"Building Positions in Global Networks: the Entry Choices of Multinational Corporations in Ukraine"

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Abstract

The network view of internationalisation suggests that international investments by multinational corporations may be used to develop positions in global networks. Research offers contradictory views as to the level of commitment which firms might be expected to use in turbulent market conditions. Therefore, this paper presents in-depth analysis of the entry decisions of four multinational firms in Ukraine to explore the influences upon entry decisions. Relationships in the regulatory and competitive sectors and the actions of international customers are seen to be more influential than the specifics of the market.

1. Introduction

Ukraine has experienced high levels of environmental turbulence as it moves from a centrally-planned to a free market economy. During the period of this study, the country faced a growing economic crisis. Restoring the national boundaries had resulted in the loss of guaranteed Soviet customers. Supplies of raw materials, essential for domestic and commercial purposes, had been cut-off, or were no longer subsidised. In 1993, the annual inflation rate of the temporary currency, the Karbovanet, stood at 5,800% (Economist, October 23rd 1993). Moreover, the process of transition had been stalled by political infighting between different factions in parliament.

Yet, despite the high levels of uncertainty, multinational corporations entered the country using both high and low commitment modes of operation. This paper explores the criteria for entry and the choice of entry mode of four multinational corporations. As the research draws upon the fields of marketing, organisational behaviour and international business, a number of unifying themes are proposed for this inter-disciplinary review of the literature.
2. Conceptual Background

2.1 Decision-making is a process not a single episode

Buckley (1989) refers to behavioural studies of foreign investment as the "Corporate Decision-Making Approach". Aharoni (1966) makes a seminal contribution in this area, rejecting the notion of rational decision-making behaviour in favour of the view that decision-making can only be understood as a process:

"Any one decision is a part of a continuous stream of activities, and it is influenced by past decisions, interpersonal relations and other ongoing activities of the decision-maker." pg. 18

Moreover, he views decisions as political processes. Firstly, he contends that individuals will be less willing to tolerate high levels of uncertainty if they are held accountable for the outcomes. Secondly, perception of uncertainty decreases, the more information one has. However, the cost of perfect information may be so high that it exceeds the risks of the decision. In this situation, the economic argument might be to accept the uncertainty and invest in the market. Thirdly, gathering information plays an important role in building commitment to the decision:

"In the process of gathering information, the investigator creates commitments through a perpetual sequence of encounters with other individuals" pg. 300

Indeed, commitment may be so great that individuals screen the available information: "so that only data conforming to previously held beliefs are gathered." (Aharoni 1966)

Forsgren (1989) builds upon the political dimension of investment decisions by multinational corporations. The organisational structure is no longer "mother-daughter" or "centre-periphery." It is geocentric (Perlmutter 1966), or "heterarchic" (Hedlund 1986), in that it
operates globally using a matrix organisational structure. Accordingly, strategic investments involve subsidiaries, as well as top managers. There may be a “struggle for legitimacy and symbolic action” between the centre and periphery, as managers may feel that they need to signal their importance by making large and visible decisions.

2.2 Multinational Firms may make high commitment entry decisions

Research also suggests that international investments should not be viewed as isolated events but as episodes in an ongoing investment process. Probably the best known model of the internationalisation process is that of the Uppsala school (Johanson and Wiedersheim-Paul 1975; Johanson and Vahlne 1977). This depicts a linear progression from exporting through knowledge agreements to foreign direct investment as the firm increases its knowledge of a market. Furthermore, a chronology of entry is suggested whereby firms enter culturally similar markets before those characterised by higher psychic distance.

The empirical evidence for the model relates largely to Scandinavian firms (Johanson and Wiedersheim-Paul 1975; Juul and Walters 1987, Wiedersheim-Paul et al 1978). However, it has also been found to be a valid descriptor of firms in some industries in Japan (Yoshihara 1978), Germany (Dichtl et al 1984) and the USA (Davidson 1983). A number of studies suggest the relevance of this model of internationalisation for firms in the early stages of internationalisation (Buckley, Newbould and Thurwell 1979, Cavusgil 1982).

Yet, the model has been found to be invalid in a number of other situations (Erramilli and Rau 1990; Jatar 1992; Sullivan and Bauerschmidt 1990, Turnbull 1987). Firstly, there is a debate as to what constitutes the stages of the model and which is the first or lowest stage of
commitment (Erramilli 1990, Turnbull 1987). Secondly, there is evidence of differences between the first and subsequent investment decisions. Firms with higher resource levels may skip stages or make larger steps. They can also generalise between similar international markets (Forsgren 1989, Johanson and Vahlne 1990).

The empirical evidence for the model originates from stable, economically advanced nations. Accordingly, it is not clear whether it can be applied to turbulent market environments. Reid (1983) concludes that the Uppsala model is too deterministic and general. The firm's choice of entry and expansion modes is selective and context-specific. It can be explained by heterogeneous resource patterns and market opportunities. More importantly, the basis of the model is open to criticism. Johanson and Vahlne (1977) contend that the knowledge required to overcome market uncertainty must be experiential and market specific. However, the growth of joint ventures and other modes of co-operation suggests that knowledge can be shared, to the mutual benefit of firms (Terpstra and Yu 1990).

2.3 Networks: Between Markets and Hierarchies or Markets as Networks?

An important contribution to understanding the entry decisions of multinational firms may be offered by network theory. The network has variously been defined as:

"A set of relationships, whereby actors gain access to scarce resources" (Håkansson and Johanson 1992)

"the totality of relationships among firms engaged in production, distribution and the use of goods and services in what might best be described as an industrial system" (Easton 1992)

"consisting of 'nodes' or positions (...) and links manifested by interactions between the positions" (Thorelli 1986)
Whilst Thorelli (1986) saw the network as an intermediate organisational type, between markets and hierarchies, the other definitions focus upon the fact that firms are connected to each other by a web of direct and indirect exchange relationships, whereby scarce resources are exchanged.

These divergent definitions of the network highlight a key debate in internationalisation literature. There is an essential dichotomy between literature which sees the network as a mode of operation, used by the firm if it is the most efficient and effective, and that which considers that markets are comprised of networks. The first of these beliefs derives from Thorelli’s definition of the network (1986) as a hybrid mode of organisation which lies between hierarchy and the market:

“at one end of the spectrum is what we would call the open market. At the other we find the firm which is relatively self-sufficient in terms of vertical and functional integration. In some ways these distinctions are analogous to Williamson’s (1975) markets and hierarchies, although he would likely include as part of ‘markets’ a number of in-between forms where we would rather apply the generic term networks”

This definition of the network is used by a number of works to study the choice between the networks and alternative modes of operation. Lorenzoni and Ornati (1988) see ‘constellations’ of small firms as being developed by entrepreneurs as the most appropriate mode of organisation. Miles and Snow (1986) relate the preferred mode of operation to the environment in which the firm operates. The dynamism of the network makes it the most effective organisational form in the current turbulent environment. By this argument, networks would be favoured by firms entering the transitional economies of Eastern Europe.
A significant proportion of the literature in this area uses transaction cost analysis to determine the most appropriate organisational mode. Indeed, this body of literature is based upon theories of internalisation (Teece 1986, Rugman 1988). Jarillo (1988) concludes that an activity should only be internalised if the transaction costs of externalising it are greater than those of performing it within the organisation. The external costs will be higher in cases of high asset specificity or if there are significant knowledge-based assets. Robinson suggests that the choice of international entry mode can be similarly determined:

“It boils down to which value-added links are most likely to enjoy international economies of scale (...) if performed by external specialist firms, economies which may swamp the benefits derived from the internalisation of the transaction.”

On this basis it would be expected that in the uncertain markets of Ukraine, firms would exercise a high degree of hierarchical control over their activities. This view is supported by Klein and Roth (1990) who contend that the ability to externalise an activity is dependent upon the ability of the market to govern transactions efficiently:

“Firms should be wary of recommendations that they enter new and very unfamiliar markets with low degrees of commitment. They must also assess the extent to which their products and/or marketing activities are highly specialised and thus not amenable to a reliance on market enforcement of good behaviour from outside intermediaries. When outside enforcement cannot be relied upon, a strong earlier commitment to the market is necessary.” pg. 37

This is the converse of the incremental process suggested by Johanson and Vahlne (1977)

However, the definition of networks as a “hybrid mode” is challenged by the “markets as networks” literature. Johanson and Vahlne (1987) claim that this view ignores some of the key characteristics of the network. In network literature, firms are viewed as mutually interdependent. In consequence, the investment processes and the use of assets by one firm may be influenced by its relationships. Accordingly, international investment decisions may
be favoured or constrained by existing network position (Johanson and Mattsson 1985, Mattsson 1989). Thus, markets are not an alternative to networks, but are comprised of them:

"The markets are characterised by interaction between firms in relationships where the parties have some control over each other and the organisations are not "pure" hierarchies. To us the legal frameworks of the transactions are less important and the boundaries of the networks are unclear." pg. 12

2.4 Multinational firms make international investments to build global positions

In the "markets as networks" literature, the position, which the firm holds in the network, is seen to be defined by its relationships with other firms. In "tightly-structured" networks (Johanson and Mattsson 1988), there is high inter-dependence between actors, bonds are strong and the respective position of firms is well-defined. In "loosely-structured networks" the bonds between actors are weak, and the positions which they hold are less well-defined.

The investments which the firm makes, both in its internal development and within the external market, are seen to be influenced by its network relationships:

"Positions take time and resources to develop. The firm’s access to other firms’ assets is mediated by its positions and those positions are in themselves a result of investment processes. (...) Present positions define restrictions and opportunities for the future use of (...) assets and development of the positions" Johanson and Mattsson 1985 pg. 188

Håkansson and Snehota (1989) also recognise the imperative of studying the existing relationships of the firm:

"Reciprocal knowledge and capabilities are revealed and developed jointly and in mutual dependence by the two parties. Distinct capabilities are thus generated and have meaning in an organisation only through the medium of other parties. They are unique to each party, since no two sets of related organisations are alike. In this sense, the identity of an organisation is created in interaction with its major counterparts." pg.191
This view is related to the market entry of firms by Johanson and Mattsson (1988). From a “markets as networks” perspective, internationalisation is the process whereby the number and strength of the relationships between the different parts of the global network increases. By Johanson and Mattsson’s definition the firms in this study would equate to the “International Among Others” category, as they are highly international firms in highly international industries. The International Among Others operates in global markets against global competition. A major criteria in its market investments may be to strengthen its position in global networks.

The position, which an individual actor holds in a network, may differ between markets. Forsgren and Johanson (1992) contend:

“Sometimes the firms compete on their own, sometimes they co-operate with other actors in ever changing patterns. The traditional distinct roles in the market place as suppliers, customers and competitors are becoming mixed. Competitors in one market co-operate in another and are suppliers and customers to each other in a third.” pg. 1

The “markets as networks” view of international market entry is explored in this paper. The diverse and, sometimes contradictory, propositions of interdisciplinary research into international market entry suggests that multinational corporations, with their high levels of resources and length of international experience, could make large initial commitments in entering Ukraine. However, there is argument as to whether the high levels of environmental uncertainty will favour internalisation or incremental market entry. Within the multinational corporations, the criteria and process of making international investment decisions may be complicated by the nature of the relationships between the centre and the periphery of firm and by the locus of decision-making. Moreover, decisions may be influenced by the existing
relationships of the firm, such that investment may be seen as the next episode in the process of building position in global networks.

3. Methodology

The questions explored by this paper can be summarised as follows:

- What are the criteria for entry into Ukraine for Multinational Corporations?
- What influences the choice of entry mode?
- To what extent are these decisions influenced by existing relationships?
- Can entry into Ukraine be studied as a single event or is it part of a process of building global position?

This research is complex and inter-disciplinary in nature. There are possible inter-relationships between the decisions of a firm and those of its competitors, customers and other stakeholders (Johanson and Mattsson 1988) and arguments in favour studying decisions in context (Aharoni 1966). Moreover, the turbulent environment of Ukraine suggests that theories based on data collected in stable markets may not be applicable. Therefore, a theory-building rather than a theory testing research approach is appropriate (Desphande 1983, Bonoma 1985). Consequently, an in-depth research methodology is chosen for this exploratory study (Harrigan 1983, Bonoma 1985).

A key issue in network research is defining the network boundaries. The network may be disaggregated to the dyad, in order to study complex phenomena. However, this atomistic approach oversimplifies the nature of the inter-relationships. If micro-positions cannot be reaggregated to macro-positions, then the single relationship can never fully express the network. Yet, holistic study of the network may tend towards describing complexity, rather than analysing critical issues. A compromise is proposed by Cunningham and Culligan (1991) who suggest the use of “focal nets.” These consist of:
In this paper, the focal net involved in each entry decision is explored using a case study methodology. Yin (1983) proposes the use of a case study method for the study of contemporary issues in their social context. Harrigan (1983) suggests that it is appropriate for the study of complex phenomena in their social context. Tsoukas (1989) argues that idiographic research methods, such as case studies, can make general claims about the world, although they do not conform to the positivist belief that generalisability equates to large sample sizes and replicability of the research. This latter view is espoused in exploring the knowledge which can be gained from in-depth study of the entry decisions of four firms.

Data were collected using a semi-structured research instrument, based upon propositions drawn from relevant literature. Interviews were held with respondents from both the home and Ukrainian operations of multinational corporations. Cases were drawn from the financial services, household consumables and tobacco industries as these sectors are well represented in Ukraine.

Respondents were allowed to give their own emphasis to the questions, giving detail on issues which they felt were relevant to their decisions, and omitting or explaining the relative insignificance of other variables. Multiple sources of evidence were used. Press coverage, market research reports, company documents and on-line databases were used to verify information. This paper analyses the cases of four firms to capture the complex inter-relationship of the influences upon their entry decisions.
4. Case Analysis

4.1 Case A: The Client-Follower

Case A involves one of the “Big Six” accounting firms. Created by the merger of two of the big eight firms in 1987, this firm now ranks as the second largest of the Big Six world-wide. In 1991, it had sales of $5,406 million and 20,000 employees. The firm has a partnership structure. By nationality firm A is Anglo-American, but it has partners world-wide. By 1991, firm A had investments in 100 countries world-wide and fifty eight percent of its sales were outside the USA. The firm has been involved in international operations since the late 1940's.

Figure 1 here

Firm A entered Eastern Europe earlier than many of its competitors. It set up an office in Hungary in 1987. The success of this venture, and the subsequent liberalisation of the market, resulted in rapid expansion, during 1990, into the Czech and Slovak Republics, into Poland and into Moscow. As the Moscow office was established 18 months before the Ukrainian subsidiary, it played a significant rôle in the decision to enter Ukraine. Although the entry decision was made in London, the market was prospected from Moscow. The Kiev Office was opened during a Public Relations event for British firms investing in Ukraine. This was called “British Days in Kiev”. During this, the Kiev office of firm A was opened by Margaret Thatcher. Firm A’s portfolio of investments in Eastern Europe is shown in Figure 2.

Figure 2 here
The decision to enter Ukraine was prompted by the successful entry of a major international, consumer goods client. There are links between the two firms in a number of markets around the world.

"Business is centred mainly on international clients. Firm A must offer world-wide service in order to develop relationships with these clients across markets (...) we followed major clients, with whom we have long-standing relationships in many markets, into Ukraine.”

Whilst the choice of a controlling interest in a joint venture might appear to be a high commitment entry mode, the UK office sees investments in the region as representing a relatively low level of risk. They require only a small financial investment. The average size of investment in the region is $937,600. Moreover, most of the assets are portable and could be withdrawn from the market if necessary:

“There is very little risk involved in investment in Ukraine. Most of our assets are portable - in people and technology. If we had to withdraw from the market, we could withdraw our people and even our portable computers. The most we stand to lose is a set of audit manuals.”

Certainly the risks of investment did not figure largely in conversations with firm A. The intention is to build a portfolio of Ukrainian clients, although there was a recognition that, in the short-term, the firm is dependent upon existing home market or international relationships. Respondents from the Ukrainian subsidiary and Head Office of firm A identified different types of relationships as offering the most potential. Whilst the subsidiary manager attributed entry into Ukraine to client service, the Head Office manager viewed the decision in financial terms:

“Firm A are looking for funding opportunities in the region. If a large enough contract were available, then an investment, or a further investment would be made in the target country.”

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During the period of data collection for this research firm A expanded their operation in Ukraine. This was not as a result of gaining international clients in the market, but of gaining a large, regulatory sector contract.

4.2 Case B: Externally-Funded

Firm B is also one of the Big Six accountancy firms. Firm B was not involved in the merger activity of the late 1980’s and, as a result of standing alone, it went from being the largest of the Big Eight players, to the third largest of the Big Six world-wide. It is fifth largest player in the USA. In 1991, sales were $4,975 million and there were 17,000 employees. The firm has a partnership structure. It is Anglo-American, having been formed in 1957 by the transatlantic merger of a large US with a large UK accounting firm.

Firm B is highly internationalised. The first international investment activity began 70 years ago. The US part of the firm was established in 1898, and expanded into Europe with offices in Berlin (1924), Paris (1926) and London (1929). The UK part of the firm was founded in 1854. International expansion began with the opening of offices in Brussels (1921), New York (1926) and Paris (1930). By 1991, 70% of the firms sales came from its international operations. It had 100 offices in the USA and investments in 121 different countries.

Figure 3 here

After liberalisation, the firm’s interest in Eastern Europe began with an investment in Hungary. This was followed rapidly in 1990 by expansion into the Czech and Slovak
Republics and in 1991 into both Slovenia and Russia. Investment in Ukraine followed in June 1992. This was two-pronged, as the firm invested both in a European Expertise Service joint venture and a wholly-owned subsidiary. Firm B now have offices in all of the Central European and many of the Former Soviet countries. Figure 4 shows their portfolio of investments in the region.

Figure 4 here

Interest in the region was stimulated by the availability of funding from the EC and the World Bank. Existing links with these bodies, via the Brussels and Washington subsidiaries of the firm, gave it a good basis to become their advisor, especially on issues of privatisation.

The decision to enter Ukraine was prompted by the firm’s Commonwealth of Independent States (CIS) Practice group. The US, UK and German members of this group influenced the decision to invest in the market. However, the final decision was strongly linked with the firm’s involvement in the EC’s Technical Assistance to the CIS (TACIS) programme. Thus, the impetus behind firm B’s entry into Ukraine relates not only to relationships in the home country, but to relationships which have been developed by subsidiaries of the firm in other markets.

Firm B’s joint venture partner provides Eastern European expertise. They have close links with the Ministry of Economics. However, the regulatory links of B are such, that they see themselves as key providers, rather than users, of market information. They feed information
on market developments both to embassies and to international clients. Despite the worsening market conditions during the period of data collection, firm B thrived. They gained a large, externally-funded contract and increased the number of expatriate staff permanently based in the market. By March 1994, there were two expatriate representative members of the firm and eight Ukrainian staff in the subsidiary.

4.3 Case C: The Pioneer

Case C is a family-owned American Multinational Corporation in the household cleaners and personal care market. Founded in 1886, the company is in its fifth generation of family ownership and went public in 1987. By 1991 the firm had sales of $3,400 and 13,400 employees. Firm C traditionally adopts a pioneering approach to international expansion. In the 1930’s, it was the first US chemical company to invest in South America. 75% of the firm’s sales are now gained from its international operations. It has investments in 47 countries and distributors in an additional twenty.

Figure 5 here

In the early 1980’s there were only three regions in which firm C was not present; India, Pakistan and the USSR. The firm began to look at ways of entering the Soviet Union, a key target for expansion. However, C has a policy of investing in a controlling interest in its subsidiaries and Soviet law prevented it from owning more than 50% of any joint venture. In 1988, the law on joint ventures changed to permit a controlling interest. Therefore in 1990, firm C took an 80% stake in a manufacturing joint venture.
The firm's strategy in entering Ukraine was simple: "to be there before the others and develop a volume/cost competitive advantage in order to build up strong barriers to late entrants."

Firm C's operation in Eastern Europe is centred upon its Ukrainian operation, which acts as a hub. Competitors have established different manufacturing "hubs." Moreover, as they are large, diversified conglomerates, a number of the competitors have made parallel investments relating to different divisions of their business (See Figure 6).

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Figure 6 here

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The process of investment in the household goods industry is different from that seen in the financial services sector. In the preceding two cases, firms rapidly expanded after initial entry to achieve a representation in a number of markets in the region. In household services a smaller number of high commitment investments can be seen. One obvious reason for the difference is the size of investment involved. Whilst the average investment in financial services is around $937,600, investment in a manufacturing operation in the household consumables sector cost an average $35 million with an additional $15.7 million investment in modernisation. Furthermore, the date and sequence of investments in Eastern Europe were largely governed by the date at which investment targets were privatised.

The fortunes of firm C in Ukraine have been turbulent. When it entered the market, C was hard pushed to keep up with local demand levels:

"Priced at roughly 30% of their western counterparts, [their products] were 'gobbled up' by 'a market screaming for new products.' Business Central Europe, February 1994."
It was then distributing through the old state-owned distribution system of “baza” (wholesalers) and “gastronom” (retail grocery stores). However, since April 1993, the factory has run at only 50% of its capacity. This is not because of a decline in demand. The problems, which C is now facing, result from the transition process. The structure of the former state economic system has gradually disappeared and no stable private sector has appeared to take its place. Supply between wholesalers and retailers has almost been severed. Little privatisation has taken place. In the absence of any proper distribution channels, a type of parasitic trader has developed. These traders take commission for arranging a deal, but there is no added value in terms of distribution. Furthermore, legislative measures change rapidly and can be draconian. In February 1994, the General Manager of firm C was uncertain as to the firm’s future in Ukraine. He concluded:

“There was a time when we thought Ukraine was the country with the best prospects in the Soviet Union. [Now] our arguments to the Board of Directors are much more subjective. I have no idea what will happen in Ukraine next year... We took a risk here, and its one C1 can afford. The question is: can we survive until Ukraine goes back up, and are we building up a competitive advantage in the meantime?”

4.4 Case D: The Option-taker

Firm D is one of the smaller players in the tobacco industry. With sales of $1,581 million, in 1991, and 22,190 employees, firm D is an order of magnitude smaller than the largest firm in the sector, which had sales of $48,064 and 166,000 employees in the same period. Firm D is a producer of cigarettes and luxury products, such as jewellery, watches, leather goods and perfumes. The firm was founded in the UK in 1890, making handmade cigarettes. However, it is now 60% Swiss-owned. The firm has 50 factories in 17 countries world-wide. International sales represent 74% of the total.
Firm D exported to Eastern Europe, prior to liberalisation, but everything was channelled centrally via Moscow:

"We dealt with the area previously, but everything was handled centrally in the Soviet Union. Consequently, there was little knowledge of how the system worked and none about the different countries which now exist."

Initial interest in Eastern Europe was prompted by large, unsolicited orders from Poland. As this market was one of those which appeared important, Firm D set up a local office. It then began looking at the next tier of markets. In both the Czech Republic and in Hungary, D was outbid by larger rivals. Therefore, it moved its focus of attention to the Former Soviet Union.

Whilst Eastern Europe was acknowledged to be very uncertain, the opportunities justified the risk: "even a one percent market share of 300 billion cigarettes is worth having". Indeed, firm D was more concerned with assessing the size of the opportunity, to see if the risk was justified, than in assessing the level of risk. The next choice of market in the Former Soviet Union was between Ukraine, Kazakhstan and Uzbekistan.

Firm D decided that Ukraine was attractive because it was large, and widely heralded as having better potential for reform than Russia or the Southern Republics. Two of the larger tobacco firms were in the process of signing manufacturing agreements. However, firm D felt that it needed to be more cautious, given its smaller size:

"They are four times as big in turnover, assets and profits. Therefore they can afford to take the risk of a longer-term investment."
The decision to invest in Ukraine came in December 1992. In April 1993, firm D entered the market via a representative office. The subsidiary consisted of one expatriate member of staff, with a home office set up in a hotel bedroom. The low commitment mode of entry was seen a way of taking an option on positive transition in the market, whilst entering into minimal risk.

Throughout the summer of 1993, D attempted to gather information on market size and possible joint venture partners. The market information, which could be gathered from secondary sources was found to be contradictory. Legislation surrounding investments was confusing. Moreover, the market conditions in Ukraine worsened considerably during this period. A primary research survey of the market revealed that, whilst consumers were keen to buy "status brands", they had low levels of disposable income. Therefore, they would only buy small quantities of the western brand when a visible "badge of capitalism" was required. They were likely to buy local products, for every day use.

In the late summer of 1993, D decided against setting up a manufacturing operation in Ukraine. The Southern Republics, and Russia itself, now appeared to have greater stability and potential than Ukraine.

5. Discussion

The entry decisions of the first two cases were significantly influenced by existing relationships which the firms had in their home or in other international markets (Johanson and Mattsson 1987). Firm A followed industrial customers into Ukraine, whilst the investments of firm B were influenced by relationships in the regulatory sector. In both cases, the aim of developing these relationships played a greater rôle than the specifics of the Ukrainian market. Accordingly, these entry decisions seem to correspond to the
internationalisation behaviour which Johanson and Mattsson (1988) predict for the International Among Others. Firm A is motivated by the actions of its international customers. Johanson and Mattsson suggest:

"since important customers or joint venture partners in one country are also by definition international, the International Among Others is faced with opportunities for further expansion or penetration in "third countries." Thus, a Swedish firm might increase its penetration in a South American market because of its relationship in Japan with an internationalising Japanese firm"

Firm B were influenced by contracts in the regulatory sector. In the course of these contracts they have developed relationships not only with the funding bodies, but with other contractors. Subsequent bids for contracts were initiated by previous partners, or by the funding bodies. Such international contracts are highlighted by Johanson and Mattsson as a means of further internationalisation:

"Other examples of such international interdependence are "big projects" in which design, equipment supply, construction, ownership and operation can all be allocated to firms of different national origin, but with internationally more or less dispersed activities."

These entry decisions would also appear to accord with the research of Forsgren (1989) into the internationalisation process of Swedish firms. The decision to enter Ukraine may have been instigated by a subsidiary of the firm rather than the centre. Thus, the centre-centre structure can clearly be seen. Moreover, the tensions of centre-periphery relationships could be indicated by the contradictory understanding of the motivations behind entry into Ukraine by firm A. Whilst the subsidiary manager emphasised customer relationships, the Head Office respondent was more concerned with the possibility of gaining external funding. Indeed expansion in the market was based upon obtaining such a contract, although this might have been influenced by the disappointingly slow rate of investment in the market by multinational clients.
The remaining cases both show firms whose entry into Ukraine was primarily motivated by penetrating the Ukraine. A distinction could be drawn between these and the previous cases as they are developing host rather than home market relationships (See Figure 8)

Figure 8 here

The entry decision of Firm C seems to fit with the contention of Klein and Roth (1990) that firms will internalise under conditions of high psychic distance. However, this behaviour is also reminiscent of Aharoni’s belief that there is a cost attached to information. Firm C may have decided that the cost of striving for perfect information, should this be attainable, is outweighed by the risks of a competitor pre-empting their entry into Ukraine. Firm D have favoured the incremental entry strategy described by Johanson and Vahlne (1977). This decision may relate to their size relative to competitors.

As the economic situation in Ukraine worsened both firms faced difficulty in achieving their objectives on entry. Firm C, with a local partner, was able to gain such market information as existed, whilst firm D remained on the periphery. Its relationships were still primarily with international business-to-business service firms, such as firms A and B. Therefore it gained little additional understanding of Ukraine by entering the market. This would raise a question as to Johanson and Vahlne’s view that direct, experiential knowledge of a market overcomes psychic distance. When other markets began to open up ahead of Ukraine, it redirected its research interest to these markets.
In all of the cases, entry into a market can be seen to be an episode in an ongoing process of internationalisation, rather than an isolated decision (Aharoni 1966). Hence, firm D were keen to enter Ukraine partly because they had “lost out” to larger competitors in other markets in the region. Moreover, investment in Ukraine was seen as an interim step in moving towards investment in the less stable Russian market. Furthermore, all of the firms took into account the actions of competitors in their industry sector. These might result in pre-emptive (firm C) or defensive (firm D) investments. In financial services, firms saw themselves as competing for the available regulatory contracts. Moreover, they were concerned that investments by competitors in markets where they did not have a presence might result in the loss of international customers.

6. Conclusions

In conclusion, the findings of this paper support the “markets as networks” view that investments are influenced by the existing relationships of the firm. The mutual interdependence of firms in exchange relationships might either favour or constrain their investment behaviour (Johanson and Mattsson 1985, 1987, Håkansson and Snehota 1989, Mattsson 1989). Moreover, the entry decisions of the four multinational firms in Ukraine coincide with the contention of Johanson and Mattsson (1988) that internationalisation of the “International Among Others” resembles a process of building global positions. The firms in this paper were more concerned with the actions of customers, regulatory bodies and competitors than with the specifics of the market. Often entry decisions were pre-emptive or reactive responses to the actions of actors with whom there was an existing relationship. Entry decisions were events in an ongoing “global chess game” in which firms jockeyed for the best investment targets and developed their global positions.
7. Bibliography


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</tbody>
</table>

Figure 1
<table>
<thead>
<tr>
<th>Case</th>
<th>Size Sales $ mill.</th>
<th>No. of Employees</th>
<th>Degree of internationalisation Percentage of Sales Overseas</th>
<th>Number of countries with investments</th>
<th>Length of international experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>B</td>
<td>5,406</td>
<td>20,000</td>
<td>58</td>
<td>100</td>
<td>70 years</td>
</tr>
</tbody>
</table>

Figure 3
Figure 4
<table>
<thead>
<tr>
<th>Case</th>
<th>Size</th>
<th>Degree of internationalisation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sales $ mill.</td>
<td>Number of Employees</td>
</tr>
<tr>
<td>C</td>
<td>3,400</td>
<td>13,400</td>
</tr>
</tbody>
</table>

Figure 5
Case C
△ Firm 2
- Firm 3
● Firm 4

Figure 6
<table>
<thead>
<tr>
<th>Case</th>
<th>Size Sales $m</th>
<th>Number of Employees</th>
<th>Degree of internationalisation Percentage of Sales Overseas</th>
<th>Number of countries with investments</th>
<th>Years of international experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>D</td>
<td>1,581</td>
<td>22,190</td>
<td>74</td>
<td>17</td>
<td>23 years</td>
</tr>
</tbody>
</table>

Figure 7
Figure 8