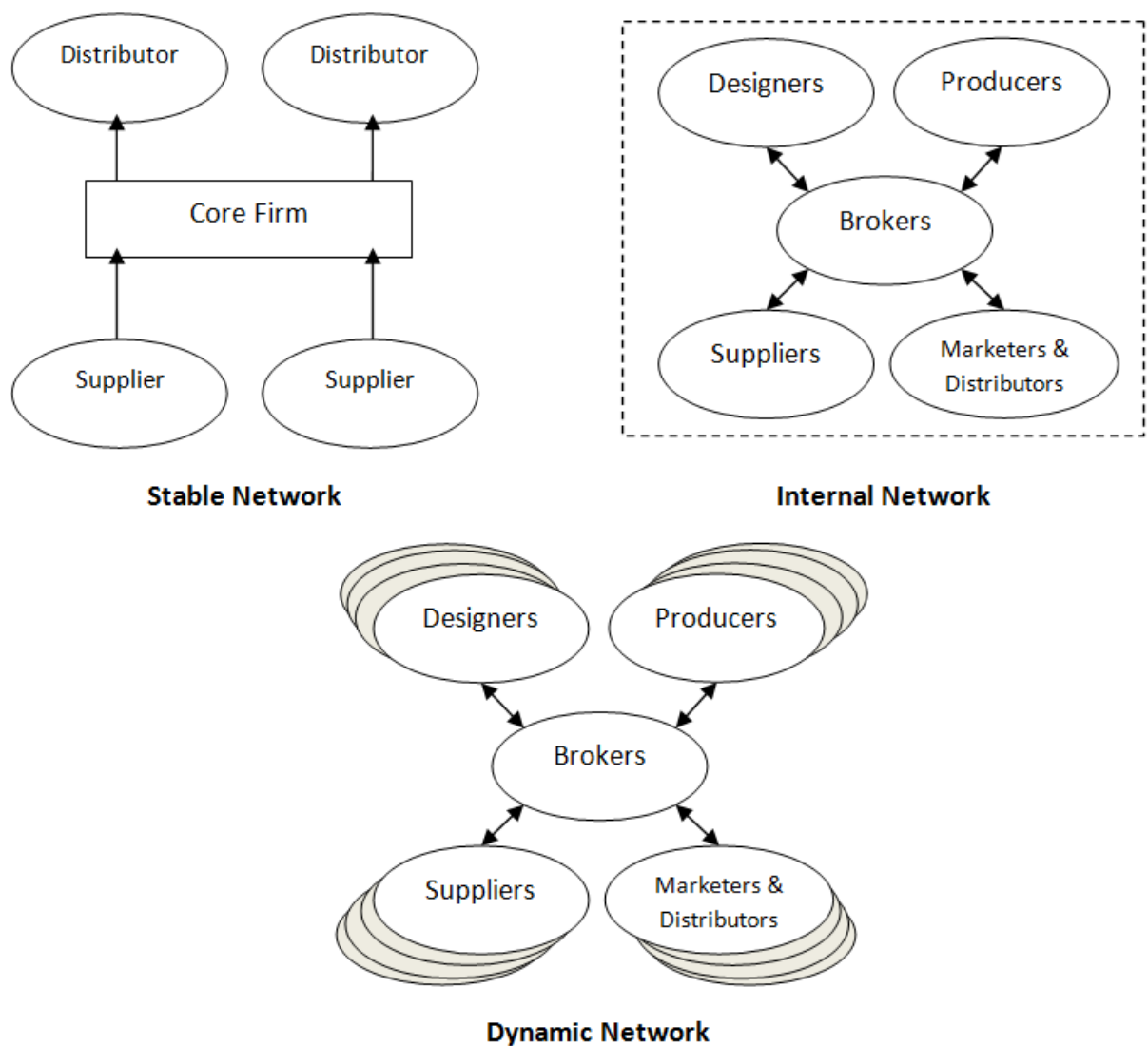

Figure 1: Common Network Types (Miles and Snow, 1992: 56)

The internal network is a network form that exists primarily in larger corporations. In this network type the company creates an internal procurement network that is used by its different parts when they look for suppliers and distributors. Ideally everything sold within the internal network is subject to market pricing, which ensures that the company operates efficiently. However, sometimes it is necessary for the company's management to modify transfer prices for example to reach efficiency at a certain part of the organization.

The third network type, the dynamic network is a group of companies working together, much like in the stable network type. The differentiating factor between these two types is the lifetime of individual connections within the networks. In the stable network the idea is to create and maintain long lasting ties between the different companies in order to increase efficiency of operations. In the dynamic network the connections are uniquely created for individual projects. A larger pool of companies than in the stable network is loosely held together by the dynamic network structure and the ties between the appropriate companies are enforced, on demand, to create a type of project organization.

The first of four organizational network types presented by Achrol (1997) is the *internal market network*. This network is defined as something relatively similar to the internal network presented by Miles and Snow (1992). Open trade is encouraged between the units of a single company by creating a market-like environment for their internal operations. Achrol (1997) calls the internal market network "an alliance among intrapreneurs" (p. 60) which is quite descriptive if we regard the individual units of a company as internal entrepreneurs. The author goes even further by suggesting that when a business unit becomes sufficiently independent from the rest of the company it might be justifiable to spin it off and cash in its market value.

Achrol's (1997) second network type is the *vertical market network* that is comparable to the stable network of Miles and Snow (1992). In a vertical market network there is always a central firm that has the role of an integrator just like the core company of the stable network. Achrol (1997) agrees with Miles and Snow (1992) on the fact that the companies in a vertical market network tend to serve customers beyond the network

to decrease their uncertainty. However, the author claims that there is a trade-off between engaging in extra-network trade and achieving the greatest benefits from the network. In other words the less trade there is with outsiders the stronger the linkages are between the network members.

The third network type of Achrol (1997) is the *intermarket network* or *concentric network*. This network is the Japanese and Korean style network that combines companies across industries with shared culture, identity and strategic decision-making. The usual construct of an intermarket network is comprised of a financial firm, a general trading firm and several manufacturing firms from different industries. The companies within the network are interdependent and their relationships are reciprocal. For instance the financial firms have equity stakes in the other network companies and the stakes are proportional to the amount of loans issued.

The fourth and last network type described by Achrol (1997) is the *opportunity network*. The author compares this network type to the dynamic network presented by Miles and Snow (1992). According to Achrol (1997) the opportunity network is closer to a market structure than a hierarchical organization and the most important commodity traded in it is information. The distributors endow the network with information about their local markets and consumer trends whereas the suppliers inform the network about what is possible to be made, with what price and how soon. Achrol (1997) places greater importance than Miles and Snow (1992) on the focal company within an opportunity network by stating that it is the focal company that takes care of distributing the information to all parts of the network.

Table 1: Different groupings of the types of networks

Author(s)	Number of network types	"The centrally governed network types"	"The intra-preneurial network types"	"The flexible network types"	"The concentrated network types"
Miles and Snow (1992)	3	Stable Network	Internal Network	Dynamic Network	
Achrol (1997)	4	Vertical Market Network	Internal Market Network	Opportunity Network	Intermarket or Concentric Network
Liu and Brookfield (2000)	3	Dispersed Network		Multi-centered Network	Concentrated Network

Liu and Brookfield (2000) offer a more recent view on the different types of networks. Their research is particular to the Taiwanese machine tool industry but in general terms it serves as good comparison to Achrol (1997) as well as Miles and Snow (1992). Liu and Brookfield write of supplier networks and divide them into three categories (see Figure 2): *dispersed networks*, *concentrated networks* and *multi-centered networks*. A dispersed network is made up of a lead manufacturer, a core company, and suppliers surrounding this manufacturer. The authors identify two separate ways in which the suppliers can be organized. The *star form* of the dispersed network resembles to a large degree the stable network of Miles and Snow (1992) where the suppliers are stationed around the core company that coordinates the entire supply chain. The *ring form,* on the other hand, gives the suppliers more autonomy since the materials flow directly between the suppliers without going through the central firm. The suppliers are linked to the central firm mainly through two-way information flows. Usually the dispersed network starts in the star form and evolves into the ring form as the network parties learn to work with each other and trust accumulates between them.
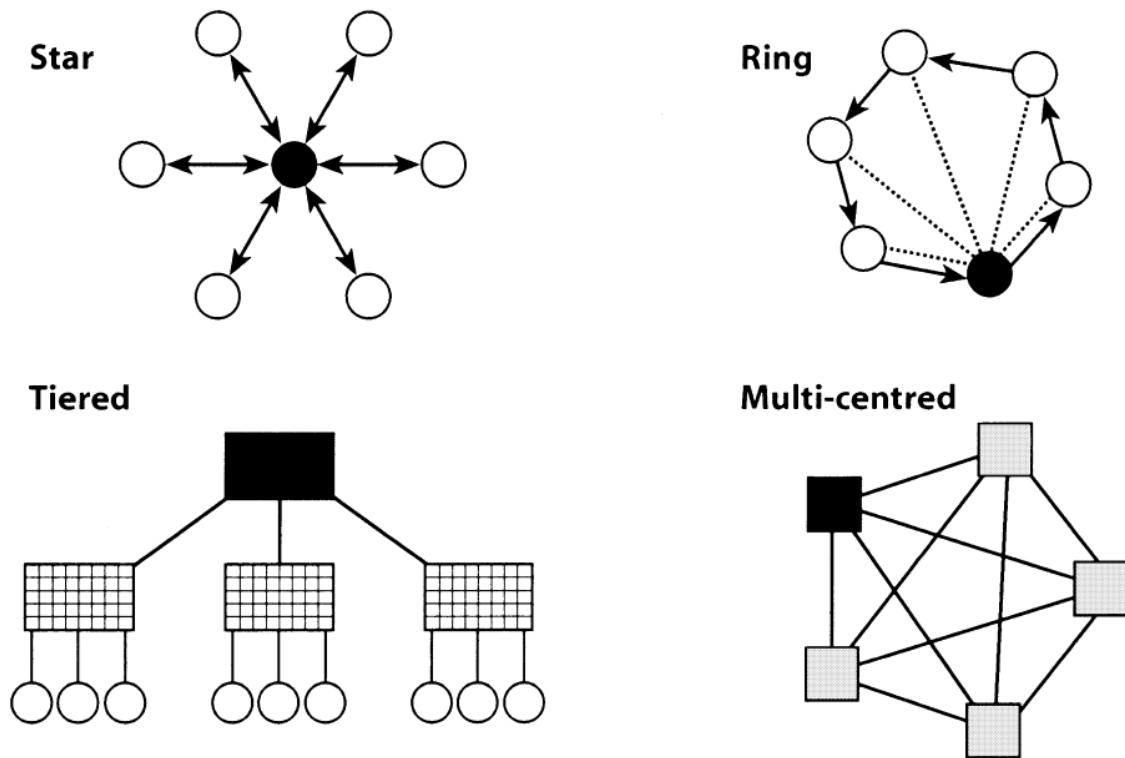
Figure 2: Ideal type network shapes (Liu and Brookfield, 2000: 331)

The second network type described by Liu and Brookfield, the concentrated network, is similar to the dispersed network in that it also includes a central firm and companies supplying it. The difference between the two is that the companies in the concentrated network are larger and they take on more comprehensive roles. Consequently, there are usually much fewer companies involved in a concentrated network than in a dispersed network as depicted by the *tiered* network shape in Figure 2. The concentrated network can be compared to the concentric network by Achrol (1997) where the central role is often given to a major financial institution but where the other members are also very strong companies from different industries.

The third network type mentioned by Liu and Brookfield is the multi-centered network which carries many similar features to the dynamic network of Miles and Snow (1992) as well as the opportunity network of Achrol (1997). It is closer to the dynamic network in the sense that the authors emphasize the lack of a central firm in the network type (hence the name). Similar to both the dynamic network and the opportunity net-

work, the multi-centered network is seen as more flexible than the other types of networks within the Taiwanese machine tool industry.

Table 1 above summarizes the different network types presented by Miles and Snow (1992), Achrol (1997) and Liu and Brookfield (2000). Based on the similarities between network types of different authors I have created four main network type categories. The categories are named the "centrally governed network types", the "intrapreneurial network types", the "flexible network types" and the "concentrated network types". Each category contains two or three different network types. The current study focuses on the construction industry and therefore it is interesting to determine the most relevant network type for that particular industry. Knowing the network type of the targeted business network is important because it determines which companies are likely to be potential partner companies. The construction industry is a project-based industry and every new construction project requires a new set of resources. Therefore, the most fitting network type for the construction industry is likely to be found in the "flexible network types" category. For instance the dynamic network of Miles and Snow (1992) might be a good network type for construction projects. In dynamic networks the permanent ties between companies are relatively loose but get enforced for individual projects between relevant companies.

2.1.2 Networks in internationalization

Within the past decade it has become acknowledged that business networks have an important role in the process of companies' internationalization. In this section I discuss how business networks have become a part of internationalization theory. To set the scene, I present the early research of Johanson and Vahlne, the pioneers of internationalization studies. Johanson and Vahlne became famous for their original 1977 study that discussed the internationalization process of a few major Swedish firms. The authors found that firms tend to move into foreign markets in a gradual manner increasing their commitment as they learn more about the targeted countries. Following this logic Swe-

den is a natural first expansion destination for Finnish companies because of its proximity in terms of geographical and psychic distance.

The result of Johanson and Vahlne's study was a dynamic model (see Figure 3) that explains the basic mechanism of the internationalization of a firm. The model is divided in *state aspects* and *change aspects*. The state aspects represent the current situation of the company: how much appropriate market knowledge has it been able to acquire and how much has it already invested in the target market i.e. how committed is it? The change aspects represent, on one hand, the current business activities that the firm is undertaking in the target country, and on the other, the decisions on how much the firm will commit to the target country in the future.
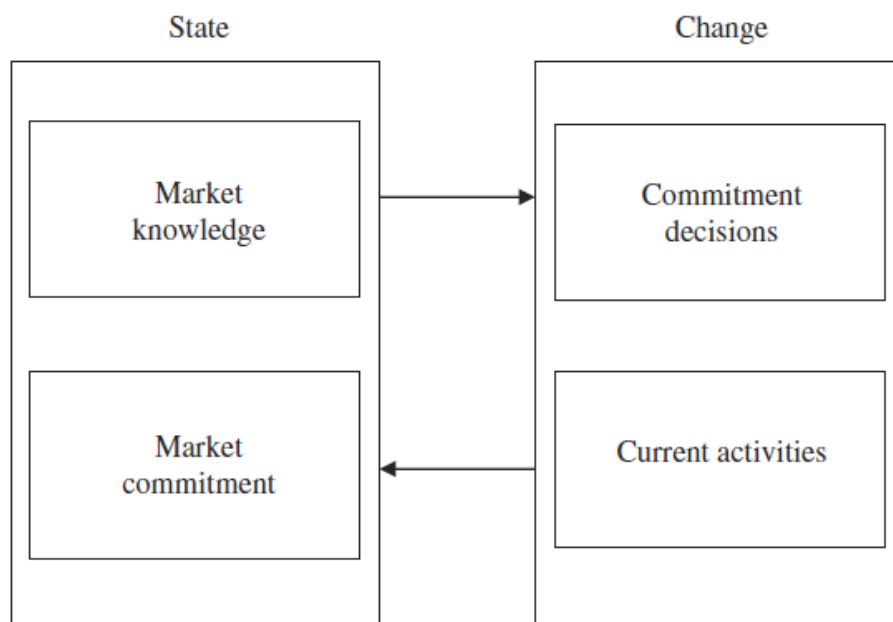
Figure 3: The basic mechanism of internationalization: state and change aspects
(Johanson and Vahlne, 1977: 26)

An important concept within Johanson and Vahlne's (1977) internationalization theory is called the *liability of foreignness*. This concept is crucial in understanding the internationalization challenges of companies as perceived by Johanson and Vahlne in 1977. Therefore, it deserves closer examination. Liability of foreignness is described by Hymer (1976) as a set of difficulties that a company faces when it tries to enter a new

geographical market. The difficulties are seen to be caused by the fact that the company is unfamiliar to the specificities of the target market and is therefore in a weaker competitive position than the local companies. Hymer (1976) also sees problems arising from the unequal political treatment of companies in the target country. The government of the target country is likely to try to protect the operations of its national companies by issuing regulations that make it more difficult for foreign companies to operate within its borders. Johanson and Wiedersheim-Paul (1975) relate liability of foreignness to another concept called *psychic distance*, which is defined as a degree of similarity between countries when measured by factors such as language, culture and political systems. The greater the psychic distance between two countries, the harder it is for companies from those countries to work together. In other words psychic distance has a positive correlation with liability of foreignness. Psychic distance is not equal to geographic distance, but in many cases the two correlate positively with each other.

According to Hymer (1976), the best tool for any company to cope with liability of foreignness is the *firm-specific advantages*. In order to overcome the difficulties in entering a foreign market a company has to have clear operational advantages compared to the local companies. Such advantages can include for example the ability to access raw materials at significantly lower costs or the possession of a highly sophisticated and efficient production system.

Zaheer (1995) agrees with Hymer (1976) that there exists a liability of foreignness that troubles internationalizing companies. In her research the author attempts to find ways in which these companies can mitigate this liability. Zaheer (1995) compares the firm-specific advantage presented by Hymer (1976) to another concept she calls *local isomorphism*. This concept means that instead of trying to copy its firm-specific advantages into new markets, a company would adapt its practices to the local market. By mimicking the local companies the internationalizing company would in a way use their experience of the market without having to learn everything all by itself. Zaheer (1995) comes to the conclusion that importing the firm-specific advantage to the target country is more effective than local isomorphism especially when the advantage possessed by

the company is related to organizational capabilities and processes. However, she also notes that the effectiveness of isomorphism can vary between industries.

Petersen and Pedersen (2002) take the study of liability of foreignness further by not researching how companies can overcome the liability but how they can proactively avoid the liability. The authors argue that not every company experiences the same amount of liability of foreignness and attempt to find out the reasons behind this disparity. In their study the authors looked at 494 international companies and measured variables such as *perceived liability of foreignness, international experience* and *willingness to local adaptation*. The findings suggest that pro-active learning is very important in reducing the liability of foreignness perceived by the companies. Petersen and Pedersen (2002) state that, according to their research, it seems that the companies that have more international experience perceive their liability of foreignness to be smaller than the companies that have little international experience.

The researches of Hymer (1976), Zaheer (1995) and Petersen and Pedersen (2002) are similar in the sense that the focus is on the internationalizing company. Hymer (1976) explained how the firm-specific advantage can help, Zaheer (1995) argued that also local adaptation should be taken into account and Petersen and Pedersen (2002) showed that a company's international experience can reduce the perceived liability of foreignness.

Sofka and Zimmermann (2007) look at the issue of liability of foreignness from a different perspective. Instead of looking at the internationalizing company, the authors study the market environment in the target country. Their hypothesis is that the level of economic stress in a certain market can affect the openness of that market to foreign companies and therefore affect the perceived liability of foreignness. The finding of Sofka and Zimmermann's research is that the economic stress of a country correlates negatively with the amount of liability of foreignness perceived by foreign companies. The explanation to the findings is that buyers in an economically stressed country find other aspects more important than country of origin when making a purchasing decision. Looking back at the current research and its context, the Swedish construction industry, it can be said that Sweden is not a very economically stressed country. There-

fore, referring to Sofka and Zimmerman's study (2007), the country of origin of a foreign company should have a relatively large effect on its ability to enter the market.

Since the publication of Johanson and Vahlne's original 1977 article it has been cited over one thousand times. Naturally many of the citing researchers have criticized aspects of the original work based on their own research findings. Next I will go through some of the most important criticisms and additions to the 1977 article that have also affected the more recent researches by Johanson and Vahlne.

Welch and Welch (1996) study internationalization strategy and how it is affected by business networks. The authors state that, although it can be difficult to include networks in strategic decision-making, it is possible. Furthermore, if networks are developed in a proper way they can help firms find new possibilities for international expansion.

Coviello and Munro (1995) studied the internationalization process of SMEs in the high-technology sector and claim that networks might have more importance in the process than what Johanson and Vahlne's 1977 article succeeds to show. Furthermore, the speed of internationalization was observed to be much greater than suggested by Johanson and Vahlne's (1977) gradual internationalization process. According to Coviello and Munro (1995) the faster internationalization was largely enabled by the usage of international business networks. The result of Coviello and Munro's 1995 study is a model of internationalization that combines the network approach and the process model.

Also Martin, Swaminathan and Mitchell (1998) found that a firm's international business networks facilitate its internationalization. The authors studied the internationalization processes of variously sized Japanese suppliers of automotive companies and found that even there the network aspect was relevant. The researchers examined whether the international actions of buyers and other suppliers affect the internationalization of the firms in focus. Results showed that the inter-organizational relationships that the firms had with their buyers increased their likelihood to internationalize.

Ellis (2000) agrees with Coviello and Munro (1995) and Martin et al. (1998) about the fact that international connections increase the likelihood of a firm to international-

ize. However, he states that his study on the internationalization processes of variously sized Hong Kong toy manufacturers attempts to fill a gap that existed in internationalization literature. Namely, according to the author, the way in which a firm *chooses* the foreign markets it decides to enter had not been studied exhaustively. Therefore, Ellis (2000) adds to Coviello and Munro (1995) and Martin et al. (1995) the finding that social ties have a significant role in determining *where* a company will direct its international expansion. The development of international personal relationships was determined much more important than, for example, the study of objective market data provided by e.g. government agencies. Networks are built of interpersonal relationships and therefore Ellis's study seems to also support the idea of networks' importance in internationalization.

Chetty and Blankenburg Holm (2000) write about the internationalization of small and medium sized manufacturing firms in New Zealand and like Ellis (2000) they find that the firms take use of business networks in their internationalization. The difference between the two studies is that Chetty and Blankenburg Holm (2000) concentrate on networks that have been created deliberately, and with the help of governments whereas Ellis (2000) was able to identify almost exclusively informal personal relationships. Chetty and Blankenburg Holm (2000) found that networks can aid the internationalization of SMEs in many ways including improved knowledge acquisition and synergies caused by pooled resources.

Elango and Pattnaik (2007) studied 794 Indian firms of all sizes to find out how their internationalization was affected by networks. In particular the authors wished to discover how companies from emerging countries build their internationalization capabilities with the help of network contacts. The findings are somewhat contrary to Johanson and Vahlne (1977). For example Elango and Pattnaik (2007) found that the Indian companies learned internationalization capabilities from their network members already in the home country. Johanson and Vahlne's (1977) original finding was that companies learn about internationalization in the international markets while they are engaging in operations abroad. Similar to Chetty and Blankenburg Holm (2000), Elango and

Pattnaik (2007) found that the studied firms benefited from their networks by getting access to scarce resources necessary for the international expansion.

In their study Loane and Bell (2006) accept the view of Coviello and Munro (1995), Martin et al. (1998) and Ellis (2000) about the importance of networks in a firm's internationalization process. The authors studied small internationalizing firms in Australia, Canada, Ireland and New Zealand and found that a large proportion of them (25%) used *existing* networks to advance their foreign expansion. Loane and Bell's (2006) contribution to previous research is an interesting finding that 34% of the studied firms had seen it necessary to build *new* networks to support their internationalization. Furthermore, in line with Ellis (2000), the findings suggest that in developing its new network in the target market a firm can benefit from its existing weak network ties such as acquaintances and personal business contacts.

2.1.3   *Business network internationalization model*

The emergence of business network literature has had an effect on the internationalization literature. Since the scholars have become widely aware of the fact that businesses do not act independently but are a part of various networks, the take on internationalization has been adapted to that. Even the pioneers of internationalization studies Johanson and Vahlne (1977 & 2009) have become of the opinion that belonging to the right networks is a prerequisite for a firm's success in internationalization.

In their 2009 article Johanson and Vahlne reflect on their original mechanism of internationalization illustrated in Figure 3 above. The authors call the resulting model "the business network internationalization model" (see Figure 4). Like the original 1977 model, the new model is constructed of the state and change aspects. Even though the structure of the model is the same as the earlier one the authors have changed the contents slightly as a response to the new findings of the importance of networks. In the state aspects "opportunities" has been added as a subset of "knowledge" in order to indicate that, in driving the internationalization process, opportunities are the most im-

portant knowledge for a firm. The second state variable that was previously called "market commitment" has been renamed as "network position". This change strongly indicates the authors' move towards a network perspective in internationalization. They now see that the internationalization primarily happens within networks instead of separate markets. Drawing from this realization Johanson and Vahlne also state that, because networks are borderless, there is no longer much relevance in distinguishing between the entry and expansion in the foreign market.
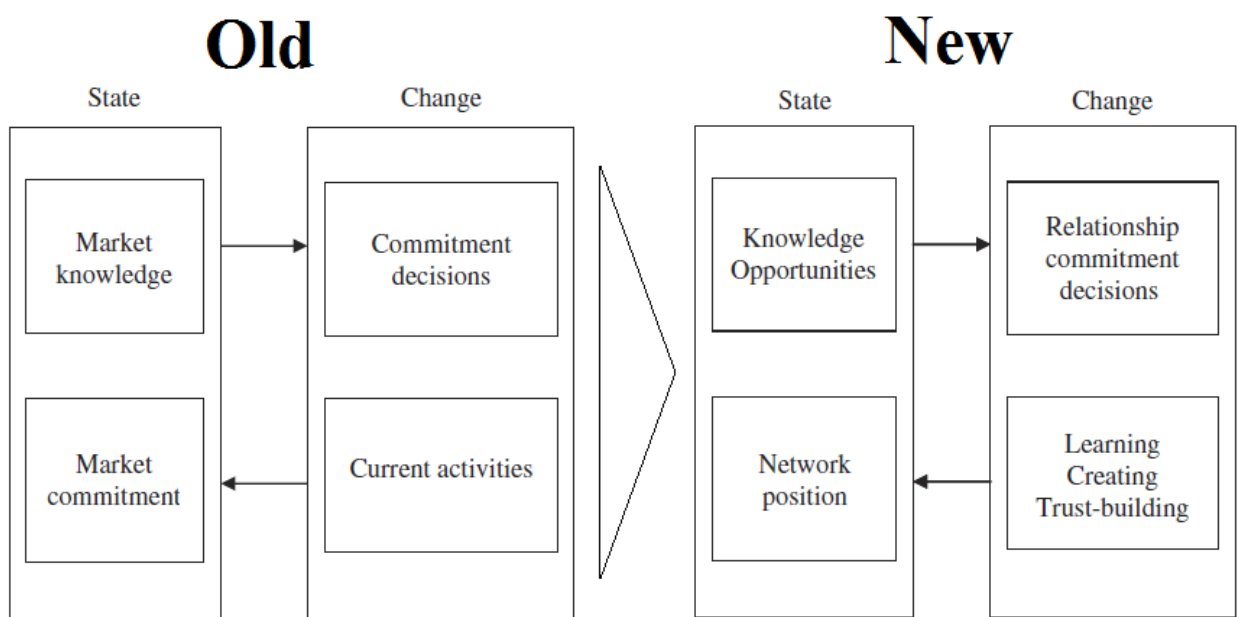
Figure 4: Evolution of the internationalization model (Johanson and Vahlne, 1977: 26 & 2009: 1429)

In the change aspects "current activities" in the lower box has been replaced with "learning", "creating" and "trust building". By making this change the authors want to illustrate better what the most important current activities are. Learning is seen as something abstract like experiential learning and creating is mainly the creation of opportunities together with network partners. Trust-building is added because it is an essential part of relationships that strive towards an efficient creative process. In the upper right-hand box the word "relationship" has been added in order to further accentuate the network aspect of the revised model. The authors see that the commitment decisions by the

firms are made towards relationships or networks instead of something more abstract such as markets. The meaning of this change aspect is that a firm has to constantly make choices whether it will increase or decrease its commitment to each of its relationships. Furthermore, the commitment decisions extend also to relationships that the firm does not already have. In other words the firm may decide to develop new relationships, e.g. in new markets, or it may decide to commit to completely new networks.

In their new internationalization model Johanson and Vahlne (2009) emphasize the role of trust and commitment in the internationalization process. The authors claim that trust and commitment are preconditions of internationalization and that both of them are developed in relationships between companies. It is only after a firm has achieved insidership in a network that it can start building trust and commitment with the other network members. The authors suggest that to get the initial access to a new network a firm might have to be invited into the network by an existing member. This might happen for example through a service request that the outsider firm receives from the insider firm. According to Johansson and Vahlne (2009) trust is also essential when it comes to learning and knowledge development in networks. In fact, trust can, in some business situations, act as substitute for knowledge. If a firm, for example, cannot acquire enough knowledge to base a decision on, it might still be able to make that decision if it has enough trust in its counterpart. Trust and commitment are important in network relationships but Johanson and Vahlne (2009) maintain that it takes a long time to build trust and even longer for that trust to transform into long-term commitment.

Morgan and Hunt (1994) agree with Johanson and Vahlne (2009) about the importance of trust in networks. The authors insist that effective networks require two things from the member companies: commitment and trust. The authors provide three reasons for their claim. Firstly, trust and commitment between the network parties encourage cooperation that helps to preserve the investment made in the network. Secondly, committed and trusting partners find it more beneficial to stay in the network for the long term instead of opportunistically following short-term attractions. Thirdly, trust and commitment make it possible for network companies to engage in potentially risky initiatives because they feel that they can rely on their network.

Besides revising the model of internationalization Johanson and Vahlne (2009) also revisited the concept of liability of foreignness. According to the authors the liability of foreignness also needed to be updated so that it would fit to the new network internationalization model. The updated concept is called the *liability of outsidership* (Johanson and Vahlne, 2009). The liability of foreignness was associated with the traditional understanding of internationalization whereas the liability of outsidership is a more contemporary concept linked to the network perspective of internationalization. In order to understand how Johanson and Vahlne's thinking about this major problem in internationalization has changed we will next discuss liability of outsidership in detail and compare it to its predecessor liability of foreignness.

Johanson and Vahlne (2009) present liability of outsidership as a contemporary alternative to liability of foreignness. A fundamental difference between the two concepts is that liability of foreignness is focused on countries and geographical boundaries whereas liability of outsidership is focused on network boundaries. The former measures whether a company is foreign to a certain country that can be determined by geographical boundaries or psychic distance. The latter one on the other hand determines whether a certain company is an *insider* or an *outsider* to a specific network. Business networks can have different compositions and sizes but here we are talking about networks that exist within a country's borders. Overcoming the liability of outsidership means that if a company wants to enter a new market it has to become an insider in a network within that country. Johanson and Vahlne (2009) argue that outsidership is a barrier for developing trust and commitment, both essential elements in the authors' 2009 internationalization model.

Both Johanson and Vahlne (2009) and Schweizer (2012) discuss the ways in which a company can reduce and overcome its liability of outsidership. In the following I will describe the process identified by Schweizer (2012) and link that to Johanson and Vahlne's (2009) research as I proceed. Schweizer (2012) has identified four main steps that a company should follow in order to overcome the liability of outsidership when it is internationalizing: "(1) Realization of the existence of liability of outsidership through internal/external triggers, (2) Identification of the relevant network, (3) Re-

bundling resources and capabilities, and (4) Accessing, managing, and leveraging opportunities identified in the new network." Next, these four steps are explored in more detail.

According to Schweizer (2012) it is essential that the firm realize the problem it faces due to liability of outsidership. This is natural, as it is generally understood that a problem cannot be solved until it has been identified and accepted. However, the author argues that many companies fail in their internationalization because they do not realize their outsidership in critical networks. The way a firm might realize its outsidership is through a set of triggers originating both outside the company and within it. Schweizer (2012) identifies two internal and three external triggers and notes that the list is far from exhaustive. The first internal trigger is that there needs to be sufficiently experienced managers present in the company. These managers should be knowledgeable about their own firm and the market it operates in so that they can notice when outsidership emerges. Secondly, the decision makers in the company should be motivated to achieve the goals set in the company's strategy. The external triggers mentioned by Schweizer (2012) are "pressure on the firm's current network", "contacts from firms in other networks during and after trade fairs" and "information gained from firms in another network". Johanson and Vahlne (2009) do not discuss the problems caused by negligence of the liability of outsidership, but they too identify the role of external triggers in helping companies getting access to new international networks. This view is in line with the gradual internationalization present in the Uppsala model (Johanson and Wiedersheim-Paul, 1975) where a company starts its internationalization by following a key customer to a foreign market. In this scenario the customer provides the company with an insider recommendation to the new network.

In the second step of Schweizer's (2012) framework the company has realized that it is an outsider to a network that is relevant for its internationalization. According to the author, there are three different ways in which the company can react to this realization. Firstly, it can completely ignore its outsidership and decide not to do anything to change the situation. Secondly, it can try to reduce its outsidership by leveraging its existing networks. Thirdly, the company can attempt to get access to a completely new network

that it finds desirable in terms of its internationalization efforts. Schweizer (2012, 96) claims that the company's propensity to opt for the third option depends on "the management's attitude towards change" and "administrative heritage" of the company. Johanson and Vahlne (2009) also discuss the factors that affect a company's likelihood of identifying and exploiting opportunities in new networks. The authors claim that the most important enablers are the existing business relationships because through them the identification is more efficient compared to starting from scratch. Furthermore Johanson and Vahlne (2009) add that the company's degree of commitment to internationalization and ability to learn new things are important in the identification of the new networks.

The third step of Schweizer's (2012) framework is the re-bundling of the company's assets in order to be able to identify new networks and make use of them. Related to this, the author discusses the role of weak and strong ties within networks. Weak ties are such personal connections that have not been actively maintained. Strong ties on the other hand are connections that include active communication between the parties. According to Schweizer (2012), weak ties are particularly beneficial for companies that need to identify new networks because they are usually more in number and their diversity is greater. Strong ties, on the other hand, are better for the situations when a company needs to exploit its existing networks. The reciprocity and mutual trust between parties with strong ties allows for this exploitation. Because SMEs often have very limited resources it may be problematic to try to find completely new strong network ties to be exploited. Therefore, Schweizer (2012) suggests that it is more feasible for SMEs to re-bundle their existing connections. In other words this means investing into turning some of the weak ties into strong ties. Johanson and Vahlne (2009, 1423) also recognize the importance of strong ties: "a strong commitment to partners allows firms to build on their respective bodies of knowledge, making it possible for them to discover and/or create opportunities."

The last phase in Schweizer's (2012) framework is when the company goes from being an outsider to an insider in the relevant network. According to Schweizer (2012), the company enters the new network through a connection it has managed to develop

from its existing weak ties. After getting access to the network the company starts to learn more about the network and to build trust with the other members of the network. After these steps the company can start to engage in knowledge creation with the network's members whereby new business opportunities can be developed. This is the final stage of the networking process and the company has overcome its liability of outsidership, a major barrier for its internationalization, and has become an insider in the desired network. Hilmersson (2012) has studied the effect of experience on the degree of a company's insidership in networks. The author found that international experience affects the degree of insidership only indirectly. The two most important predictors of insidership are the relative country experience of the company and the amount of time the company has been a member in the focal network from which it is trying to expand.

Summary of Business Networks Literature

Business networks are groups of companies tied together by their relationships. Companies have different positions in networks and are dependent on each other due to the reliance on relationships. Therefore, it is extremely important to have trust among the companies within business networks. According to Thorelli (1986) trust in business networks is based on a company's reputation and past performance. Thorelli (1986) saw networks to be especially beneficial for the operations of B2B companies and for the international operations of all companies. For networks to be functional the companies within them should have a suitable level of domain overlap. If the overlap is too extensive the companies are too close competitors for each other. Business networks involve both entry and exit barriers for the companies affiliated with them. Researchers have identified several different types of networks that can be grouped into four main categories: centrally governed networks, intrapreneurial networks, flexible networks and concentrated networks.

Business networks are seen as a vital part of companies' internationalization efforts. However, the ground breaking internationalization research by Johanson and Vahlne (1977) did not emphasize the role of networks. In their original research Johanson and Vahlne (1977) found liability of foreignness to be among the most important entry bar-

riers to new markets. It has been argued that liability of foreignness can be overcome with the help of firm specific advantages (Hymer, 1976; Zaheer, 1995) and through local adaptation (Zaheer, 1995). Petersen and Pedersen (2002) argue that international experience of a company may reduce the liability of foreignness that it experiences in new markets. Sofka and Zimmermann (2007), on the other hand, claim that the level of liability of foreignness can vary between countries due to different levels of economic stress.

Johanson and Vahlne (2009) modified their original model of firm internationalization due to the findings of several researchers (e.g. Coviello and Munro, 1995 and Ellis, 2000) that showed the importance of networks in the internationalization process. The importance of networks comes, among other sources, from the fact that they enable companies to pool resources needed in internationalization (Chetty and Blankenburg Holm, 2000) and to learn about target markets from network members already before starting their foreign expansion (Elango and Pattnaik, 2007). The updated internationalization model by Johanson and Vahlne (2009) is called the "business network internationalization model". Based on the new model of internationalization liability of foreignness was transformed into liability of outsidership. This change emphasizes the new understanding that international expansion involves an entry to new networks rather than new countries.

As a result of the new internationalization model trust and commitment in business relationships have become two of the most important success factors of a firm's internationalization efforts. In some business decisions, where information is incomplete, trust can act as a substitute for knowledge (Johanson and Vahlne, 2009). Trust and commitment also encourage cooperation, enable risk-taking and ensure longevity of the network (Morgan and Hunt, 1994). The importance of these two elements is emphasized in business network theory, but what is left with less attention is the way to achieve them. The next chapter introduces B2B branding theory, a research area that has focused more on creating trust and commitment in business relationships. By combining B2B branding to business networks it is possible to better understand the determinants of a B2B company's internationalization success.

2.2   B2B branding

When a firm is internationalizing it is, essentially, entering new markets where it does not have major operations and thus it is trying to become an insider instead of an outsider in relevant international networks. In order to sell its products or services it, therefore, has to make a name for itself in the new market. As described earlier, it is possible for the company to benefit from networks and relationships that can introduce the firm to the unfamiliar market. However, as argued by Johanson and Vahlne (2009) and Morgan and Hunt (1994), building functional networks requires the establishment of trust and commitment between the network members. Besides identifying the need for trust and commitment, the network literature reviewed above gives little insight into how those two elements should be developed. Brodie, Glynn and Little (2006), Roberts and Merrilees (2007) and Blombäck and Axelsson (2007) have found that branding has the potential to increase trust between the buyer and seller in a B2B context. Therefore, the second part of the literature review studies the branding literature and evaluates brands as a source of trust and commitment in business relationships. Before going deeper into the issue of trust and commitment (in 2.2.2) the first section serves as an essential introduction to branding by describing the concept of brand equity and comparing the views of several researchers concerning the constructs of customer-based brand equity. The second chapter examines branding in the business-to-business context and shows that branding has an important role in creating trust and reliability in business relationships.

2.2.1   Customer-based brand equity

This chapter examines the concept of brand equity describing the different elements that it is made of. Brand equity is one of the concepts that have enabled researchers and business professionals to understand brands and their values to companies in a more profound manner. Although brand equity was initially associated mainly with B2C contexts researchers have later found it to be applicable even to B2B markets (see e.g.

Biedenbach, 2012). According to Lassar, Mittal and Sharma (1995) brand equity can be looked at from two perspectives: financial perspective and customer-based perspective. In the current study I will concentrate on the customer-based perspective since my focus is on the impact brands have on customer perceptions instead of the financial value of brands.

Researchers have developed different definitions of customer-based brand equity (CBBE). The earliest definitions that set the foundation for the brand equity discussion are presented by Aaker (1991) and Keller (1993). Aaker (1991: 15) presents the following definition: *"… a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and/or to that firm's customers."* Aaker's definition includes the assumption that the value of brand equity can be measured from two perspectives – the customer's or the firm's. On the other hand Keller (1993: 8) has defined brand equity as: *"… the differential effect of brand knowledge on consumer response to the marketing of the brand."* Besides the varying definitions of brand equity the two researchers also have different ideas about the way brand equity is constructed. In the next paragraphs I will compare the portrayals of brand equity by Aaker (1991) and Keller (1993) with each other. Furthermore, I will present the most important criticisms to both Aaker's (1991) and Keller's (1993) theories.

In his 1991 book Aaker defines four customer-based measures of brand equity: *loyalty, perceived quality, associations* and *awareness*. Loyalty refers to the phenomenon where customers, by default, choose the product of a certain brand instead of a competing one due to positive brand perceptions developed in the past. Perceived quality means the perception of quality that a customer relates to a product based on its brand. Associations point to the feelings and experiences that are present in a customer's memory of a brand. Awareness measures the ability of customers to recognize a certain brand and place it in the correct category of products or services. Aaker (1996) later complemented his set of customer-based brand equity measures by adding a market-based measure to it called *market behavior*. The market behavior measure includes the sub-measures *market share* and *price and distribution indices*. The market behavior

measures differ from all other measures in that they represent information obtained from the market and not directly from customers. Market behavior measures are relatively easy to study since they do not require customer surveys.

Keller (1993) presents a view according to which customer-based brand equity stems from two main factors, namely *brand awareness* and *brand image*. At first Keller's (1993) approach seems narrower than Aaker's (1991), but by taking a closer look at his two concepts it becomes clear that the two authors' ideas are actually not far apart. Keller's (1993) brand awareness relates to how well a customer is able to recognize and recall a certain brand. Brand image on the other hand refers to the kinds of associations a customer has of a brand. Associations, that are present also in Aaker's (1991) brand equity measures, can be measured in four ways according to Keller (1993): the *types* of associations, the *favorability* of associations, the *strength* of associations and the *uniqueness* of associations. According to Yoo and Donthu (2001) there are so many similarities in the brand equity measures of Aaker (1991) and Keller (1996) that they can be summarized into a collective set of four dimensions: brand loyalty, brand awareness, perceived quality of brand and brand associations.

Later on Keller (2001) created a customer-based brand equity model (see Figure 5) with the intention to help companies in building strong brands. For his model the author divided the process of brand building into four successive steps:

1. Who are you? (identity)

2. What are you? (meaning)

3. What about you? (response)

4. What about you and me? (relationships)

In the first step the goal is to make sure that the customers can identify the brand and link it to the right products. The second step is about establishing a clear brand meaning in the minds of the customers. In the third step the firm takes into account the customers' response to its brand, which should ideally be positive. The fourth step is about making use of the customers' positive brand response and creating an intense and active relationship between customers and the brand. These steps are successive, meaning that

they have to be performed in the given order. For example brand meaning cannot be constructed before brand identity is successfully established etc. Together with the brand building steps Keller (2001) identified a group of six brand building blocks that are distributed in a pyramid form (see Figure 5) along the steps. The building block related to the first step is called *salience*. Salience is seen as a concept related to brand awareness. A brand has strong salience when it is easily recalled and recognized and when customers know which of their needs it is designed to satisfy. There are two building blocks related to the second step of the brand building process: *performance* and *imagery*. Performance is related to the quality of the product that is being branded, whereas imagery deals with more extrinsic product elements such as brand personality and brand values as well as purchase and usage situations. The third step of brand building is related to building blocks called *judgments* and *feelings*. Judgments are customers' personal evaluations of the branded products and cover elements such as quality, credibility and purchasing consideration. Feelings, on the other hand, relate to how the customers feel about the branded products and the marketing related to them. Keller divides the feelings block into six major sub-feelings: warmth, fun, excitement, security, social approval and self-respect. The building block corresponding to the final brand building stage is *resonance*. This building block measures how the customers experience their relationship with the brand, whether they feel that the brand represents them as individuals. Resonance consists of four categories called behavioral loyalty, attitudinal attachment, sense of community and active engagement, which are measured based on their strength and frequency. According to Keller (2001) the strongest brands are developed by going through the four stages and paying sufficient attention to all of the six building blocks.
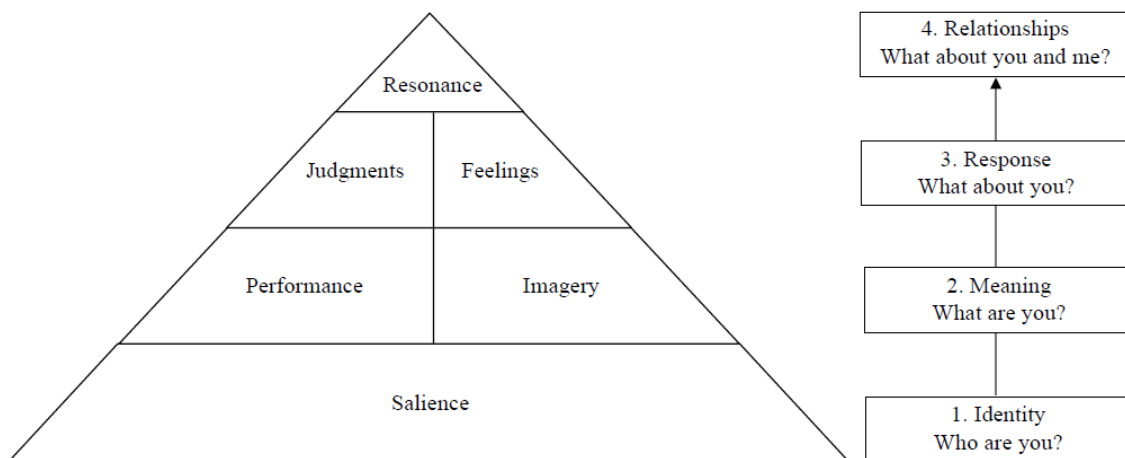
Figure 5: Customer-based brand equity pyramid by Keller (2001)

Erdem and Swait (1998) acknowledge the great work Aaker and Keller have done in defining brand equity. However, the authors are of the opinion that Aaker's (1991) and Keller's (1993) measures of brand equity concentrate too much on cognitive psychology. Erdem and Swait (1998) propose their own brand equity framework that is based on market information aspects and signaling theory. According to the authors, for instance, brand loyalty is a consequence of brand equity and not a component of it like Aaker (1991) suggests. The signaling theory perspective adopted by the authors is based on the assumption that there is an information asymmetry between a company and its customers. Companies have better insight in the quality of their products than the customers and, therefore, the customers are relying on signals given by the company. The signals that are sent out by the company, essentially, determine the value of a brand. Signals of high product quality can include expensive advertising campaigns and warranties given to products. This is clearly in conflict with the four brand equity dimensions of Aaker (1991) and Keller (1993) that seem to emphasize factors that a brand possesses rather than signals it sends to customers. According to Erdem and Swait (1998) the most important characteristics of the brand signals sent out by the company are *clarity* and *credibility*. The clearer and more credible the signals are, the stronger is the brand equity. Signals with good clarity are such that convey information unambiguously and consistently. If the information is not transparent enough and the message is changed too frequently clarity is compromised. Good credibility of the signals is achieved when cus-

tomers trust that a company delivers what it promises. Credibility can be strengthened by making investments in the brand such as the development of a logo or a slogan. These investments show customers that the company is committed to their brand. Menictas, Wang and Louviere (2012) support the brand equity perspective of Erdem and Swait (1998) because of its superior measurability compared to Aaker's (1991) and Keller's (1998) psychological view. Menictas et al. (2012) chose to test the internal and external validity of Erdem and Swait's (1998) brand equity framework because it is based on formal theory, the framework has been tested empirically, and the framework can be integrated with random utility theory.

Yoo and Donthu (2001) criticize the brand equity definitions of Aaker (1991) and Keller (1998). According to the authors the early definitions have failed to construct a unified concept of brand equity and more importantly Aaker and Keller have not agreed on how brand equity should be measured. In line with Menictas et al. (2012) Yoo and Donthu (2001) maintain that because previous research only used ad hoc measures their results are not readily manageable by future researchers. Yoo and Donthu (2001: 11) claim that they have been able to develop a measure of brand equity that is "psychologically sound and cross-culturally generalizable".

Srinivasan, Park and Chang (2005) also propose a new way to measure brand equity. The authors claim that previous brand equity measures are inadequate for two reasons: Firstly, most of them do not provide results in clear financial terms that could be used by marketing managers. Secondly, the measures that provide financial results only give information on the total brand equity of a company without the possibility of pointing out the effect of individual sources of equity. Srinivasan et al. (2005: 1433) define brand equity as: *"the incremental contribution ($) per year obtained by the brand in comparison to the same product (or service) at the same price but with no brand-building efforts"*. This definition is similar to Aaker's (1991) and Keller's (1993) definitions in the way that it compares branded and un-branded products but different in the way that brand equity is seen to have a clear monetary value. Srinivasan et al. (2005) also propose their own conceptualization of the sources of brand equity. They argue that brand equity stems from: increased brand awareness, incremental preference due to enhanced

attribute perceptions, and incremental non-attribute preference. Increased brand aware-ness was seen as a major component of brand equity by Aaker (1991) and Keller (1993). The other two components are new and require a closer look. The attribute-based component of brand equity stems from customer perceptions that are directly related to product attributes such as the design of a product or the materials it is made of. The non-attribute-based component, on the other hand, is created by customer percep-tions that are not directly linked to the product. Non-attribute-based perceptions are of-ten promoted by marketing and include the personality types of users of a certain prod-uct (e.g. attractive men that use AXE shampoo). The authors claim that their model of measuring brand equity allows differentiating between the monetary contributions of these three sources of brand equity.

2.2.2 Branding in business-to-business markets

In recent years there has been increased interest among researchers in studying the use and effectiveness of branding in business-to-business (B2B) markets. Blombäck and Axelsson (2007) have conducted a study that is very closely related to the current re-search. The authors studied whether the selection of new subcontractors in B2B markets is influenced by the selected firms' brand images. In their study, the authors came to the conclusion that corporate brand image is important in business relationships and par-ticularly important when firms are searching new subcontractors. When a firm has to choose a new subcontractor it cannot rely on the same factors (e.g. price, product quali-ty, terms of delivery and responsiveness to customer needs) it uses to distinguish be-tween its existing subcontractors because, in the case of new subcontractors these fac-tors are not known. This is an interesting finding in the context of the current research that examines the aspects that affect the success of a company's internationalization. Internationalizing companies almost always have to find new business relationships and in the construction industry most companies are likely to assume the role of subcontrac-tors. Therefore, in the light of Blombäck and Axelsson's (2007) findings, branding may

be important for internationalizing companies even if they operate in the B2B sector. The authors maintain that aspects such as reputation and impressions affect the choice of new subcontractors because firms can only allocate limited resources to the selection process.

Leek and Christodoulides (2011: 835) conducted an analysis on the existing scientific literature covering B2B branding and came to the conclusion that *"the academic inquiry on the subject is limited, fragmented and inconclusive"*. However, the authors were able to identify five broad areas into which the existing literature can be divided: B2B branding benefits, the role of B2B brands in the decision making process, B2B brand architecture, B2B brands as communication enablers and relationship builders, and industrial brand equity. In the next paragraphs I will focus on the last two areas and present the most important extant research within them. I have chosen to cover these areas because they are the most relevant for the research question of the current study.

Research on B2B brands as communication enablers and relationship builders is interesting from an internationalization perspective. While covering the business network literature I found that when a firm is internationalizing it often needs to create new relationships and enter new networks in its target market. According to Leek and Christodoulides (2011), B2B branding might help a company in creating these relationships. In their study on branding in industrial markets Webster and Keller (2004) emphasize industrial buying behavior as opposed to consumers' buying behavior. According to the authors the buying process of industrial buyers and the relationships they have with their suppliers is very different from the consumer markets. However, Webster and Keller (2004) state that also industrial buyers act as individuals. It is not the organization that makes the purchasing decisions but an individual who works in that organization. The authors state that the organizational buyers are looking for co-operative long-term relationships with suppliers and that, therefore, industrial marketing should be seen as relationship management. Long-term business relationships are profitable for both sellers and buyers. Sellers get, among other things, a reliable revenue stream and lower marketing costs. Buyers, on the other hand, get a reliable solution to their problem and lower total cost of procurement. Webster and Keller (2004) maintain that industrial

buyers that look for long-term supplier relationships are likely to place greater value on the trustworthiness and reliability of the supplier than other brand attributes. A strong industrial brand improves a company's chances of getting into good relationships with important buyers. Looking back at the business network theory discussed above, Webster and Keller's (2004) finding seems to suggest that strong B2B brands might help companies overcome their liability of outsidership. Strong brands would thereby help companies to enter new business networks that are essential in their internationalization efforts.

Leek and Christodoulides (2011) point out that, when seen from a relationship perspective, industrial branding might be most important in the beginning of business relationships. At the time relationships are created the parties knowledge and experience of each other is limited and the role of their brands are emphasized. This is certainly the case with an internationalizing firm that has to enter completely new business networks.

Lynch and de Chernatony (2004) studied the role of emotion in B2B branding and found that industrial buyers are influenced by both rational and emotional brand values. The authors argue that trust is one of the most influential brand values in B2B markets and trust is an element that is clearly associated with relationships. According to the authors, firms can improve trust in their business relationships by improving the communication of their corporate brand. In B2B markets a major part of the brand communication is carried out by the sales force that is in daily personal contact with customers. Therefore, efforts to improve the communication should include sales force training and internal branding. The focus should be on ensuring that both rational and emotional brand values are being effectively communicated.

Marquardt (2013) studied the relationship between brand equity and relationship quality in a context where products are uncertain and future-based. This is interesting since the current research is focused on the construction industry where projects that are sold are invariably future-based and uncertain. Marquardt (2013) found that the buyer-seller relationship quality is very important in building the seller's brand equity. He states that the relationship quality is much more important than the buyer's attitude towards the seller's corporate brand. As a result of this finding the author concludes that

for companies that sell uncertain and future-based products (e.g. construction companies) it is more important to focus on developing good relationships with customers instead of building non-relational brand attributes. Marquardt (2013) agrees with Lynch and de Chernatony (2004) in that trust is a crucial element of relationship quality and, thereby, of B2B brand equity.

According to Leek and Christodoulides (2011) the research on industrial brand equity has been too focused on the financial value of brands. The authors claim that it would be more beneficial for firms to study what drives brand equity instead of concentrating on how much it is worth. Bendixen, Bukasa and Abratt (2004) have studied the existence of brand equity and its sources in the South African B2B sector. Their main finding is that even industrial buyers are willing to pay a certain price premium for products of their favorite brands. According to the authors, this implies that brand equity exists in the B2B markets. It was also found that brand-loyal industrial buyers were willing to recommend their favorite brands to their colleagues and that their preference of the brand extended even to other products marked with the same brand. Bendixen et al. (2004) state that of brand value attributes, product quality was found to be the most important one. However, in order to reap the benefits, firms need to make sure that actual product quality is also translated into perceived quality.

In order to create a comprehensive model of B2B branding (see Figure 6 below) Kuhn, Alpert and Pope (2008) studied Keller's (2001) customer-based brand equity (CBBE) pyramid (originally developed for B2C markets) and its applicability to B2B markets. Working along the steps of Keller's (2001) brand building process the analysis starts from brand identity where Kuhn et al. (2008) find a few significant differences between the B2B and B2C markets. According to the authors, brand awareness in B2B markets is predominantly achieved through direct sales contacts and the buying decision is often made by a group of people rather than an individual. Furthermore, in many cases buyers are served by distributors rather than the core firm, which implies that also the distributors affect how brands are communicated.

In Keller's (2001) second step, where brand meaning is created, Kuhn et al. (2008) criticize the fact that the original model ignores support services and the image of the

core firm when discussing important brand associations. The authors state that these associations are important in building brand loyalty in B2B markets along with quality, reliability, performance and service. An important finding here is also that, in the B2B sector the buyers are not very much affected by individual product brands. Instead the industrial buyers place a lot greater value on the corporate brand and the credibility of the selling organization.

The third brand-building step by Keller (2001) advises companies to pay attention to customers' reactions and responses to their brands, and places great importance on customer feelings. Kuhn et al. (2008) are of the opinion that in B2B markets there is significantly less room for feelings in the purchasing process. They suggest that business customers are more interested in reducing the amount of risk related to the purchase than on any other benefits the products might bring.

The fourth and final brand-building step is where the firm builds a strong relationship with its customers. In B2B markets Kuhn et al. (2008) consider brand loyalty to be analogous to firm loyalty and therefore it is perhaps even more important than in the B2C market. Brand loyal B2B customers are willing to recommend their trusted brand to others and are even ready to extend the brand value to other products sold under the same brand (i.e. by the same company).
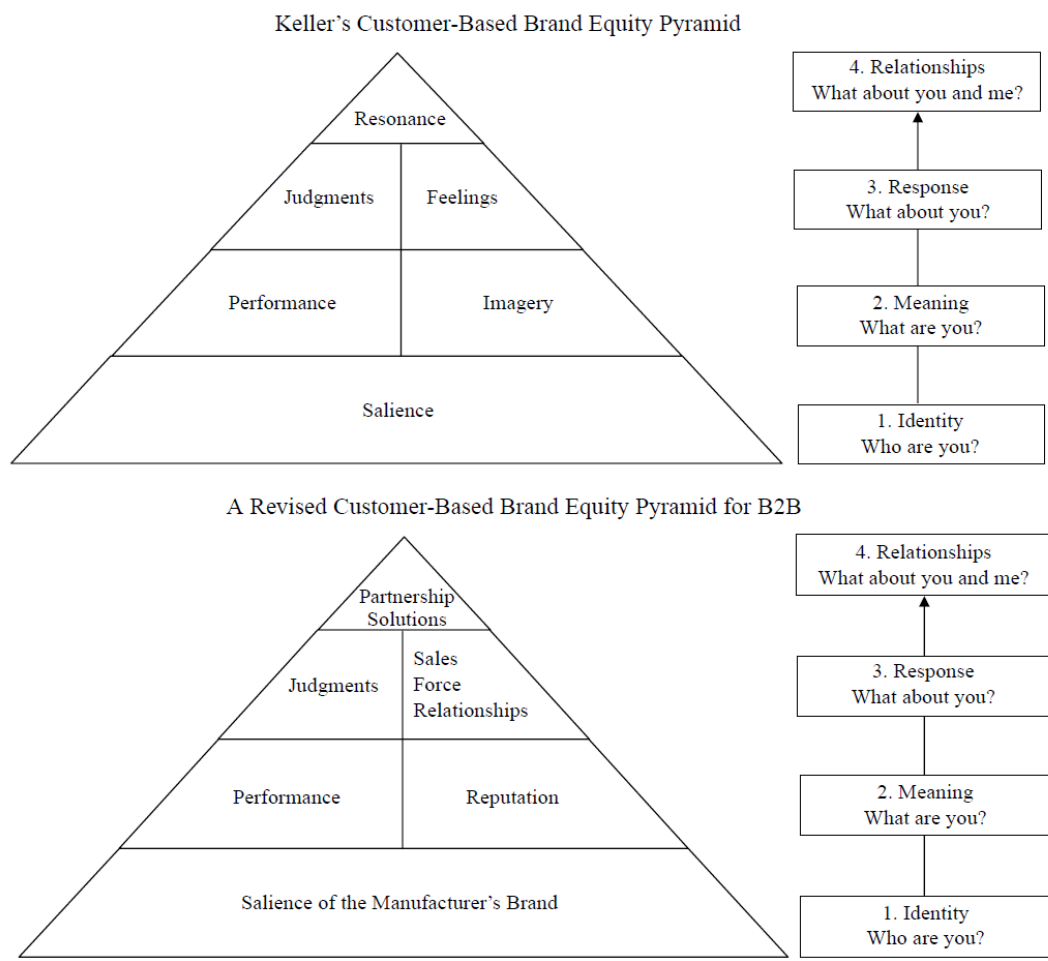
Figure 6: Original and revised CBBE pyramids (Keller, 2001: 19 and Kuhn et al., 2008: 50)

Kuhn et al. (2008) found that several building blocks of Keller's (2001) CBBE pyramid are not applicable in the B2B market and made a revised version of the pyramid (see Figure 6) where those parts are replaced with more suitable ones. Starting from the bottom of the pyramid, salience of the brand has been changed to *salience of the manufacturer's brand* in line with the finding that, in B2B markets, corporate brand is more important than individual product brands. On the next level, imagery has been replaced by *reputation* while performance is kept as is. With this change Kuhn et al. (2008) want to show that in enterprise markets reputation's importance prevails over other brand images. On the third level the feelings block is replaced with *sales force relationship*.

Feelings were found to be a relatively unimportant element in B2B purchasing, whereas the sales force has an important role in communicating the brand to the customers and gathering their responses. Finally, resonance at the pinnacle of Keller's (2001) pyramid was changed to *partnership solutions* based on the finding that organizational buyers tend to keep an objective perspective to brands as opposed to the more enthusiastic B2C customers.

Summary of Branding Literature

In this literature review I have chosen to study branding from the customer based perspective rather than a financial perspective, because my focus is not the financial value of brands but the potential of brands to create trust and commitment in B2B relationships. Yoo and Donthu (2001) have summarized Aaker's (1991) and Keller's (1993) views on the sources of customer-based brand equity (CBBE) into four categories: brand loyalty, brand awareness, perceived quality of brand and brand associations. To help companies in building their brands Keller (2001) developed a model of CBBE comprised of four brand building steps and six brand building blocks (see Figure 5). Although Aaker's (1991) and Keller's (1993) studies are seen as the foundation of branding research, several researchers have criticized them on a number of issues. Erdem and Swait (1998) disagree with Aaker (1991) and Keller (1993) by saying that brand equity is created through brand signals sent by the company rather than factors possessed by the brand. Yoo and Donthu (2001) criticize the early brand researchers by stating that they have not been able to agree on how brand equity should be measured. Srinivasan et al. (2005) also criticize the early brand equity measures by saying that they do not provide decent financial results.

Looking closer at B2B branding as opposed to B2C branding, Leek and Christodoulides (2011) have divided the B2B brand literature into five main areas. I chose to examine two of them that are most fitting to the current research, namely "B2B brands as communication enablers and relationship builders" and "industrial brand equity". According to Leek and Christodoulides (2011) B2B branding can help companies in creating the relationships they need to succeed in internationalization. Webster and Keller

(2004) add that strong industrial brands help companies in building trustworthiness and reliability that in turn are crucial in building long-term business relationships. Leek and Christodoulides (2011) agree that industrial branding is important in building business relationships especially in the relationships' early stages. Lynch and de Chernatony (2004) state that trust is one of the most influential brand values in B2B markets and that it can be improved through effective branding. Marquardt (2013) found that relationship quality is very important in B2B settings when the products or services are uncertain and future-based. The author saw trust as a crucial element of relationship quality and therefore of B2B brand equity. Also Blombäck and Axelsson (2007) found that branding can improve trust in a B2B context. Their research shows that when selecting new subcontractors companies rely on the candidates' brand images.

Kuhn et al. (2008) studied Keller's (2001) model of CBBE and modified it to make it better fit the B2B market. The major change the authors made to the model was the replacement of three brand building blocks. The block of brand salience was replaced with salience of manufacturer's brand to emphasize the importance of corporate brands as opposed to product brands. The "imagery" block was replaced with "reputation" because the authors claim that reputation prevails over other brand images in B2B markets. Finally the "feelings" block was replaced with "sales force relationships" to show that feelings have lesser value in B2B purchasing.

The purpose of reviewing branding theory in this section was to find out whether B2B branding could help filling the theoretical gap identified in business network literature. Existing business network research states that trust and commitment between companies are essential in building networks, but the network theory does not explain how trust and commitment can be achieved. In this chapter I found that, according to branding theory, B2B brands can help to establish a sense of trust and commitment between companies. In the next chapter I present a theoretical framework that I have constructed based on my literature review.

2.3 Theoretical framework

The purpose of the above literary review was to find theoretical answers to the research questions of this thesis. After reviewing relevant literature on business networks and branding I have constructed a theoretical framework (see Figure 7) that attempts to answer the research questions by interpreting the extant research. The framework is adapted from the business network internationalization model by Johanson and Vahlne (2009) (see Figure 4) and the B2B customer-based brand equity pyramid by Kuhn et al. (2008) (see Figure 6).

The main research question of this thesis is: What aspects affect the success of a Finnish B2B company's entry into the Swedish construction industry? The research question is divided in two sub-questions. In the first sub-question I ask: What aspects affect the success of a Finnish B2B company's entry into the Swedish construction industry? Based on Johanson and Vahlne's (2009) network internationalization view, the most important inhibitor of internationalization is liability of outsidership. In other words, the internationalizing company suffers from not being a member of the relevant networks required for successful internationalization to a particular market. The importance of the liability of outsidership is supported by several authors such as Hilmersson (2012) and Schweizer (2012). In my theoretical framework, the liability of outsidership is placed in the upper left corner, which depicts it as a starting point on a company's journey towards successful internationalization i.e. entry to the new international network.

The second sub-question of my research question is: Through what measures can the obstacles of B2B internationalization be overcome? To answer this question in my framework I have combined business network literature to B2B branding literature and created a stepwise process leading from liability of outsidership to the new international network. The steps with white background and the label "Network development" are adapted from Johanson and Vahlne's (2009) business network internationalization model. These steps illustrate the internationalization process from a network development perspective as suggested by their label. The steps with grey background and the label

"Brand building" are adapted from Kuhn et al.'s (2008) customer-based brand equity pyramid for B2B context. These steps represent the essential brand building blocks related to each step of the network development process.
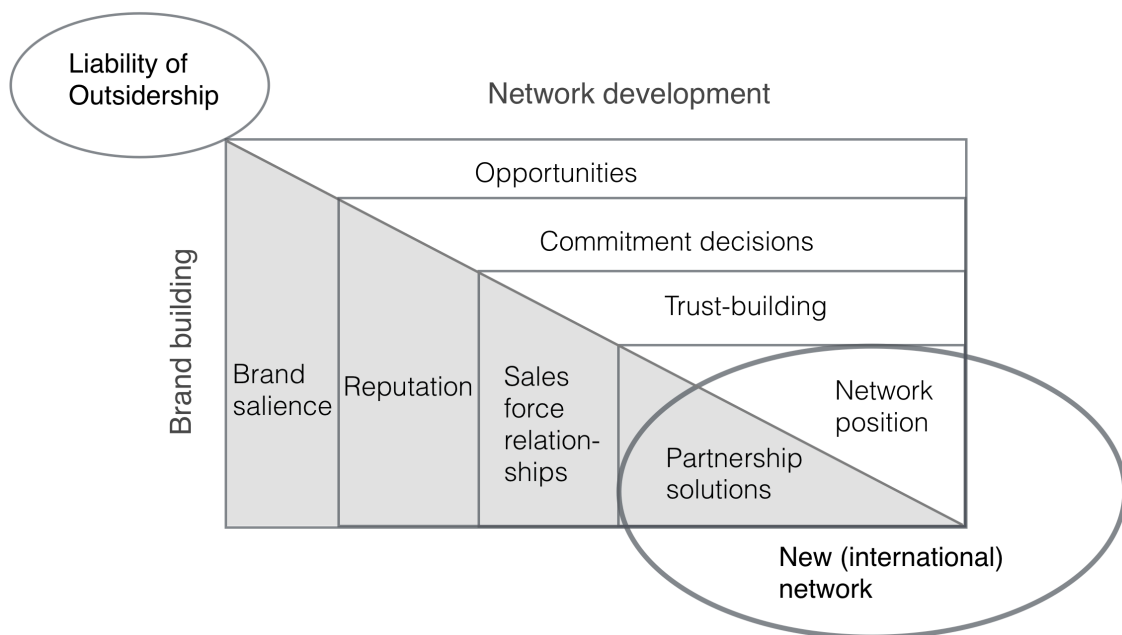
Figure 7: Theoretical framework: From Liability of Outsidership to new international network (adapted from Johanson and Vahlne, 2009: 1429 and Kuhn et al., 2008: 50)

The first step to overcome the liability of outsidership is the identification of networking opportunities (i.e. potential partner companies) in external networks. In this phase of the network development process the internationalizing company should evaluate the salience of its corporate brand. In other words it should assess the awareness of its brand in the target network. This is important in evaluating the potential of different networking opportunities. The stronger the brand awareness, the easier it will be for the company to find potential partner companies.

The second step in the network development process is to make commitment decisions towards the identified network. With these decisions the internationalizing company is committing to develop its relationship with the prospective partners identified in the first step. In this phase the company should focus on enforcing its reputation in rela-

tion to the target network. Reputation was identified by Kuhn et al. (2008) as the most important part of the brand image of a B2B company. The stronger the company's reputation in the target network, the more likely it is that the potential partners will also commit to building a relationship.

Third in the process is the trust-building phase. Here the company has already managed to initiate relationships with companies in the target network and its goal is to deepen the mutual trust in the relationships. Only through sufficient trust-building can the company become a full-fledged member in the new business network. In this phase sales-force relationships become an essential part of building the company's B2B brand. Sales representatives are often the most visible part of a B2B company and they create a large part of the personal relationships that tie a company to a business network. Therefore, sales-force relationships are important when a company is building trust in its business networks.

The fourth and final step of the network development process is the phase where the company secures its position in the target network. In the case of a new international network completing this phase also means that the internationalization of the company has been successful. From a brand building point-of-view the fourth phase is about developing partnership solutions. This entails making sure that the partnerships with the companies in the network are developing to a mutually beneficial direction so that the company is seen as a good partner also in the long term.

By going through the phases of the network development process and applying the respective brand building steps a company can improve its chances to overcome the liability of foreignness and achieve insidership in the targeted international network. When the company wishes to expand further to new markets the process starts again from phase one. This theoretical framework and its applicability to the Swedish construction industry will be tested in chapter four, the empirical part of this thesis.

3 METHODOLOGY

In this chapter I will explain how I have conducted my research and how it fits together with my research question. This research is a qualitative research and its methodology has been chosen to best fit the research question I am attempting to answer. The research question is: What aspects affect the success of a Finnish B2B company's entry into the Swedish construction industry? As the main research method I used in-depth interviewing because I wanted to examine the view of Swedish construction industry professionals on foreign companies and their entry to the Swedish market. In finding about individuals' feelings and the way they construct meaning interviews are seen as the most effective research method (Seidman, 2012).

The research philosophy I follow in this thesis is critical realism. It is a research philosophy that is situated somewhere between positivism and constructionism. According to Eriksson and Kovalainen (2008), positivism is a philosophy that believes in an objective reality that can be measured and observed, independent of the researcher, to create new knowledge. Constructionism, on the other hand, is more concerned with the subjective meanings and interpretations of reality. According to constructionism, new knowledge can only be created through studying social constructions such as language and shared meanings. Critical realism, that I follow, agrees with positivism in the sense that there is an observable world that does not depend on human consciousness. On the other hand, critical realism also agrees with constructionism in the sense that it believes that knowledge is socially constructed.

3.1 Context and sample

The context of my research is the construction industry in Sweden. There seems to be strong willingness among the Finnish construction companies to internationalize mainly due to increasing international competition in Finland (Tekes, 2009; KIRA-foorumi, 2015). Following the logic of Johanson and Vahlne (1977) Sweden is a natural first ex-

pansion destination for Finnish companies because of its proximity in terms of geographical and psychic distance.

As the unit of analysis I chose individual professionals that are working within the Swedish construction industry. The professionals were employed in architect companies, consulting/project management companies, companies purchasing construction projects, and a special equipment manufacturer. By narrowing the focus down to the level of individuals rather than companies I was able to focus on the feelings of each individual rather than the common understanding within a company. This focus also provided me with the ability to interview individuals from several different types of companies, which helps me to reduce the risk of company related bias.

The interview sample in this thesis was eight individuals. As for the number of interviewed individuals there were two major determining factors. On one hand it was clear, after the eighth interview that I had reached saturation in the new information provided by the interviews. It seemed highly unlikely that any additional interviews would provide significant new information. On the other hand I was working with a limited timeframe and a limited budget. These two factors combined led to the decision of limiting my interviews to eight individuals.

The interviewed individuals were from various backgrounds, and their common nominator was that they were all professionals working in the Swedish construction industry. Another thing all interviewees had in common was that they were all Swedish nationals. I interviewed people who worked for large companies and people who were entrepreneurs with small companies. All the companies were Swedish owned and ranged from architect companies to conglomerates. Some of the interviewees were highly educated and some of them had learned their professions by working. Therefore, there was also a wide range of professions in my sample. For my research it was important to interview people from a wide range of backgrounds since this helped me to get a broad understanding of the Swedish construction industry.

Despite the wide range of interviewee backgrounds I did not use a probability sampling technique. The technique I used was a non-probability technique called *convenience sampling*. Using a convenience sample or an *accidental sample* means that the

interviewer chooses interviewees that are for some reason convenient to use in the particular research situation (Ghauri and Gronhaug, 2005: 146). Convenience sampling was used in this case because of difficult accessibility of potential interviewees. I discussed my sampling options with a Finpro consultant specialized in the Swedish construction industry. The consultant advised me on a few contacts that I could use to obtain a good set of interviewees. The drawback of a convenience sample is that it is not necessarily possible to create a sample that represents the entire studied population equally. However, I was able to choose contacts that were located in different cities and had different educational and professional backgrounds. Therefore, it is fair to say that my sample is relatively broad and that it has potential to be non-biased.

3.2   Data collection methods

In this chapter I will discuss in a greater detail the methods of collecting research data for this thesis. My research draws upon both primary and secondary data.

The primary data collection in this research was done through semi-structured interviews. I started the interview process by creating an interview guide to use as support in the interview situations. The interview guide included is an essential part of semi-structured interviews as it helps the interviewer to remember to ask the right questions, in other words to retain the right amount of structure. The reason why I chose semi-structured interviews as my method is that they give interviewees freedom to speak more elaborately than fully structured interviews (Gubrium and Holstein, 2002). This was essential in my research, as I wanted to let my interviewees tell me what the felt is essential and what is not. Compared to an unstructured interview the semi-structured interview gives the interviewer a lot more tools to guide the discussion and keep it in appropriate dimensions. If I had chosen to do unstructured interviews I would have had to accept the risk that not everything I wanted to know would have been discussed. Furthermore, the semi-structured interview method helps in comparing the interviews with each other in the analysis phase (Gubrium and Holstein, 2002).

As I had created the interview guide I started contacting the potential interviewees and agreeing interview times with them. I feel that in this phase it was very useful to have been able to use the contact from the Finpro consultant. I contacted all interview candidates by phone and on the phone it is very important to achieve trust with the interview candidates in order for them to agree to be interviewed. To establish trust I referred my university and told that the study is done for academic purposes. In order to further comfort the interview candidates I told them that the interview would be conducted completely anonymously and that I would be the only one knowing their true identities. Because I did the interview in Sweden I could not use my mother tongue Finnish, but had to choose whether to use English or Swedish. I decided to use Swedish with the interviewees because I felt that it helped to establish a better connection with them and make it easier for them to trust me. Furthermore, it is easier for the interviewees to answer in their native language and this helps to get better and more elaborate answers.

During the initial telephone conversation with the interviewees I presented my research and myself and told them that their support would be very important for my thesis. After explaining what my research was about I explained the interview itself. I told that the interview would last around 30 minutes to one hour and that I would send the questions in advance so the interviewee could familiarize with them. When the interviewee candidate had agreed to do the interview we agreed upon a suitable time and I ended the call thanking them in advance. I then sent each interviewee an e-mail thanking them once more and reminding them of the agreed time. In this e-mail I also included the interview guide for the interviewees' reference. In the guide I had added, besides the interview questions, also a definition of the word "brand" so that I would not have to spend time on explaining that in the interview itself.

When the interview time came I called the interviewee with my mobile phone and made sure that they were ready to conduct the interview and asked whether they had any questions to me. In the beginning of the call I also asked for the interviewees' permission for recording the call for analysis purposes. All interviewees agreed. I chose to record the interviews instead of purely taking notes for two reasons. The primary reason

was that taking comprehensive all-encompassing notes is very difficult, especially in a language other than your mother tongue. The other reason is that when conducting interviews over the phone, the interviewer is completely dependent on the spoken word and no body language can be interpreted. This further accentuates the need to be able to analyze every word in the right order and tone of voice.

I began the interview with a question about the interviewee's background and role in his/her company. It was an easy question meant to help the interviewee relax and practice answering. The first question also served as an indication for me on the individual interviewee's answering style. Depending on how freely the interviewer spoke I had to adjust my interviewing style. For some interviewees I had to be very encouraging in order to get a word out of them and some I had to guide in order to keep them talking about the right things. However, as my chosen interview method was semi-structured, I did not have complete control on how long the answers were. Therefore, I ended up with eight interviews ranging from 27 minutes to 1 hour and 12 minutes. All the interviews are equally valuable for my research regardless of their duration.

The first interview I conducted was on 22nd May 2013 with a project manager from a Swedish construction supervisory company. The second interview was on 23rd May 2013 with an entrepreneur who owns a company that does construction supervisory. The third interview was on 24th May 2013 with a construction project manager from a large Swedish construction materials manufacturer. The fourth interview was on 24th May 2013 with an architect from a local architect company. The fifth interview was on 27th May 2013 with an entrepreneur who owns a company that does construction consulting. The sixth interview was on 27th May 2013 with an entrepreneur who co-owns a company that is developing a specialized technology for the construction industry. The seventh interview was on 28th May 2013 with a project manager and construction supervisor from a large Swedish real-estate developer. The eighth and the last interview was on 30th May 2013 with an architect working in an architect company. All the interviewees were interviewed once and no additional questions were submitted to them after the interview. All of the companies where the interviewees came from are Swedish owned.

Secondary data collection was conducted primarily from online sources. These include the internet service of Statistics Finland and several Swedish trade publications from the construction industry. The secondary data was used in gaining background information about the construction industry in Finland and Sweden. Comparing the findings from the secondary data with the interview findings helps to support the conclusions drawn from this research.

3.3   Analysis of the data

The data collected from the primary and secondary sources has to be analyzed further in order to draw conclusions from the research. The interviews were recorded for later analysis. To be able to analyze the interview material it had to be transcribed. This means transferring the interview audio files into written form. The transcripts were made following advice of Gubrium and Holstein (2002). According to Gubrium and Holstein there are very specific techniques for writing transcripts. The first rule of transcribing is that there should be no interpretation from the transcriber. Instead the transcribed text should contain everything that the interviewee has said and nothing more. This is to ensure the objectivity of the research material. Furthermore, the transcript should contain more information than just the words said by the interviewee. It should contain information not only about what the interviewee spoke but also about how they spoke. The transcript should include notations of pauses in speech as well as notations of laughter and other sounds. The purpose of these notations is to ensure that the transcribed text contains as much of the information of the interview audio file as possible.

There are several ways of making notations in transcripts. I chose to follow the one recommended by Gubrium and Holstein (2002). In my transcripts I wrote all the sounds I heard with appropriate letters. It turned out that some of the interviewees used a lot of filling sounds such as "mhm" or "uhm". I wrote in the pauses in speech by adding full stops in between the words. The amount of full stops marked the length of the pause. If the pause was longer than three seconds I used the notation "(long pause)". Words and

letters that were incomprehensible were marked by the letter "x". Words and letters that I heard but was not absolutely sure about were written in brackets.

The transcribed interview texts were then analyzed further through qualitative analysis. I chose to analyze the transcripts by coding their content. This method starts with breaking the interview texts into parts that represent certain themes. The codes from all the interviews are then grouped into categories to find common patterns. These patterns are then studied to find emerging themes and to create theories based on them. According to Saldãna (2013) there are different types of codes that researchers can use when breaking down their research material. Examples of these types are descriptive coding, emotion coding, hypothesis coding and in vivo coding. In my research I chose to use descriptive coding. In descriptive coding the objective is to find out the primary topics that the interview is made up of. Each code represents a topic and the topics belong to larger categories. Eight main categories emerged from my interview transcripts: work, company, branding, construction industry, subcontractors/business partners, foreign companies, bad reputation and good reputation. The main categories were formed by a large number of smaller topics that emerged from the interviews. For example, the "foreign companies" category is a combination of the following topics: contact, penetration, projects, culture, opinion, cooperation challenges, origin, and marketing.

After each of the interviews had been broken down into the above topics and categories the entire interview material was reorganized according to the categories. Once the reorganization had been completed it was possible to analyze and compare the different views of the interviewees. The results of this analysis are presented in chapter 4.

3.4   Ethical considerations

In all research it is important for the researcher to consider the ethical consequences of their actions. In qualitative research the ethical issues are often related to personal discussions between the researcher or interviewer and the interviewees. It is important that everyone who takes part in the research knows what rules the researcher is following

and that they agree to them. In this research I saw no value in unveiling the personality of the interviewees and therefore I chose to present the interview results as anonymous. I felt that revealing whom the interviewees were might restrict their answers and limit the value of my findings. Therefore I made it very clear to the interviewees that their responses would remain anonymous. I have protected the identities of the interviewees by referring to them as "experts" when analyzing the interview material in the thesis. The original interview transcripts have not been seen by anyone but me, nor have the audio files been heard by anyone except me.

3.5   Validation of the study

The intention of this research is to add to the existing knowledge about the internationalization of Finnish construction companies. As my research philosophy is critical realism I hope that the findings of my research can be, at least to some degree, generalized and benefited by Finnish construction companies that are aspiring to internationalize. I realize, however, that there are limitations on the generalizability of this research. Therefore, I would be careful in taking the results too far from the research context of this thesis. I think that the best generalizability is among Finnish companies that are trying to enter the Swedish construction industry. Trying to generalize the findings to another industry, for example, might be unsuccessful because of the special characteristics of the construction industry. Generalizing the results to other geographical markets might be possible as long as cultural differences are taken into account.

There are several ways in which a researcher can increase the generalizability of their research. In quantitative research generalizability is seen to result from samples that are representative, but in qualitative research the generalizability stems from a well-selected and -argued sample of people (i.e. interviewees) (Eriksson and Kovalainen 2008). My sample was chosen as a convenience sample which in general would reduce the generalizability because it points to the fact that the researcher could not choose whom they wanted to interview. However, in this case the convenience sample covers well the

Swedish construction industry as it includes people from different companies and different professions. The sample is also fairly large containing eight interviewees. The number of interviewees does not necessarily improve the generalizability of the findings but it does improve their validity.

3.6 Limitations of the study

There are limitations included in all research projects. The limitations of a research stem from a range of different sources. These sources include the chosen research method and subjectivity of the researcher. The primary research method in this study was the semi-structured or guided interview. In this type of interviews the main limitation comes from the same source as is strengths, the structured interview guide with pre-determined questions. According to Eriksson and Kovalainen (2008) it can happen that the interviewer is too tied to the questions so that the interviewees do not get a chance to express important issues that the interviewer does not ask about. On the other hand the answers to the pre-determined questions are not uniform enough so that they could be directly compared with each other. In semi-structured interviews an important limitation is that something is always left for the researcher's interpretation.

In my study the interview language also causes a limitation. In order to get high quality answers I did the interviews in Swedish because that was the interviewees' preferred language. Swedish, however is not my mother tongue or my strongest language and therefore some meanings might be lost for example in the transcribing phase of the research. The potential damage of this limitation was reduced by taping all the interviews instead of taking notes. In this way it was possible for me to go back to the original audio file whenever I felt that I might be misunderstanding something.

Besides pure language related limitations there are limitations related to culture. Even though I understand all the words an interviewee is saying it is possible that I am missing some meanings because I do not come from the same cultural context as they do. This is a common limitation in all interviews since there is, in most cases, somewhat

of a gap between the backgrounds of the researcher and the interviewee. In the case of this study the cultural gap between the interviewees and me was widened by the fact that I am Finnish and they are Swedish. But that was not the only thing that made us different. We were also from very different educational and professional backgrounds. I am a business student and most of the interviewees had a technical background. For this reason it was important that I tried to ask for clarification whenever I did not understand a term or an expression.

4 FINDINGS FROM THE EXPERT INTERVIEWS

This chapter tests the theoretical framework created in section 2.3 by portraying the results of the expert interviews that form the empirical part of this thesis. The first chapter covers the interview responses related to relationship development in business networks. The second chapter focuses on the interviewees' thoughts on branding in the Swedish construction industry. And finally the third chapter uncovers the interviewees responses related to the effect of reputation in the B2B industry.

4.1 The development of relationships in business networks

In the literature review of this thesis I have studied business networks and their role in internationalization. According to existing research business networks are very important for internationalizing companies. On one hand it is essential that companies are able to utilize their existing networks when expanding to foreign markets and on the other hand it is also important to create new networks in the target market. The interviews I conducted among Swedish construction industry professionals support the importance of business networks in the specific context of the current study. A large part of the interview material discusses the development of relationships within the business networks of the interviewees, which in my theoretical framework (Figure 7) is represented by the "Network Development" steps. In the following paragraphs I analyze this material from three perspectives. I start by studying the Swedish companies' initial contact with foreign companies to understand how new networks are formed across national borders. This step is linked with "opportunities" step in my framework. The second step in my analysis is to analyze the interviewees' thoughts on the selection of business partners, which is represented by "commitment decisions" in my theoretical framework (Figure 7). In the construction industry work is project based and subcontractors and other partners are often chosen for individual projects only, which means they are evaluated on a regular basis. Linking back to the business network theory in section 2.1, it

seems that the flexible network types (see Table 1) are the ones that best describe the working relationships within the construction industry. Through this analysis I attempt to increase the understanding on how business networks evolve within the Swedish construction industry and how new networking opportunities are created. In the third part of this section I analyze the importance of personal relationships in building business networks, which relates to "trust-building" in my framework.

4.1.1   Initial contact with foreign companies

Studying the interview material shows clearly that, just like the Finnish construction industry, the Swedish construction industry is not isolated from international competition. All of the interviewees had been in contact with foreign companies either directly or through different intermediaries. How the contact with foreign companies had been established varied a lot among the interviewees. The following quotes represent the type of contact that seems to be most prevalent, namely a contact that is established through an intermediary in Sweden:

> *"...those contacts .. yes, it's more like so that the contractor that is building the house is the one that has established the contact. .. We have usually described the criteria that the .. for example the concrete frame has to fulfill. And then the contractor has searched for suppliers that can deliver a sufficient quality frame for as low price as possible."*

> *"...and then I know Swedish companies that take in foreign workforce, and even foreign companies to do some work for them. But somehow it's .. at least for my part it's usually through a Swedish channel so to say."*

> *"So with everything I have .. it has always existed at least some kind of sales organization in Sweden. In order to even be able to contact them."*

"It's usually through distributors or if they have some other contact to the Swedish market. Then it can also be building contractors who have some kind of channel to get into contact."

Also the interviewees themselves or their companies had been active in recruiting foreign companies. In most cases they were not intentionally looking for foreign companies but had found them either through searching for certain products or by looking for the best price. The following quotes represent such cases:

"We have asked them for their price, simple as that. And they have answered to our inquiry. ... Sometimes it has been industry specific and then we have directed our inquiries to those companies we wish to get offers from."

"I was working .. at that time I was working on a project in the timber house market and we were looking for products that could be used here in our timber houses. And that way we established the contact. We were looking around for products a little bit and found them."

Another common way the interviewees came into contact with foreign companies was that the foreign companies actively contacted the interviewees' companies and offered them their products or services. Below are quotes that illustrate the different methods that foreign companies used to establish the initial contact:

"Ruukki has also contacted us directly at my unit and come to present themselves and their offering."

"...we get visits from this kind of representatives that travel around and show their products. For example they come here to our office and show

that they exist and describe their product and maybe leave behind them a
folder of some kind.”

“I get emails from Estonia for example on timber houses. From those
who work with timber manufacturing. I think there was some window
manufacturer last time too. I understand that they exist and that they
have problems with marketing. But it is a big step for me to start recom-
mending them.”

It seems that companies in the Swedish construction industry are well equipped with contacting or being contacted by foreign companies. However, a few exceptions aside, they are not very active in establishing the contact themselves. In most cases the interviewees had come into contact with foreign companies either through Swedish middlemen or through active contacts from the foreign companies. This indicates that the internationalizing companies need to have good brand salience among the Swedish companies to be considered as potential partners, like suggested by my theoretical framework. In the next part I will discuss the selection of new business partners as experienced by the interviewees.

4.1.2 The selection of new business partners

From the responses of the interviewees it is clear that selecting new business partners is an important regularly performed task within the Swedish construction industry. In the next paragraphs I elaborate on the most important themes that emerge from the responses. Perhaps the strongest theme that nearly all interviewees talked about was the importance of past experience in selecting business partners. The following quotes, all from different interviewees, accentuate the importance of past experiences:

"... most often we have used Swedish companies of which we have past experiences and know that they have good quality and good prices."

"... and those [partners] .. those I select mostly based on my personal experiences."

"You try to work together with those you have previously achieved good results with."

"... their experiences can affect so that they don't want to use this product but rather that product. So it's a lot about past experiences. Information and experiences."

Because the selection of partners is so frequent, past experience of the potential partners becomes an important facilitating factor in the selection process. It reduces the time spent on investigating potential partners. Also the risks related to partnering with a familiar company are much lower than with completely new and unknown firms as shown by the following quotes:

"... at times it is hard to take chances and it is clear that if you have a good experience, or an OK experience, of a product that you have used before. Then it is harder to change to something that you don't really know how well it's going to work."

"If you have two offers with the same price .. then it weighs a lot what kind of past experiences you have from similar projects .. if you have worked with different contractors in the industry it is easy that you continue working with those you have good experiences of. I think it is related to laziness and being on the safe side."

"Most often you maybe don't want to take chances with new actors but rather take bids from the ones that have done similar jobs with good results. It's hard, that's right. Many people don't dare to take chances with something new. Even if the price is low."

Another strong theme related to the selection of new business partners is the role of references. It seems that the interviewees regard their personal experiences as primary selection criteria for partners but if these experiences do not exist then the interviewees turn to outside references. References seem to be roughly divided in two categories. The first category includes those references that are obtained from friends, colleagues or acquaintances (i.e. existing members of the firm's business networks) and is illustrated by the following quotes:

"With contractors what we do is that we get experiences from their previous projects. It's a lot like that. You talk with your colleagues."

"Yeah well, you try to find as much as you can about the company and you try to get references from someone else that has previously worked with the company."

"...Who is it that is giving the references? Because it is possible to also just produce references. And then it's good to ask among project supervisors [colleagues]. I mean go to that level. As a construction supervisor I can say that when I have called another supervisor I have always received accurate references."

The second category includes those references that originate from sources outside the focal firm's business networks. The references can be provided by the new business partners themselves or they can be found through other channels as result of active prospecting by the core firm. The following quotes describe these two scenarios:

"If we decide to advice on the use of a certain window it can be based on experiences of previous construction projects that have used such windows."

"...and if it is a completely new actor we ask for reference persons. We maybe also go to look at one of the projects the actor has worked on .. so we know what it is they have been building. We talk to their customer and ask how they feel the project went and what feelings they have of the actor."

"... in the end it is reputation and reference projects that you base your choices on. Past experiences, that's what you usually base decisions on."

"It happens every once in a while that you get new companies coming in .. and there the new company often has someone we can call to and go see and ask. It has happened many times that they [the new partner] have referred to something and we have called how the project has gone."

In light of the previous quotes it seems that Swedish companies are willing to accept recommendations even from parties that are not members of their own business networks and thus have greater liability of outsidership. However, in such cases most of the interviewees would like to reduce the liability by confirming the validity of the references. This can be done for example by contacting the reference customer or by examining the results of the reference project first hand. The following quote shows that at least some companies are willing to accept references form outside Sweden, which would indicate that their business networks are not defined by geographical borders:

"But these previous experiences [references] don't have to be from Swe-den. They can be previous experiences in the company's own country like Finland for example."

Based on the above quotes the companies in the Swedish construction industry seem very risk averse when it comes to selecting new business partners. This indicates that a foreign construction company that wishes to enter the Swedish market needs to have already established a good reputation in Sweden as suggested by my framework. Alternatively, and perhaps more realistically, the company can produce strong references, to be trusted and taken seriously. In the next section I discuss the role of personal relationships in building business networks as experienced by the interviewees.

4.1.3 Role of personal relationships

Looking at the interview transcripts it immediately becomes clear that personal relationships are important in the Swedish construction industry. In many cases the establishment of a contact with a new company in fact means the establishment of a new personal relationship. Personal contacts are represented by the "sales-force relationships" step in my framework and are linked to the trust-building phase of network development. As the following quotes illustrate, there was a strong preference for personal face-to-face contact when initiating a new business relationship, whether with a Swedish or a foreign company:

"... I think it is very important to meet those persons that are going to be responsible for the project .. and not just the agent of the company. It's good to meet them because it is those that are the responsible ones that you are going to work with."

"...so like I said past references are important. Then also we must be able to meet the company or the persons in order to establish a relationship."

"Most often it is so that a good relationship, a good personal relationship, is worth a lot. If you get a brochure it is not the same as if you would be able to talk to a person about a material or a service. It gives a totally different impression."

Just like in the initial phases of relationship development personal relationships are also important in the later phases when the parties cooperate together. We saw earlier, that past experiences are important when a company is selecting subcontractors because they build trust between the firms. It seems that after the initialization of a business relationship the main role of personal relationships is to maintain and develop trust between the companies. The following quotes offer proof for this statement:

".. it [the relationship] is built a lot on experiences .. so the first times can naturally be very difficult. But once you have built a trusting relationship with a firm and notice that it works, then it easily goes so that you continue with them in the future. But before that it is a little hard. Also, a personal contact is often very important because then you know that this is someone I can trust, this is someone I can get good service from."

"...and then we think that the personal relationship is also very important. And that you operate .. that you are, to put it simply, honest. You are open and honest .. for my part I think that is important. That's how I work at least. I think that you can create a good relationship with the person. And then you have trust for each other. That's what I think is the best.

As the following quotes demonstrate, personal relationships last a long time and are even transferred to other companies if the parties change jobs:

"...we hired him for a job in Söderfors, in Uppland. And then I got to know him, quite simply. He had one of these companies that help you recruit personnel and the cooperation worked well. So that is the way I got into contact with him. And even when I moved to Sundsvall he could get personnel for me here. So the contact remained."

"I think I was still working at the university here in Östersund [the interviewee now works for a company] and that's how I got the contact. It was an EU project that we were working on at the university and they also came here to show what they had."

"It is not often that new skilled people show up but it's rather so that you pick people from each other and offer better salaries or better benefits or something like that. And that's how you go around. And so you show up in different companies, but I mean, after all the industry is very much person related. Knowing that I'm going to work with a certain company doesn't matter so much, but if I know that it is a specific construction manager I might think that it is going to be a difficult process. But if they would send another person to be construction manager everything would be just fine. So, it's very important which people it is you have to cooperate with."

One interviewee identified a potential in the transferring of personal relationships for foreign companies. A company that wishes to expand to the Swedish market might benefit from hiring Swedish professionals with a good network of relationships:

"It is possible that if that company [one expanding to Sweden] maybe has hired someone that's known. I mean, it is often in this industry that you hire people from each other."

In conclusion of the above findings it seems that, according to the interviewees, personal contacts are important in the early phases of business relationships but perhaps even more important as the relationships develop with time. In the beginning personal contact is important because it shows that both parties are serious about the cooperation and allows getting to know the people you are potentially going to work with on a project. As time passes and more projects are done together the personal relationship gets stronger and enhances trust between the companies. However, as trust is very person related it can be transferred to another company if the person in question changes jobs. The recruitment of respected local professionals can be seen as a potential route for foreign companies to essentially *buy* trust within the industry.

4.2   Branding in the Swedish construction industry

In the literature review of the current study I found that the researchers are getting increasingly convinced of the importance of branding in B2B markets. Through my interviews I attempted to get an understanding of how the Swedish construction industry companies relate to branding and whether they see it is something relevant for them. The next three sections analyze the findings of the branding-related interview responses. The first section talks about the importance of branding experienced by the interviewees. The importance is analyzed for the construction industry in general and the interviewees' companies in particular. The second section explores the branding practices that prevail in the Swedish construction industry and looks at how the interviewees' companies seek to increase their brand equity. The third and final section analyzes the branding of foreign companies within the Swedish construction industry as observed by

the interviewees. How are the foreign companies branding themselves and how could they improve their efforts?

4.2.1   *Importance of branding*

The importance of branding seems to be a topic where the interviewees have varying opinions. Some of them think that branding is very important within the construction industry and for their companies while others think that branding does not have a large role in this context. The following quotes illustrate some of the different perceptions of interviewees who are looking to sell their services:

> *"It is very important to have a brand and you should not change it too often. .. We are trying to improve our brand and make sure that our company's name stands for something positive. So that you know what you get when you choose our services."*

> *"That [branding] is something I haven't thought too much about. Basically I have created my logo just so I have something to put on top of my papers. So I don't know really .. it is more so that my persona is the company. .. I mean I must be called something so that people can recognize me and find me in the telephone catalogue."*

> *"...there [in another department] they are much more in direct client contact. And they have large customers from the automotive and aerospace industries. So there they have to have a spotless brand and there can be no scandals around it."*

> *"Yes, naturally [brand is going to be important for our company]. It is just that currently we have very limited possibilities there. I would say*

that within six months we are in a point where we can start to publically build a brand. .. I think that we already have an established brand as capable researchers. So we don't have to work so much on that. What is left is to build an image of ourselves that convinces people of our capabilities as businessmen."

The following quote is from an interviewee who had an especially interesting relation to branding. The person clearly acknowledges the power of brands, but questions their benefits:

"...there are these certain architect firms that are said to be the so called peak firms. And I think that there are some that get better evaluations than they deserve. Firms that do pretty bad job on their projects. .. In those cases they have done some things that they are known for and that they like to talk everywhere about. .. Especially when it comes to architect firms, branding is a little TOO important."

Two interviewees reflected on the relationship between brand and products. Both of the interviewees seem to be of the opinion that product characteristics can affect the way a brand is perceived:

"It is not so much brands but, like I said, it is more about products. Because if you have a good product, then you are going to associate that product with the brand."

"For example when it comes to the use of different products it has become so that you try to look for the ones you can pick. For example environmental issues have become much more important."

References and first-hand experience seem to be very important in the Swedish construction industry. Two interviewees saw them as more important than corporate brand when choosing business partners:

> *"...if you look at the construction industry, I think, it [a brand] doesn't make a big difference. Instead, when we are choosing partners we look at their references, what they have done before."*

> *"Our company is so well-known that for us the brand is very important. But when I think of our subcontractors I think it doesn't make that big a difference. Instead we usually hire a company that we know from the past."*

A large part of the interviewees recognized the importance of branding for their businesses and the construction industry in general. Many positive consequences for branding were mentioned such as: creation of long-term relationships, building an image of business competence and addressing environmental concerns. Some interviewees were reluctant to that branding would be important in the context of their companies. However, even these persons acknowledged the importance of having good references and selling products of good quality.

4.2.2   Branding practices

This chapter focuses on the interviewees' reflections on different branding practices in the Swedish construction industry. The purpose is to find out how the companies in the industry are attempting to build their brand equity. By analyzing the interview responses it becomes clear that different companies have very different branding practices. The following quotes illustrate differences that are possibly due to the difference in company size:

"And then we have tried to distribute .. in the beginning we started by distributing pieces of paper to people's mail boxes and that gave quite a lot actually. That was just our own time investment so it was a cheap method.

"I don't necessarily have to be that visible. Some of the job [branding] is done for me by the housing organizations."

"...in mining, oil and gas and nuclear power sectors, there they drive pretty extensive lobbying practices with countries and companies to do business. They meet higher officials maybe in governments in the case of these kinds of big deals."

One perspective that showed up in several interviews was the importance of people for the corporate brand. Especially with smaller companies that provide expert services the brand seems to be tightly linked to the people who work there. Also the importance of personal contact with customers is again emphasized in the following quotes:

"Yes, we are constantly trying to reinforce our brand. In my industry it is the people who are behind the brands. .. For us it is very important to invest in competent personnel so that we can increase our brand equity because it is the people that build our company."

"There is no point in sending out brochures or leaflets or emails. Instead you must have a personal contact. That's my experience at least."

"...it is based on the person that you identify the company and not the other way around. The company doesn't make the person. It's the other way around."

Another aspect that was discussed by the interviewees was the relationship between a company's products and its brand. For some interviewees the products seem to play a big part in creating a corporate brand as can be seen from the following quotes:

"...you know, brands are linked to products, so for our part it is the products that are more important than the brand itself. .. We are selling a service and if we manage to sell that service then our brand is worth something."

"Yeah, we do it [brand building] by delivering a good product and by being in the cutting edge. We contract the companies and use the best products. We work with quality."

"It [branding] is not so easy, not in the construction industry. It is different if you are selling an existing product. In that case you can show the product and say 'that's how it looks like, just go ahead and try it'. Our thing is handicrafts essentially. Unique for each project."

The interview transcripts reveal a myriad of challenges that the interviewees have with branding practices. Some of the companies are very small and some struggle with services branding. Many interviewees are of the opinion that it is the company's people who make its brand. This view emphasizes the importance of personal relationships that was established already in the first part of the interview analysis. The next section analyses the branding of foreign companies in the Swedish construction industry as experienced by the interviewees.

4.2.3   *Branding of foreign companies*

By analyzing the interview results I have been able to find out the interviewees' thoughts on the branding that foreign companies do, or could do, in the Swedish construction industry. The most prevalent theme here seems to be, again, the emphasis on the personal contacts. The following quotes represent the ideas that different interviewees had about the ways in which foreign companies could create personal contacts in their industry:

> *"Well, we have these representatives that travel around and present their products. For example they come here to our office to show that they exist and describe their products and maybe leave behind a product folder of some kind. That's one way. Another way is to participate in trade fairs. They can be stationary fairs or then they can be this kind of travelling fairs that collect together a few companies that want to show their products in several locations."*

> *"Yeah, well most of all it's about coming to us and informing us. It's about coming to us and showing the material that they have. We are a large player in Sweden, so it could be good to market so that they come to us and inform us about the material and talk about what it is they are selling and what kind of services they are offering and so on. That, I think, would be the best. Often it is so that a good personal relationship is worth a lot. If you get a brochure, it is not the same thing as if you would be talking to a person."*

> *"...partly it could be marketing on different Swedish construction trade fairs. But also I think you can try to have a sales organization in Sweden. You know someone who starts to sell and market the products in Sweden.*

I think it is hard to market your products on trade fairs so it might be better to be able to market in a Swedish sales organization."

"...and then you get a face on the person representing the products. That you can also get by attending a trade fair if it is a little smaller one. And I mean, it's good to have direct contact with the people who are producing the furniture."

In addition to creating the personal contact the interviewees placed a lot of importance on references. The following quotes illustrate why references are so important and how it might be possible for a foreign company to create local references in Sweden:

"I can imagine that it must be hard for a newly established company to come to such an established market. I mean they have to be able to show that they have something beyond the ordinary. Show that their work is excellent both in terms of quality and price. And actually that is impossible to show before they have a real project to present. I mean, brochures and other presentation material is good too but after all, a real project is a real project. How the project has flowed and what does the end result look like? It's first then they can show a real reference project. And it's hard in the beginning. Somebody has to give them a chance."

"One way is naturally – and I think it is being used by some – to try to take on projects for a marketing price. I mean you accept a price that's too low so that you can get a chance to show yourself to the market. And that's how you can become better known among potential customers."

Based on the interviewees' comments it seems that the most effective ways for foreign companies to increase their brand equity in the Swedish construction industry are

twofold. On one hand it is important to create personal contacts with potential customers in order to build trust. On the other hand branding can be done effectively through references. One way to get local references is to take on projects for unsustainably low prices in the beginning.

4.3   The effect of reputation in the B2B context

Reputation is one of the key elements of B2B brands. In the literature review I have described that, when Kuhn et al. (2008) revised Keller's (2003) original customer-based brand equity pyramid, they replaced the imagery building block with reputation. By doing this the authors wanted to show that in B2B markets the importance of reputation exceeds all other brand images. The topic of reputation is also largely present in the interviews that I conducted for this thesis. Most of the interviewees' comments related to reputation are about bad reputation. The comments include ideas about the causes of bad reputation as well as the consequences that bad reputation has to a company and its brand. The interviewees also commented on how companies could avoid bad reputation. Some of the comments related to reputation are from the positive perspective describing what causes and consequences good reputation has. This section starts by describing the determinants of both good and bad reputation. Second, the consequences of good and bad reputation are evaluated. Finally I discuss different means for avoiding bad reputation identified by the interviewees.

4.3.1   Determinants of reputation

In discussing what determines a company's reputation in the Swedish construction industry, the interviewees emphasize the things that cause bad reputation. The interviewees seem to think that it is possible for a company to harm its reputation or lose it altogether. The interviewees saw the reputation as an integral part of a company's brand

equity in the construction industry. As the following quotes illustrate, one of the most important sources of bad reputation according to the interviewees is price related concerns:

> *"Some of the big contractors have difficulties especially in middle-sized projects to keep up in terms of price. And when you ask them why they are so expensive they say that they have so big administrative costs to bear. Most often these companies want to have a so called partner agreement which means that the buyer cannot talk with other contractors. The meaning is that you would work with only one contractor from start to finish. From my experience I can say that those projects become much more expensive than the ones where you ask many contractors to send in their bids."*

> *"In certain kinds of projects it happens that contractors take on tasks that they know will not fit within the bid amount. And then they demand too high prices. They might try to make it look like they have offered extra services, but anyway it gives a bad impression."*

> *"Sometimes we get new contactors taking part in the bidding process and often they come in with a lot cheaper prices than the others. In the beginning they promise this, but when the project is ready it becomes clear that it has become much more expensive than they promised. They promise more than they can keep. I see that they give low prices in order to enter the market but in the end it becomes more expensive. And in that case they have not done what they have promised."*

In addition to price related issues the interviewees talked about bad reputation that is caused by poor product quality or poor project management. The following quotes represent such cases:

"There are several things that affect. Partly it can be that the products don't live up to expectations. That is probably the most important thing. Then it can also have to do with delivery times and such. There can also be damages in the goods due to transportation. All in all it is the things that cause disruptions in the construction. But the most important problem is that it does not do what it has promised."

"It can have to do with the fact that they have done a bad job with their projects. .. Then also they can misbehave in general. They can be difficult to deal with."

"I have worked with quality control and I remember one case where a Swedish contractor was very late with their construction work. The client had enormous time pressures and the delay caused them to lose a lot of money."

Two of the interviewees presented sources of bad reputation that are not directly caused by the actions of the company itself but rather exaggerated negative media attention or circulating rumors:

"Media can have an important role in this by making things look worse or more severe than they actually were. With products especially it can be so that the products have not been used properly or they have been used in poor projects and that has caused bad reputation for the products too."

"If I have heard something it has usually been through my colleagues in the industry. Often you know colleagues within the industry that have been working in the same company with you. Nowadays people move

around a lot in the industry and we meet each other in different circum-stances. And that is how the reputation of companies spread. But it is not guaranteed that the reputation is always true. It can for example be the buyer who has been unclear in placing the order."

Based on the interviewees' responses the causes of bad reputation can be divided into two main categories. Firstly, there are causes directly linked to the company that are due to e.g. poor product quality, bad workmanship or broken promises in terms of price or delivery time. Secondly, there are causes that are mainly due to external factors such as exaggerated negative media or false rumors that circulate within the industry.

4.3.2   *Consequences of reputation*

The importance of reputation within the Swedish construction industry is accentuated by the interviewees' ideas about the consequences of good or bad reputation. Good rep-utation seems to be considered as an unconditionally positive aspect. On the opposite side, bad reputation seems to be very negative. This strong polarization might reflect the fact that the industry relies heavily on references in the selection of new business part-ners. Good reputation means good references, which in turn translates into increased likelihood of finding new business partners. The following quotes represent interview-ees' thoughts about the different consequences of bad corporate reputation:

> *"It goes very quickly. If they don't fill the expected criteria, then it unfor-tunately happens that we are not going to use them again. If there has been a mistake once we don't want to repeat that mistake. And it's easy to lose .. or to get a bad reputation. It's hard to build a reputation but easy to lose it."*

"In this area where we operate there are very few companies. So, if one of those companies does a bad job or messes up, then it is going to be out of the market. Here in this area that is. When you go to bigger cities, they might have a possibility of continuing their operations even if they make mistakes. That's because there they have a large turnover of contractors. There are so many buyers giving orders and those buyers maybe don't know exactly what is going on, how well companies undertake their jobs. That's why it might be easier for a worse company to live on in a bigger market."

Bad reputation often seems to result in the ending of a relationship or the discontinuation of purchases. In contrast, as the following quotes attest, good reputation seems to lead in the exact opposite:

"In that case [of good reputation] you continue, with pleasure, to use them. In that case you are happy to try them again."

"I can say that the Finns have made a reputation for themselves. The first project was up north in Haparanda and Torneå. And then they came here to work for the forestry factory. .. I mean, I got questions from Swedish companies asking why they were not chosen instead of the Finnish ones. .. And the buyers always said that the Finnish companies, they stay in schedule."

In short it seems that within the Swedish construction industry bad reputation causes a company to lose contracts whereas good reputation helps them keep the existing customers and win new ones as well.

4.3.3 Avoiding bad reputation

The interviewees seem to be unanimous about the fact that bad reputation is very harmful to a company's future in the Swedish construction industry. Therefore, it would be valuable to know what a company could do to avoid getting a bad reputation or losing their hard-earned good reputation in the first place. The interviewees' thoughts about avoiding bad reputation are centered on the eventual mistakes that a company makes and more importantly the ways in which the company handles its mistakes. The following quotes represent the idea that through avoiding mistakes a company can avoid bad reputation:

> *"...not to go fast out on the market with something just to be able to follow a certain trend. By doing that you risk delivering products that don't meet the required standards. That happens if you are too fast and sell untested products. And also the seller should make sure that the buyer benefits from the product and is able to use it properly. If you notice that your product does not meet all the requirements you might want to rather not sell it."*

> *"I guess it's about not making the mistakes that cause the whole thing [bad reputation] To be careful in all possible ways. I mean, it's about control and being meticulous. And to be able to keep your .. you can simply not promise something if you can't keep it."*

> *"If there is a new product coming to the market and you are trying to market it but it doesn't .. It's always about keeping your promises and if you can't do that, everything becomes hard. .. If you have created a product that is demanded by the market the only thing left is for the product to keep its promises."*

Although the above interviewees were of the opinion that companies should try to avoid making mistakes most of the interviewees also recognize that mistakes do take place. The following quotes describe ways in which a company can try to save its reputation when a mistake has happened:

"...naturally they can improve the difficult situation somewhat by informing about what the situation is. And assume responsibility for their actions if they have caused it."

"And then I guess it is a little bit .. I mean everyone can make mistakes but then it depends on how you correct those mistakes. That's where the big thing is. When you correct things and fix .. then you can actually benefit from a mistake."

"The most important thing when you have created these negative things is communication. And that you are open from the beginning when you take on the project and that you don't try to shade or lie about anything. Instead you should try to be as open and honest as possible if you see problems in operations. So that you simply don't try to cheat each other."

"...you should be honest and transparent and stay in contact, you call and let hear of yourself. I think it is important that you have an open relation in a construction project. .. If it happens that you get a bad reputation I think you can make it go away by being honest, quite simply."

To conclude, most of the interviewees emphasize open and honest communication between the parties of a construction project as a powerful way to avoid bad reputation. Another thing that the interviewees saw as important was that when mistakes happen,

they are not only communicated to the relevant parties but also fixed in a timely and careful manner.

5 CENTRAL FINDINGS IN RELATION TO EXTANT RE-SEARCH

In this chapter I summarize the central findings from the expert interviews and compare them to the existing research covered in chapter two.

5.1 Central findings from the empirical research

The following paragraphs describe the most important findings extracted from the expert interviews. The findings are summarized in the same order in which they were discussed in chapter four. I start by elaborating on the findings related to relationship development in business networks. After that I move on to describe main findings for branding in the Swedish construction industry. Finally I conclude with the findings on the effect of reputation in the B2B industry.

Based on the interviews it seems that the companies in the Swedish construction industry are very risk averse when selecting business partners. The interviewees saw past experience to be very important in selecting business partners for new projects. It is useful to have first-hand knowledge of a potential business partner because in that case less time is used on investigating the background of the company. Dealing with familiar business partners also involves significantly lower risk than acquiring completely new ones. The second-best alternative to first-hand experience is presented by second hand references. When the interviewees did not know the potential partner company they sought references either form within their own networks or as a last resort even outside their networks. When using outside references the interviewees would confirm the references by contacting the referenced customers or by going on-site to take a look at the results of the construction project.

The interviewees had established contact with foreign companies most often through Swedish intermediaries. The second most usual scenario was that the foreign companies had actively contacted the interviewees' companies and offered their products or ser-

vices. The interviewees' main motivations to selecting foreign business partners were low prices and/or superior products. Most of the interviewees said that they are not actively looking to partner with foreign companies but are willing to do so when it is beneficial for them.

The importance of personal relationships in the Swedish construction industry was considered high by the interviewees. Most of them favored face-to-face contact when initiating a new business relationship. Besides the initial phases of building business relationships the personal relationships were also seen very, if not more important in the later phases. They were seen to be vital in maintaining and developing trust between the partner companies in both early and later stages. Personal relationships were regarded as long-term investments that could even be transferred to new companies if the people changed employers.

The importance of branding raised varying opinions among the interviewees. One interviewee saw brands as too powerful and claimed that they have the potential to promote companies that actually do not do a very good job. Many interviewees saw good quality products as more important than brands and insisted that it is the products that make brands famous and not the opposite. Also many interviewees regarded references to be more important than brands. It can be argued that references might be a construct of brand equity in this market. Branding was also seen to have the potential to create long-term relationships between companies.

The interviewees described very different branding practices being used by their companies. This is natural as the interviewees come from companies of various sizes and specializations. However, many of the answers shared an emphasis, again, on the importance of personal relationships. Many interviewees saw that it is the people in their company that make the brand. Whether a company sells products or services was seen to influence branding. According to the interviewees branding becomes concrete when it has to do with good quality products whereas services branding is harder.

According to the interviewees, personal contacts are important when foreign companies are trying to enter the Swedish construction industry. They can be established for example by visiting Swedish companies or by participating on local trade fairs. Also

local references are important but can be very hard to obtain. One way to get Swedish references, identified by several interviewees, is to accept projects for unsustainably low "marketing prices".

The interviewees see reputation as an integral part of a company's brand equity in the Swedish construction industry. Bad reputation can be caused by pricing issues, poor product quality or poor project management. A company was also seen to loose reputation if it did not keep the promises it had made. Sometimes the company might not be able to affect the development of its bad reputation if it is created by exaggerated negative media or circulating false rumors.

According to the interviewees, bad reputation results in a company losing its business partners if it has been able to acquire them in the first place. Good reputation, on the other hand, leads to happy business partners and to an increased potential to establish new business relationships.

Bad reputation can be avoided firstly by acting in a careful manner and avoiding mistakes. If and when mistakes happen, the avoidance of bad reputation is still possible. In such cases a company should communicate openly about the problems and fix its mistakes quickly but carefully.

5.2   Findings in relation to extant research

In this section findings from the interviews are discussed in the context of the extant research presented in chapter 2. In particular the goal of this section is to test my theoretical framework (see Figure 7) in the light of the empirical data. I start with the network definition of the internationalization process and move on to discuss liability of outsidership as the main inhibitor of internationalization. After that I discuss findings related to the four process steps of my framework.

My theoretical framework is based on Johansson and Vahlne's (2009) idea that internationalization means that a company is trying to enter new international business networks. The empirical findings from the interviews seem to support this foundation of

my framework. All of the interviewees emphasized the importance of relationships and experiences. The importance of networks is particularly visible when a company is selecting partners or subcontractors for a new project. There seemed to be very little willingness among the interviewees to select companies outside of their existing networks. Therefore, if a Finnish company would like to be part of construction projects in Sweden it would have to enter the network of at least one company that is an insider in a relevant network. Hence, it can be concluded that my empirical findings support the foundation of my theoretical framework – successful internationalization equals to successfully entering a new international business network.

In my theoretical framework I have defined liability of outsidership as the main inhibitor of internationalization. This means that the main obstacle for a company to internationalize is the fact that it does not have insidership in relevant networks and therefore it cannot operate in the desired market. The interview results support this view: The majority of purchasing and partnering decisions within the Swedish construction industry are made based on past experiences and references. If a Swedish company has no past experience of the prospecting Finnish company and no one in the Swedish company's network can reference the Finnish company, it will be hard, if not impossible for the Finnish company to be chosen as a partner. In other words, if the prospecting Finnish company is not part of the Swedish company's business network it will be almost impossible for it to internationalize into the Swedish construction industry. This finding also supports the first network development and brand building steps of my theoretical framework. In the first step I state that the internationalizing company should pay attention to its brand salience within the network where it is trying to find partnering opportunities. In other words, for the internationalization process to begin, the Swedish companies need to have some level of awareness of the internationalizing company's brand.

Commitment decisions is the second step in overcoming liability of outsidership in my framework. The interview analysis also provides support for that phase. I asked whether the interviewees prefer an initial contact from an unknown company to be a face-to-face contact or some other type of contact, and the majority of the interviewees had a strong preference for an in-person face-to-face contact. The most common reason

for this was that it shows that the outsider company is committed to developing and maintaining the business relationship in the future. The second brand-building element in my framework is reputation. I claim that it is easier for a company with a good reputation to get commitment in return from the targeted partner companies. This view receives strong backing from the interview results. The interviewees unanimously underlined that a company's good reputation is a precondition for successful operation in the Swedish construction industry. The interviewees invariably stated that bad reputation should be avoided and good reputation should be cherished. According to the interviewees, trustworthy references can help a company build a good reputation in case first-hand experience does not exist. This is most likely the case with an internationalizing company that is trying to enter new business networks. Since my theoretical framework is particularly meant to support internationalizing B2B companies, I have revised the framework by replacing the "reputation" element with "references". Figure 8 below illustrates the new revised framework.

The third network development step in my framework is trust-building accompanied by the brand-building element sales force relationships. The interview results provide support for both parts of this step. Above I described the strong preference for personal contacts in the Swedish construction industry. In addition, the interviewees describe ways to achieve the essential personal contacts through references. If an outsider company can provide relevant and verifiable references it will be able to achieve trust in the eyes of the Swedish construction companies. This finding supports my theoretical framework by showing that the creation of trust can reduce a company's liability of outsidership. Even though the discussion is about business networks the importance of personal contacts is very high. When asked about the preferred method of initial contact from a foreign company there was a strong preference on personal face-to-face contact among the interviewees. This finding supports the importance of sales force relationships in the internationalization process.

In the fourth and final step of my framework the internationalizing company has achieved its position in the new network and should focus on developing partnership solutions together with the other companies in the network. The interviewees empha-

sized that in the construction industry the partnerships are often project-based and the network is very dynamic. For this reason it seems particularly important to create mutually beneficial long-term relationships with the other network companies.

Based on the interview analysis I have evaluated my theoretical framework in the empirical setting of the current research. As a result I have revised the framework and replaced "reputation" with "references" to target it more specifically towards internationalizing B2B companies. I believe that the resulting framework adequately describes the real-world scenario where a B2B company is attempting to internationalize to new markets. In the following section I evaluate the theoretical and managerial contributions of the current research and make suggestions for further research.
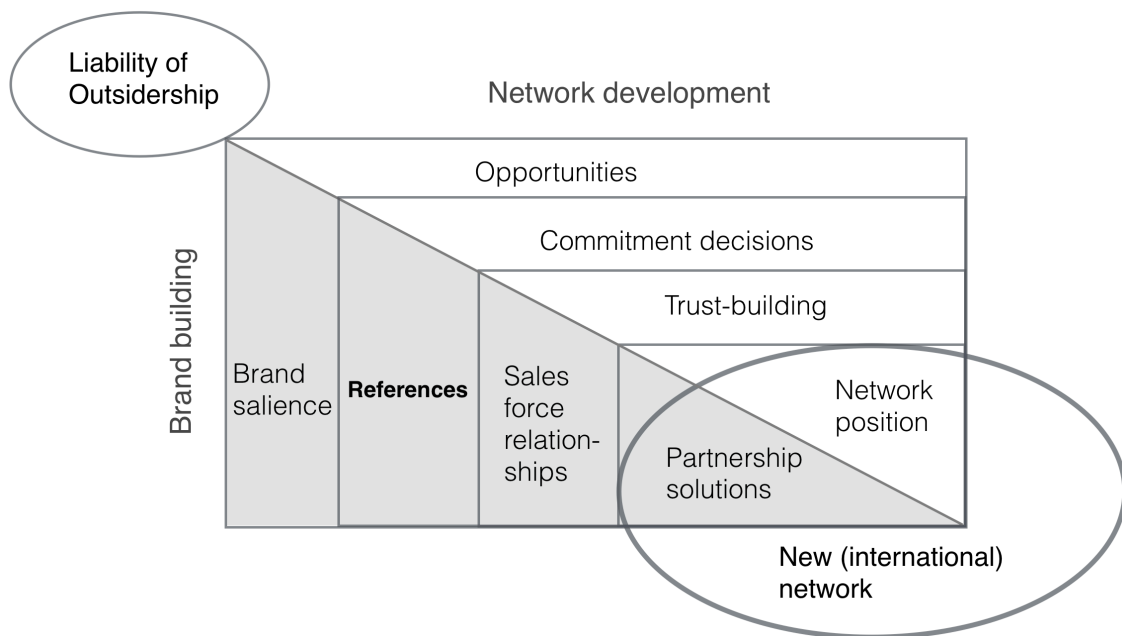

Figure 8: Revised theoretical framework

6   CONCLUSIONS

The construction industry is an important contributor to the Finnish economy, yet it is a very domestically oriented industry. A greater degree of internationalization among Finnish construction companies would be beneficial for the Finnish economy. Therefore, it is meaningful to study the success factors behind internationalization in the construction industry. In the current research I have chosen to focus on one of Finland's main foreign trade partners, Sweden, and more precisely on Finnish construction companies' internationalization to the Swedish construction industry.

The research gap identified in this study is found within the business network literature. The current literature on business networks acknowledges the networks' importance to the internationalization process of a company: The act of internationalization can be seen as entry to new international business networks. Even though existing research has identified trust and commitment as essential elements in the creation of new business networks, the existing network literature does not exhaustively describe how the sense of trust and commitment can be developed between companies. Attempting to fill this research gap, serves to address the purpose of this thesis, which is to find ways for the Finnish construction companies to develop their internationalization capabilities.

The main research question of the current study is:

> *What aspects affect the success of a Finnish B2B company's entry into the Swedish construction industry?*

The main research question consists of the following sub-questions:

> *What are the main obstacles that hinder the internationalization of B2B companies?*

> *Through what measures can the obstacles of B2B internationalization be overcome?*

By answering the sub-questions I aim to fully answer the main research question and fulfill the purpose of this thesis. Answering the first sub-question, I found the most important inhibitor of internationalization success to be the liability of outsidership. This

view was first identified in the current literature and then confirmed in the case of the Swedish construction industry through interview analysis. The answer I found to the second sub-question is that the liability of outsidership obstacle can be overcome with a combination of network development and B2B branding activities. B2B branding was found to increase the sense of trust and commitment between the internationalizing company and the prospective network.

Most of the findings from the interview analysis support existing literature. Firstly, it was found that the interviewed construction companies emphasize the importance of past experience when selecting subcontractors for new projects. Furthermore, most of the companies were not actively looking for foreign partners. These findings support Johanson and Vahlne's (2009) view according to which the internationalization process is about entering new international networks. It seems that the Swedish construction companies have formed a flexible type business network that they use to tackle new projects. Entering the Swedish construction industry means entering one of these existing networks. A flexible network might be a relatively easy network type to enter since, as Miles and Snow (1992) describe it, this type of network requires a large amount of companies in order to function properly. The more companies in the network the easier it is to construct functioning supply chains for different projects.

Secondly, an important finding was the strong emphasis on the importance of personal connections. For example, most of the interviewees stated that they would prefer personal contact from a foreign company rather than going through marketing or sales material themselves. This finding supports Kuhn et al.'s (2008) research in which the researchers reformulated Keller's (2003) customer-based brand equity pyramid. According to Kuhn et al. (2008), sales force relationships (i.e. personal contacts) are an essential part of B2B brand building.

Thirdly, the relevance of B2B branding as a concept was not confirmed by all the interviews. However, the interviewees talked about various concepts related to B2B branding. One of the most often mentioned concepts was referencing. References were seen as the most important way to convince new partners about the good quality of one's products or services. This finding supports the branding theory of Kuhn et al.

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(2008) according to which reputation is the most important constituent of a B2B company's brand image. References can be seen as a trustworthy way to convey a company's good reputation to someone who is unfamiliar with the company and its offering. Because the importance of references was emphasized in the interviews, I revised my original theoretical framework (see Figure 7) and replaced the brand building element "reputation" with the more concrete "references" (see Figure 8).

As a theoretical contribution to the business network literature I have managed to shed some light on the creation of trust and commitment between companies in new international business networks. I found, that by combining elements of B2B branding to business networks firms can develop trust and commitment in relation to other companies. More specifically, trust seems to be increased by focusing on the company's reputation, a part of its brand equity. The most efficient way of establishing good reputation in relation to a new network is found to be the creation of trustworthy and transparent references.

The current research also has some managerial implications. Firstly, I found that the business network type that best fits the construction industry is the flexible network. In the flexible network type the partner companies are chosen again for each new project. However, the partner selection is made from a predetermined set of partners i.e. the network members. This finding means that it is essential for managers to determine whether their company is part of relevant networks. If not, then the managers should take appropriate action to get access to those networks. Secondly, I found that Swedish construction companies prefer personal contacts when a new company is trying to enter their networks. One way to create personal contacts is to send a representative (i.e. someone from the Finnish organization) to Sweden to present the company's offering. Another way that might be even more efficient is to use a local Swedish person to take care of the initial contact. This person can either represent a local distributor or a person with existing local contacts can be recruited to the internationalizing company.

This thesis has provided new insight to internationalization by contributing to international business network research, yet it leaves many areas open for further examination. It would, for instance, be interesting to further study the correlation between refer-

ences, company reputation and internationalization success. Another topic of further research would be to study the relevance of my theoretical framework in other geographical markets and other industries.

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