

INTERNATIONALIZATION THROUGH SOCIAL EXCHANGE RELATIONSHIPS IN EMERGING MARKETS

ABSTRACT

This paper discusses how a foreign MNC with limited resources may build a position in a challenging and culturally different emerging market. We apply exchange theory and an inter organizational approach and discuss how firms develop a unique set of relationships and gain the support of business actors as well as political and social actors to manage their operations in the Indian market. Theoretically, we develop a framework based upon exchange and power/dependence theory and the idea that legitimacy, power, trust and commitment are the main building blocks in a firm's development of a supportive set of relationships. The main purpose of the paper is thus to develop a better understanding of how a firm can manage challenges of a major emerging markets and build a position there, through developing a set of interorganizational relationships to political, social and business actors based on exchange theory. We use a qualitative, case study method and investigate two Swedish companies, involving several in-depth interviews with managers and decision makers in Sweden and India. The paper illustrates how these Swedish multinationals, are able to approach challenges that consist on cultural and country specificities, a lacking infra structure and administrative and regulative complexities. We show how the firms influence the development of the society through offering unique resources and increasing their legitimacy. We also discuss different ways for the firms to build trust and commitment within the single exchange relationships. Our emphasis on political and social actors, combined with business relationships, offer a new understanding about how MNCs may manage emerging markets. The study also shows how exchange theory can help in analysing this development process.

Internationalization Through Social Exchange Relationships In Emerging Markets

INTRODUCTION

International business and marketing literature often discuss how firms should adapt to culturally different emerging markets (Meyer & Thu Tran, 2006). In some cases, they may have to innovate and develop completely new products in order to attract customers. However, the innovation can also lie in how firms present their market offering and how it develops supportive relationships in order to translate the product's unique values to a new setting. Helping its customers to understand the product and to improve their value in use may sometimes be more effective than to adapt product features. Furthermore, MNCs often have to overcome the liability of foreignness (Zaheer, 1995), meaning that they have to gain social acceptance and credibility on a market where they may be regarded with some scepticism. In order to manage these challenges, however, a firm would need a set of collaborating local actors. Developing such a unique and effective set of local relationships can be seen as an innovative skill that may be difficult for competitors to imitate.

Research on interorganizational relationships usually focuses mainly on business actors when discussing how a firm can build a strong position on foreign markets. A number of benefits are mentioned in the literature, such as acquiring market knowledge, gaining access to scarce local resources and cut costs for production and distribution (Johanson & Vahlne, 2009). However, on a particular challenging emerging market, the support from non-business actors may be just as crucial. Previous research has demonstrated the impact of government as well as of other non-profit organizations (Child & Tsai, 2005; Hillman, Keim, & Schuler, 2004). We will therefore discuss firms' development of set of relationships that consists of business actors, political actors and social actors and how they interact in order to support the firm's position. We also discuss how the external support can enable a firm to innovate by the way of developing new values in use for customers and other stakeholders.

Theoretically, we develop a framework based upon exchange theory (Cook & Rice, 2003; Emerson, 1962) and the idea that legitimacy, power, trust and commitment are the main building blocks in a firm's development of a supportive set of relationships. The main purpose of the paper is thus to develop a better understanding of how a firm can manage challenges of a major emerging markets and build a position there, through developing a set of interorganizational relationships to political, social and business actors based on exchange theory. We also aim to investigate how these different types of relationships interact and the role of different critical resources and activities. Our empirical focus is India. It is obviously of critical importance for global firms. Being the largest democracy in the world, influenced by British and western ideas concerning administration and economic system also makes India an attractive market. However, many firms have experienced that India is a very difficult and challenging market to succeed in (Johnson & Tellis, 2008). It is highly influenced by traditional and sometimes conservative cultural values (Quer, Claver, & Rienda, 2010), and has an infrastructure that still undeveloped.

SPECIFICITIES OF DOING BUSINESS IN INDIA

Since the early nineties it has gradually become more feasible for foreign firms to enter India (Quer et al., 2010). In business sectors such as information technology and service industries, India can offer a highly qualified work force (Alam, 2012; Gupta & Pirsch, 2008; Prater, Swafford, & Yellepeddi, 2009). Still, several factors make it difficult to apply a standardized business approach. According to Dawar and Chattopadhyay (2002) many global firms fail when applying an approach similar to the one used on western markets. An adapted approach is required because local customers have different preferences; live in remote areas difficult to reach from a communication as well as a logistics point of view. Meyer and Thu Tran (2006) further argue that a standardized approach may fail because the volatile environment on emerging markets will favour a more flexible strategy, institutional frameworks will require

new ways of interacting with business partners and authorities and local actors are likely to develop capabilities that are more suited to deal with the specific context.

Earlier studies comparing the two biggest emerging markets, India and China, also indicate that India may be the more demanding one to enter. Johnson and Tellis (2008) showed that failure rates of companies entering India was higher and that governance based on a greater degree of control was required. Prater et al. (2009) concluded that considerably more time has to be spent managing regulations and interacting with public officials in India. We argue that this means that a firm has to develop a unique interorganizational strategy for the Indian market, that gains the support from local partners in dealing with the different specificities and builds relationships to non-business actors. A strong emphasis on relationships is justified by the notion that the Indian society is generally based upon personal, social relationships and trust (Budhwar, 2001; Meyer & Thu Tran, 2006).

According to Baliga and Santalainen (2006) cultural factors have considerably slowed down the transition of the economy. Including a number of nationalities and cultures (Kerrigan, Shivanandan, & Hede, 2012), however, India is to a large extent dominated by Hinduism, which also influences business practices (Quer et al., 2010). It emphasizes the importance of giving, doing good and contributing to the greater society, which may also be a reason why Indian managers were found to have a positive attitude to Corporate Social Responsibility (Arevalo & Aravind, 2011). India has also been characterized as a highly trust based society (Aggarwal, 2009). While consumers to some extent embrace modern habits, the society is simultaneously based upon conservative, traditional values (Kwak, Jaju, & Larsen, 2006). For example, Eckhardt and Mahi (2012) discuss how food is central in traditional Indian culture and regarded sacred, pure and spiritual, while electronics and computers is a symbol of modern, western life. It will thus very difficult for a foreign firm to navigate this cultural landscape without local partner as a support in order to understand and consider the

different cultural specificities. Relationships to local partners may also make it easier for the firm to gain trust and legitimacy on the local market (Budhwar, 2001).

Furthermore, the literature stresses the complex, sluggish and difficult administrative systems (Rienda, Claver, & Quer, 2011). In spite of the liberalization process, there are considerable restrictions in many industries making it difficult for foreign firms (Budhwar, 2001; Quer et al., 2010). For example, major restrictions protect domestic retailers (Dholakia, Dholakia, & Chattopadhyay, 2012), although the Indian government is now trying to relax the regulations. According to Ray (2011) India was ranked 133 among 183 economies in the World Bank's Doing Business Survey 2010, and even lower regarding the specific issues of enforcing contracts and getting construction permits. The author further describes twenty four different clearances required from central and local governments before setting up a business. Taxation is another difficult area (Quer et al., 2010) as firms have to deal with taxes both on national and state levels, and several indirect taxes when moving products over state borders.

A third factor likely to require strategic adaptations is the insufficient infrastructure. According to Iyer, Sheth, and Sharma (2012) this has a very negative effect on logistics and in fact discouraged foreign entries. Ray (2011) as well as Prater et al. (2009) discuss how the problem includes poor roads, too few airports, and slow transportation in general. However, Indian government is currently investing in huge infra structure projects in collaboration with the private sector (Aggarwal, 2009). These major projects may by themselves include attractive business opportunities for foreign firms, and hopefully also reduce the infrastructural problems. Nevertheless, major parts of the population still lives in remote parts of the country that are difficult to serve by an efficient supply chain. Infrastructural problems also include shortages of capital, certain raw materials as well as skilled labour (Iyer et al., 2012). From this it can be concluded that an adapted business logic will often be required, and relations have to be established to different types of actors to secure the supply chain as well

as the access to critical resources. As argued by Budhwar (2001) it is likely that firms have to be close to the local and regional markets and will need the assistance of local partners with sufficient knowledge and influence.

AN INTERORGANIZATIONAL APPROACH

Inter-organizational relationships are an important support if a firm is to be able to adapt to culturally different markets (Akbar & Samii, 2005; Håkansson & Johanson, 2001; Johanson & Vahlne, 1990; Pedersen & Petersen, 1998). However, the majority of research on networks and relationships put the emphasis on business actors. Even though substantial research has also been conducted on relationships between firms and governments (e.g. Hillman et al., 2004), few studies investigate how firms influence and interact with non-business actors in order to gain support for their strategic goals, or how a set of relationships involving business as well as non-business actors can be developed.

Additional studies have demonstrated the relevance of viewing MNCs as a part of a broader network including business actors as well as social and political actors (Elg, Ghauri, & Tarnovskaya, 2008; Hadjikhani & Ghauri, 2001; Hadjikhani, Lee, & Ghauri, 2008). The main argument is that these actors are mutually dependent on each other for intangible as well as tangible resources. For example, Elg et al. (2008) discuss how IKEA's entry and development in China and Russia was supported by strong relationships to government officials, media, NGOs on a national as well as a local level. These relationships gave the firm advantages such as greater market access, legitimacy, a stronger local image and more influence on political decisions. Trust, commitment and legitimacy were suggested by Hadjikhani et al. (2008) to be the main concept required to analyse and understand these relationships. However, existing research offers limited theoretical understanding of how the main concepts work together and how they can be linked to the three types of actors. Furthermore, additional understanding is required in order to explain the development of a

firm's position on a culturally and structurally challenging market such as India. At the same time, there is a considerable body of research that discusses and investigates legitimacy, trust and commitment in other settings. In order to strengthen the theoretical basis for analysing our main research questions, we will therefore turn to social exchange and power-dependence theory (Cook & Rice, 2003; Emerson, 1962). Exchange theory has been a basis for a substantial body of interorganizational research and network studies (Elg & Johansson, 1997; Oliver, 1990; Pfeffer & Salancik, 1978). The basic idea behind this research tradition is that actors establish social relationships that involve the exchange of different valued utilities (Homans, 1958). The nature of the exchange is further influenced by the external, structural context (Blau, 1964; Emerson, 1972). The value and rareness of the resources that are controlled by the different actors may, in turn, influence the distribution of power and dependencies among them (Emerson, 1962; Pfeffer & Salancik, 1978).

This perspective thus requires that we add the notion of power to the three main concepts discussed above. Power can be exercised through coercion based upon sanctions and punishments, but it can also be based upon offering rewards (Molm, 1997), but it can also be based upon a higher social status and a higher degree of legitimacy that some actors in a social network may enjoy in the eyes of other members (Blau, 1964; Pfeffer & Salancik, 1978). An MNC may be in control of valuable resources when entering an emerging market such as India. Scarce resources may be financial investments but also expertise, knowledge or rare goods and services. This can give the firm a certain degree of power to resist local requirements and governmental pressures (Child & Tsai, 2005; Tan & Wang, 2010). On the other hand, the MNC may suffer from the liability of foreignness (Zaheer, 1995) and lack the social status and legitimacy possessed by well established domestic actors. One possibility for the MNC is then to establish exchange relations with respected, recognized political and social actors that provide support for the community (Boddewyn & Doh, 2011).

Both trust and commitment can be regarded as mechanisms that enable actors to handle uncertainty and reduce power disadvantages (Cook & Rice, 2003). According to Cook and Emerson (1978) commitment can be regarded as an actor's propensity to make repeated exchange with a partner rather than to choose someone else. It is also demonstrated by the size of investments that an organization is prepared to make in a relationship (Hadjikhani et al., 2008; Scott, 2013). In a relational context, trust is usually discussed as whether a certain actor is dependable, will honour an engagement and fulfil its obligations (Morgan & Hunt, 1994). According to Cook (2005), informal social exchange of any significance is not likely to take place without trust between the partners. Trust makes it possible for an actor to take risks and enter in to a larger number of social relationships. The author further argues that without trust, established institutions of law and order has to do all the work of governing organizational cooperation. Trust is mainly a dyadic concept, but an actor can also gain a higher level of trust through having a good general reputation (Anderson, Håkansson, & Johanson, 1994) or by establishing relationships with a third party that indirectly increases the actor's credibility within the exchange network (Ferrin, Dirks, & Shah, 2006).

Trust as well as commitment may thus reduce the level of uncertainty for the actors involved in an exchange relationship, and reduce the use of power. As further discussed by Cook (2005) trustful relationships will be especially essential if the environment is characterized by weak institutions or uncertain and unclear institutional rules and arrangements. This is often how an emerging market such as India may be perceived by a western MNC. We will apply this perspective in investigating how firms can develop an interorganizational approach in order to manage the critical challenges in India. By their innovative networking, firms can overcome structural and cultural difficulties, at the same time as they develop new and locally adapted values for Indian stakeholders.

INSERT FIGURE 1

Figure 1 illustrates our approach. We will thus study the firm's relationships to different types of political actors, such as government and policy makers. We will also focus upon the relationships to various types of business partners as well as social actors. Each of these relationship types are discussed with regards to how they can assist the firm in approaching the three problem areas specified in the figure.

RESEARCH METHOD

The limitation of previous knowledge on how firms manage political and social actors in emerging markets supports a qualitative research approach (Eisenhardt, 1989; Yin, 2003). Additionally, due to the exploratory nature, a case study approach is used to generate knowledge and understanding of the phenomena in focus (Amabile et al., 2001; Ghauri & Grønhaug, 2005). This is particularly suitable to study complex phenomenon on multiple dimensions (Borch & Arthur, 1995; Easton, 1995; Halinen & Törnroos, 2005; Yin, 2003). The setting of the study, with different cultural and unstable institutional characteristics as compared to Western markets represents another complexity that validates a context sensitive methodological approach (Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mantymäki, 2011).

The research is based upon two in-depth cases of Swedish international companies. They were chosen due to their international presence in the emerging markets unique technological innovations. Tetra Pak manufactures carton packaging for over 2000 of the world's leading food companies, based upon a unique aseptic technology - Tetra Therm Aseptic VTIS. The firm also sells packaging machines to customers and takes on a consultative role in assisting customers in planning and developing their plants and their packaging processes. The other firm, Axis Communications, is a Swedish company founded in 1984 and today the global market leader within the area of network video and IP based surveillance cameras. The firm was the first in the world to launch a network camera in 1996. A main ambition is to capture the market from analogue technologies to IP based innovative

solutions. One interesting aspect of our choice of companies is also that one operates in an area where traditional, cultural values have a strong impact, namely the food sector. Axis, on the other hand, is doing business within the highly expansive electronics sector that symbolizes the new, modern India. This can also be expected to have an influence on the issues and challenges that become central for the firms.

As a first step we investigated the corporate level, focusing on the overall international strategy and managers' general views on the relationships to and role of different actors. Secondly we study the two firms' operations in India. Our research is based upon both primary and secondary information. As a complement to the personal interviews, we had a rich material of secondary sources including promotion material, internal plans and strategic documents and material used for educational purposes internally as well as externally. In all 28 interviews were conducted with managers at the office in Sweden, local managers and sales persons in India, customers and business partners in India. The interviews had a broad scope, covering the firms' strategy and marketing activities in general, and how they build relationships to different key actors and partners. They lasted for about one and a half hour, were transcribed and the text was coded and categorized as suggested by Ghauri (2004), with the help of the qualitative data management software NVivo 9 (Sinkovics, Penz, & Ghauri, 2005). We use N*VIVO to systematically categorize and analyse data collected that can assist us in pattern seeking and to draw conclusions. Furthermore, we compared the two case examples and identified trends and similarities in their approach to social, business and political actors and collaborations with diverse network partners.

TETRA PAK AND AXIS INTERACTING WITH INDIAN SOCIAL, POLITICAL AND BUSINESS ACTORS

Tetra Pak is a leader in its industry and in many countries the brand is a synonym for carton food packages. Founded in Sweden in 1951 and employing more than 22.000 people

worldwide, the firm has operations in over 170 countries. It is a company in the processing and packaging industry and mostly supplying various solutions for the food sector. Tetra Pak has grown based upon a unique solution developed in house; the first aseptic packaging technology that could for up to 12 months retain the colour, texture, natural taste and nutritional value of liquid food without any preservatives or refrigeration. Other significant product areas are, juices, nectars, spirits and soft drinks, and the firm also operates in the market for chilled packages for e.g. pasteurized milk or yoghurts. Furthermore, Tetra Pak introduced the first carton based food package alternative for products traditionally packed in cans, glass or pouches in order to remain fresh for up to 24 month.

Axis Communications is established in over 30 countries and is present in about 180 additional ones through partners. Just like Tetra Pak, the products and solutions that Axis offers were mainly developed in house. They are based upon on innovative, open technology platforms largely aimed to support security surveillance and remote monitoring. Axis' strive to drive the market for network cameras has been very successful. The market is now moving rather quickly towards digital technology and the firms' sales have increased by an average of 26% annually during the last five years. Six business areas are especially targeted by the firm; education, banking & finance, retail, industrial, transportation, and government. It should be noted that all these areas are under direct or indirect government influence, which further stresses the importance of having strong direct or indirect ties to political actors.

Managing country specificities

Tetra Pak has been present in India since the seventies but still struggle with cultural obstacles regarding their most central product area. The basic reason is the scepticism Indian consumers have towards packaged milk. The other two areas are juices, nectars & still drinks and spirits. The former is highly successful and more than 95% of all brands are offered in Tetra Pak

packages. The firm's share of the spirits category also grows. However, the core of the traditional Tetra Pak business - the dairy category - is weaker. According to local management, this has to do with the long tradition and central role of milk in the Indian culture; as one manager puts it: "milk is like religion". This also illustrates the central role of food in Indian culture (Eckhardt & Mahi, 2012) and the observation made by Dawar and Chattopadhyay (2002) that in India less than one per cent of food consumed is pre-processed (compared to over 95% in most western countries) and that in order for consumers to buy pre-processed food items they need a competitive price and/or strong and clear added values. Tetra Pak has especially concluded that the most important way of seriously breaking into the milk market is by strong local relationships with the industry and as well as the government. They have a local market organization with over 550 employees.

Furthermore, Tetra Pak planned to open a €100 million state-of-the-art converting plant in Chakan, near Pune in 2012, which was hoped to strengthen the firm's attractiveness as a business partner and show that the firm is willing to invest and contribute to the Indian society. These activities increase the firm's general legitimacy in the Indian society, in the eyes of business partners as well as political and social actors. The fact that the firm is willing to invest money as well as expertise can also be a source of power when negotiating with different Indian actors such as government representatives.

In general, the firm is actively communicating and educating different stakeholders about the functionality and technology behind their packages, stressing that they can preserve nutritional values of food and that the carton packages are more recyclable than other alternatives. The propositions and messages delivered by Tetra Pak regarding the positive sides of its packaging technologies are very relevant for different types of political actors. In a market like India, with a rapidly growing population, the supply of food with a high nutritional value is a major issue. When considering the large consumption of milk this area

should be of special concern. By offering concrete solutions to societal problems the firm can gain increased commitment from political actors and also from business partners in contributing to this development.

Apart from more general communication, Tetra Pak is also involved in concrete projects. One example is the so called School Feeding Program. Here, Tetra Pak cooperates closely with NGOs and local governments in providing milk and other nutritional products every day. In total this project reaches 54 school children worldwide. Tetra Pak has also collaborated with political actors to build up local farming and food manufacturing. These activities have strengthened the firm's value chain while simultaneously contributed to the development of the markets. This is the type of programme that the Tetra Pak management regards as especially valuable in developing good relations with local governments. Again, this shows how the firm may increase its legitimacy in the Indian context by taking part in social development activities and being associated with NGOs. The firm may also increase the legitimacy and prestige for those political actors that are associated to these projects. This may, in turn provide Tetra Pak with increased power when dealing with political actors and trying to influence standards and regulations.

Within the information technology sector, cultural and traditional values appear to be much less of an obstacle. Instead, India can be characterized as a technology friendly and progressive culture (Aggarwal, 2009; Alam, 2012; Das Gupta & Sharma, 2009). However, a main challenge for Axis Communications is to influence the opinion to go from the earlier established analogue technology towards modern, IP-based technology. In India, many businesses have already invested in analogue technology and are reluctant to move to an alternative solution. For Axis, a central part of driving the business has been to develop an indirect sales model. This means that the firm is normally not in direct contact with

customers, but bases its operations on having close collaborations with different partners based on loyalty and long-term cooperation.

This network of partners includes distributors, system integrators and resellers that reach the final users as well as partnerships with other IT firms that can offer final customers added values. One example is software developers that add the kind of competencies necessary for offering the customer a full network security solution. Their partners thus handle most direct contacts with customers, meaning that Axis can also draw upon the trust that network partners already have in their networks. Furthermore, the contacts with political actors are typically also handled on the local level, and through business partners that are involved in the same project as Axis. Other competing firms also have direct contacts with customers, but the fact that Axis renounces from this makes the firm increasingly attractive as a partner and increases the commitment of local partners and makes them more likely to try to influence customers as well as political actors in the favour of Axis.

As a complement, Axis Communications strives to influence opinions about the IP technology as well as the Axis brand through educational programmes targeting different decision makers, as well as by PR and events. In many important big projects requiring a security surveillance solution both business and political actors are involved as customers. Therefore it is important also to influence their view upon technical standards more indirectly. Educational programmes that are in collaborations with other IT firms are also part of this. These activities illustrate how Axis can gain more power and influence on technological standards through distributing knowledge and supporting the expertise of its partners in order to make them more committed to recommend the alternatives provided by Axis.

Targeting public decision makers as well as opinion leaders, a standardization committee that aims to drive opinions regarding standards for network video – the Open Network Industry Forum - has also been established by Axis in collaboration with Sony and

Bosch. Axis has also developed relationships to NGOs, such as Amnesty International, and is a member of the UN Global Compact in order to increase trust in the brand and to stress that Axis is not involved in ethically questionable surveillance. This positioning vis-à-vis government as well as NGOs is important in order to increase legitimacy and trustworthiness and hence to develop close relationships to political actors and opinion leaders.

Meeting infrastructural challenges

For Tetra Pak, the insufficient distribution structure is a challenge. Transportation is dominated by relatively small firms and has a limited capacity (Prater et al., 2009), and retailing by small traditional stores (Dholakia et al., 2012). However, the conditions also offer opportunities to take part in developing the society. The local situation has given Tetra Pak a possibility to show the government that they are an important actor and to raise an interest to collaborate. The local Tetra Pak management has stressed that the cooperation established with especially the local government and the local food supply problem can have major implications for the future. India may be food self-sufficient in theory, but the infrastructure creates barriers that make it highly difficult to supply the entire population and food waste is estimated to be up to 50-60%. Accordingly, food may have to be thrown away in one part of the country, while people are starving in other parts of India. For example, there is very little storage room or means to protect and conserve perishable food, and no cold food chain exists.

In acting against these shortcomings, Tetra Pak has established cooperation with certain state governments with the aim of developing food hubs. The idea is to collect food and bring it to central, regional Mega Food Parks supported by an infrastructure to store and preserve food and to distribute it to different parts of the region. These examples show how a firm can gain power by exchanging knowledge and financial resources in return for influence upon how the Indian infra structure is developed. Again, being a major player in important social

projects will also increase the legitimacy for Tetra Pak in the eyes of different societal actors. Being perceived as legitimate is, in turn, an important requirement in order to develop close relationship to critical business partners.

The contents and benefits of the projects that involve Tetra Pak are further communicated through the local industry body AFPPA (Aseptic Food Processing & Packaging Association). All aseptic food manufacturers are involved here and discuss with government members and aim to explain why aseptic technology can bring benefits to society. At the same time, the firm usually remains in the background regarding matters that will primarily concern Tetra Pak's customers. Instead, the firm strives to appear as a neutral stakeholder that applies a consumer view on strategic matters that may influence the industry.

Axis Communications is still a small player on the Indian market. It entered 2007 and early 2012 the firm had 12 employees, but the firm is growing rapidly with a speed of about 30-35% a year. A number of competitors, including Axis, had similar market shares of around 10%.. These competitors would include firms like Bosch, Pelco and Sony. In early 2012 Axis covered the whole of India with three sales managers responsible for different regions. In line with the indirect sales strategy, the main responsibility of these managers is to establish relationships with partners involved in major projects with large customers.

As discussed earlier, India is currently in a strong infrastructural development phase that involves major opportunities for Axis. A substantial number of major public projects are under development that would also require security solutions. This includes airports, administration buildings, hospitals, subways and highways, and typically the government is either the main customer or an actor with a substantial influence. Other areas mainly under the influence of political actors are city surveillance, large defence projects and power plants. Becoming a capable supplier in these big government projects is of course strategically important due to their size and potential profitability. However, it also leads to increased

legitimacy for Axis, as an actor that takes part in developing the Indian society. Furthermore, indirect trust in other relationships may be developed by demonstrating a presence in major national and prestigious infrastructure projects.

Though having the final say, the political actors in these projects typically do not possess the technical know regarding how to specify the kind of surveillance solution that ought to be required. Therefore they will often hand over the main influence to external architects, consultants and engineers. These actors will decide upon the standards and specifications that ought to be required for the project, suggest the kind of equipment needed the specification for that equipment, the quantities, etc. Being a player in the high/price high quality segment, it is essential for Axis that the specifications do not open up for low price competition, but that they instead stress quality aspects and a need for the type of features offered by the Axis cameras. This is done through offering expertise and knowledge regarding technical issues that can influence decisions and future policies regarding technical standards

A part of the Axis strategy has thus been to develop specially tailored education programmes that will demonstrate and teach these actors the values of Axis solutions. Events and training programmes are organized where those identified as key influencers are invited to participate. These events are also perceived as valuable by the target groups because they will offer new, frontline knowledge. The programmes are usually done in cooperation with business partners that offer complementary solutions that extend the value offered by the surveillance cameras, such as especially designed soft ware programmes. One example would be a programme designed for registering the number of cups served in a coffee shop and calculate the pilferage. Axis offers this type of training in most major cities during the year. On top of this, the regional sales managers will strive to develop their own individual relationships to the most influential consultants and engineers. Even though Axis may offer expertise, the presence of well known and highly regarded local business partners in these

processes will increase the trust that the targeted actors put in Axis. Here it is thus once again demonstrated that the commitment and trust that the business partners have in relation to Axis is an essential part in influencing norms and values.

Navigating through the administrative complexities

Tetra Pak often collaborates with business partners if lobbying against certain government regulations that create competitive disadvantages. At the local level government regulations in the taxation area is a major concern for the firm. For example a value added tax (VAT) has been imposed upon Tetra Pak packages. However, a similar tax does not exist for plastic pouches, which is currently the main competing packaging material in India for milk. Consequently, there will be a price premium on the milk that is marketed in Tetra Pak's packages, making this alternative less affordable for many Indian milk consumers. Tetra Pak and its network of business partners are actively lobbying against this regulation, arguing that the milk filled in their pack is essentially the same and that a process (aseptic technology instead of pasteurizing) as such cannot be regarded as 'value adding'. Another argument relating to health issues is that it will become less likely for the average Indian consumer to choose a product that is much safer and healthier. This is an especially serious issue in regions with an insufficient supply of milk in poly pouches, due to their short shelf life of 2-3 days. Here, representatives of the firm also stress that it is very important to have the support of local, legitimate partners in these discussions.

National policy makers also have a strong influence due to the fact that Tetra Pak's operations are closely linked to food and health issues in the consequences. A number of decisions and regulations touch upon sensitive issues that have country wide matters. One national regulation stood out as being especially challenging for Tetra Pak; the so called Metrology Act. It was planned to be activated on the 1st of July 2012, and may influence Tetra

Pak and the entire industry immensely. It stipulated that liquid food can only be in certain volumes - 100ml, 125ml, 200ml, 250ml, 500ml, 750ml, 1lt, 1.5ltrs and 2ltrs. Food packages in any other size than these would thus not be possible to sell in India.

A main argument presented by Tetra Pak and business partners was that it is vital to withhold certain price points - for example 5 INR, 10 INR, 15 INR or 20 INR. Normally it will be possible for a firm to keep certain strategically critical price points by reducing the package size if, for example, raw material prices go up. If this flexibility is reduced it can be a big obstacle due to the fact that the food inflation is currently a serious problem. For example, local managers have stated that manufacturers might have to give up producing products at, for example, a 10 INR price point. According to Tetra Pak's managers such a development may make consumers to either buy a higher quantity of a product than they actually need and for a price that they might not be able to afford, or to not buy a product at all.

Once again, this could be milk, which is essential for a healthy diet. This is thus another area where Tetra Pak tries to influence the political decisions based upon health aspects and the consumer's point of view while obviously at the same time pursuing the business interests of Tetra Pak and its partners. It is also interesting to note that this view is very similar to the Dawar and Chattopadhyay (2002) argument that firms need to recognize and saturate critical lower price points that will attract Indian mass consumers. Failing to do so may create major problems according to these authors. This example further illustrates how Tetra Pak can appear as an actor with an expertise in socially relevant matters such as public health, in order to increase the influence on certain political processes. The firm can also rely on the increased legitimacy gained through participating in other recognised CSR projects in India.

For Axis Communications government regulations and tax issues on different levels are also a critical factor. India is being described as complicated in several ways by our respondents. Firstly, there are several political decision levels which require multiple contacts

with central as well as regional and local authorities. Secondly, India is regarded to have a particularly complicated, complex and bureaucratic administrative structure. At the moment, Axis has chosen not to try to influence these types of factors and to rather try to adapt to existing condition. According to respondents, it can be a problem if Axis is too critical and proactive in questioning and trying to influence decision makers on different levels, because it may jeopardize the relationships that the firm is trying to build. Questioning established praxis may undermine the legitimacy that Axis strives to develop in relation to Indian actors.

Instead, the firm gets assistance and help from business partners with regulative issues. As stressed in the literature, Indian tax laws are something of a jungle. For example, Axis has to pay a tax of 30% for importing complete cameras, while by importing the cameras in two parts and assembling them locally the tax can be reduced to 8%. However, this requires investments in an assembling facility. Another taxation issue is that in India each province has a local tax that is added on and that can vary considerably. Furthermore, by sending a bill to a customer between two different states the firm will give rise to an additional interstate tax of 4%. Business partners can, however, be a substantial help in these matters. In particular, the distributors are critical in guiding Axis in how to minimize product taxes.

Political actors also play decisive roles in setting or influencing different industry standards. This may happen through recommendations or by formal regulations. For example, it was described how political representatives decided to require that all the cameras considered during the development of a high court building had to be under certification from the American organization UL. Since Axis is certified by the European testing company EN but not UL certified this created a major problem. This also illustrates how a public policy maker can create a threat through a relatively uninitiated recommendation, since most expert appear to view these two certifications as being equal. In more general terms, respondents also discussed the recommendations and broad guidelines developed especially for

government bodies by the National Informatics Centre in Delhi. When it comes to this type of national political actors, however, Axis would normally act in collaboration with business partners or trade associations such as the international standardization board discussed earlier.

All in all, Axis Communication has managed to gain the commitment of trusted business partners in helping the firm to manage bureaucratic challenges and to find effective solutions. This solution has been preferred rather than to risk legitimacy by attacking political regulations. Furthermore, it is important for the firm to be represented by legitimate and trusted local partners once legal and regulative matters are to be questioned.

DISCUSSION AND CONCLUSIONS

The case studies have illustrated different ways for the focal firms to interact with business actors, social actors and political actors in India. Some activities have been more successful whereas others may lead to a result further on. All in all, we have identified activities and consequences on the overall position in the Indian society and for individual relationships to critical actors within the three categories discussed.

INSERT FIGURE 2

The study has revealed a number of insights with regards to the four main theoretical concepts applied. Achieving legitimacy as a respected member of the Indian society can be regarded as a main goal for an MNC and an important step in order to counter balance the liability of foreignness. For the studied firms, one part in achieving legitimacy was through voluntary participation in social projects that generated values for the society as a whole. These activities also meant that the firms would become associated with socially and culturally respected actors, such as local government representatives and non-political NGOs. Axis, in turn, strived to get positive publicity in the media about their cameras and the new technology that they offer. Once again this provides the firm with legitimacy while being

supported by a source that is considered to be independent. Furthermore, both firms took part in developing the infrastructure and strived to play a role in development projects with a high visibility. It is interesting to note that developing legitimacy also involves refraining from trying to influence certain societal norms and structures that are governed by influential actors. For example, several regulations in India have been developed in order to protect domestic economic actors. By questioning these firms may risk jeopardizing its credibility.

On an overall societal level, the firms have nevertheless strived to influence certain norms and structural conditions through offering highly valued resources. One example is that Axis Communications has sometimes been successful in influencing norms and standards applied for major development projects through knowledge dissemination and education of key decision makers. Tetra Pak attempted to influence similar decision makers through its expert knowledge regarding how to preserve and distribute milk more effectively. Investments in plants that can further help this process and offer work for local labour is another example of how firms may attempt to exert influence through offering valuable resources to a society that suffers from many shortages. Being associated with influential local actors is another way of increasing the firms' power base in the Indian society.

At the same time, both companies studied here are relatively small MNCs. This also means that they do not have the resources required to develop and maintain exchange relationships based on power and control. Instead, the firms' relatively weak initial positions have been developed based upon building trust and commitment. Both firms use an indirect sales model, which means that they do not sell anything directly to the final customers. This means that when Axis or Tetra Pak manages to increase the interests in their products, it will also guarantee new business opportunities for the firms' local partners. Both companies also offer partners major educational programmes and knowledge transfer. By investing in and driving projects with a social interest, such as the school projects run by Tetra Pak, and by

inviting political actors in taking part, the firms also generate increased legitimacy for them. This can make political actors more willing to promote the interests of the firm. Consequently, many partners will become more committed to the relationships and prepared to drive the interests of Axis and Tetra Pak in local networks.

By a background role in relation to customers, and non opportunistic behaviour, the firms are increase the trust in the relationships and make partners willing to take more risks in standing by them. In relation to political actors, the willingness to take part in social non profit projects and fulfil obligations will further increase trust. Another aspect that increases trust is the fact that the firms are willing to invest major resources in educating different partners, involving business actors as well as social and political actors. The firms' activities also have considerable indirect effects. Firstly, the fact that they take part in major national projects involving cooperation with government actors and NGOs may have an indirect effect in the trust that other partners put in the two MNCs in a similar way as described by Ferrin et al. (2006). For example, when Axis Communications takes part in building a new airport it shows to other established or potential partners that the firm is capable of being a major player in such projects and has been regarded as trustworthy by experts and national political actors. In more general terms, the influence and legitimacy achieved in the society in general will have a positive influence on trust and commitment in specific relationships.

INSERT FIGURE 3

The study illustrates a process where an MNC can strengthen its position and develop new business opportunities in a developing market (Figure 3). An initial step is to establish a role as a corporate citizen with social responsibilities and respect for cultural values. This may be achieved through participating in high profile projects that offer social benefits, exchanging legitimacy with political actors and NGOs, and by acting as an expert and offering

technological knowledge to the society. These contributions are also delivered in remote parts of the country with a great need of this type of social responsibility projects. Another part is to influence decisions, norms and structural developments. The studied firms have attempted to do this through applying their expertise in offering advice, through investments and in taking part in important projects with a long term impact on the conditions in the Indian society. They also strive to influence the perceptions of quality standards in the society. This relieves them from some of the structural and regulative constraints in a similar way as is described by Child and Tsai (2005). By reducing the external constraints and pressures the firms will increase their freedom of action and the possibilities to develop new business opportunities.

All in all, this research has shown how exchange theory can be applied in order to understand and analyze MNC activities in India. It also shows how managers have to balance and coordinate interests and activities on different levels. Nevertheless, this study is based only on two, rather small Swedish MNCs. In order to develop a more generalizable framework more empirical data is needed, including MNCs from varying countries and with different size and degrees of influence. At the same time, the fact that the studied firms have relatively limited resources but have nevertheless managed to establish them on the difficult Indian market, makes these cases two valuable learning examples.

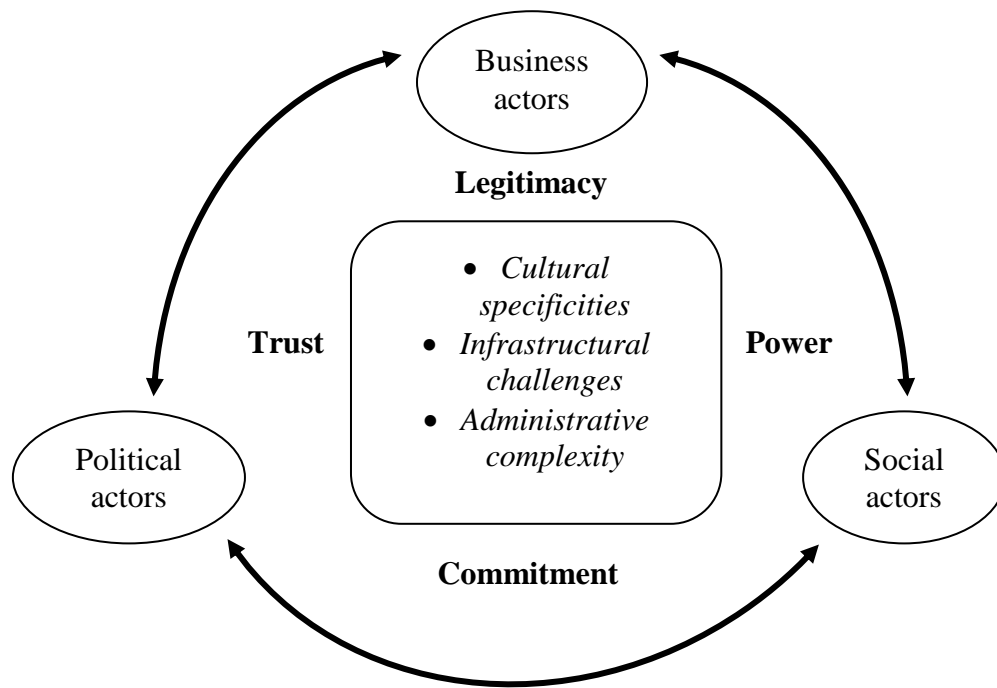


Figure 1: Theoretical approach

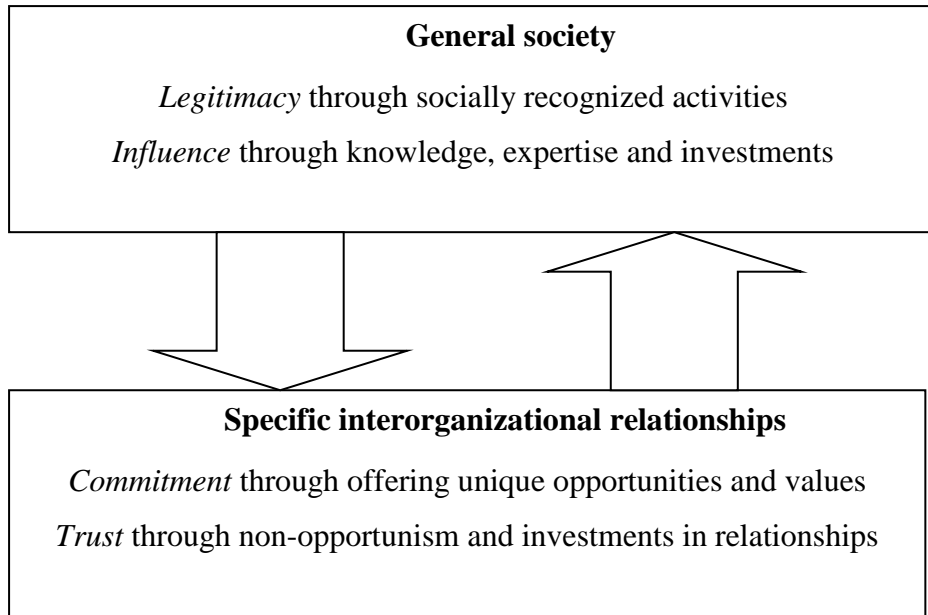


Figure 2: Developing strong societal and relational positions

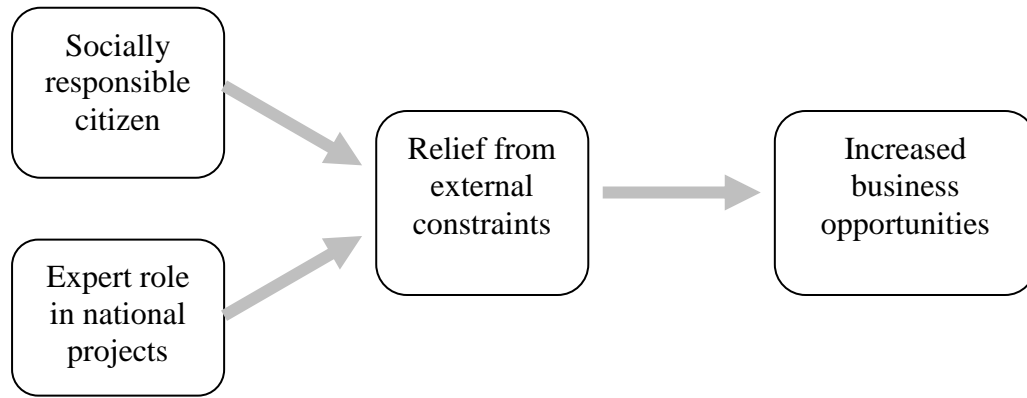


Figure 3. A process of developing increased opportunities through relief from structural pressures

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