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Bond Communications' Strategic Decision to Open a Branch in Qatar

A Case Study Submitted in Partial Fulfillment of the Requirements for the Joint Degree of the Master of Business Administration (M.B.A.) and the Master of Science in International Business (M.I.B.)

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Bond Communications' Strategic Decision to Open a Branch in Qatar

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DECLARATION

I hereby declare that this Thesis is entirely my own work and that it has not been submitted as an exercise for a degree at any other University.

FULL NAME

Abstract

Bond communications founded in 1989 in Abu Dhabi, UAE, acts as a system integrator and solution provider company (Full Extra Low Voltage System). By 2006 it managed to take its part from the Burj Khalifa, the tallest man-made structure on Earth after implementing projects like Burj El Arab and other prestigious projects in the UAE.

Nowadays The Company has the knowhow, capacity, power and reputation to remain a well established company in the UAE. With an estimated 500 Million AED turnover in 2007, Bond Communications easily overshadows its competitors. In 2008 the company was racing ahead of its competitors to secure in the UAE the coveted title of "Premier IT integrator". Nevertheless, The Company still faces today competition from the rapidly growing markets in Qatar, Bahrain and other neighboring countries.

Facing the tremendous demands resulting from the rapid GCC economic growth, Bond Communications is naturally forced to enter these and other new markets to solidify its competitive position. Tough and complex questions need to be answered and analyzed before making strategic moves into new markets.

This case study is intended to explore major challenges and opportunities that may either inhibit or facilitate the Company's entry into these rapidly growing emerging markets. The analysis may assist in examining and recommending target markets where The Company can expand successfully.

A Political, Economical & Socio-Cultural analysis will be conducted to specifically analyse Qatar's market, assessing the country's internal and external environment, as well as its competitive advantages and barriers in order to pave the way for the Company's successful entry into this new market.

Analysis will include ideal model to adapt, condition of The Company's readiness and the new market's current issues. Conclusions of the research conducted suggest expansion into a new market such as neighboring Qatar while adapting the Uppsala-model during the expansion process. The Qatari market was selected based on its current and future potential as well as its proximity to the much larger UAE market where the Company dominates.

In the increasingly global society, many companies can no longer pretend to live under the illusion that their domestic markets will be sustainable forever. For this and other reasons, courageous companies choose to expand into other countries. In this case, The Company has decided to take an equity position within an already established Qatari company forming an equity joint venture. It is believed that this

strategy will help Bond Communications offset the typical cyclical fluctuation of its sales while accelerating growth and maximizing profit.

The anticipated success of this strategic move is based on real case scenarios including: Mode of Entry, Resources committed and the risk factors identified during the Internationalization process.

Keywords: Equity Joint Venture, Uppsala Model, Internationalization process, growth, strategic moves

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Chapter.1. Introduction

This chapter introduces and creates interest for the thesis. First a background to the topic is presented. The introduction further continues with a problem discussion, leading to the purpose of the thesis.

1.1 Overview

Internationalization, according to John Harry Dunning (1998), refers to multiple locations which contribute to value added activities. These activities were perceived by managers to yield positive gains. In order to find new customers, entry into foreign markets has become fashionable. The notion of increased interest in foreign market activities is corroborated by Dr. V Kumar and Velavan Subramaniam (1997), among others; firms are always seeking to maximize potential profits which may be done by entering foreign market economies.

Even though Qatar may be a country with great potential, there are many aspects a firm has to take into consideration when contemplating new market entry, such as market related and firm related factors.

Before choosing a market entry, the firm has to examine the market to determine if it suits the firm's limitations and goals. Small and medium sized enterprises (SMEs) may have less managerial and financial means than large companies, and may therefore have to limit their entry into foreign markets. By looking into the foreign market economy's current situation, a firm can find both incentives and obstacles for entry. Market entry strategies have been scrutinized by many scholars and authors over time, such as studies by Jan Johanson and Jan-Erik Vahlne (1977), Oliver Williamson (1986), Dunning (1993), and more recent studies by George Nakos and Keith Brouthers (2002).

Scholars have different views on entry mode strategies which, depending on the firm and the market of interest, may alter the direction of the entry.

Bond Communications is a medium-sized Telecom integration firm from UAE. Besides the UAE, Bond Communications operates in Lebanon, Morocco, Bahrain & Oman and had a turnover of 500 Million UAE Dirhams in 2007. One of the Company's key objectives is to double its turnover to One Billion AED in 2009 (Nicholas Moubayed, CEO, Bond Communications, 2007-09-25). It is believed that reaching this objective will be accomplished only through conquering new markets.

1.2 Problem Statement Discussion

Johanson and Vahlne (1977) early started a fundamental study on the internationalization process where risk was perceived as the foundation to new market entry strategy. This study known as "The Uppsala Model", focuses on the knowledge of the market and the psychic distance as two important criteria of the internationalization process.

A study done by Shama (2000) elaborates on the many factors related to the choice of entry mode into a foreign market. Many scholars have done extensive studies on the topic and different notions and recommendations, based on their studies, have been presented. While all of them concentrate on the market entry they have different opinions on what underlying factors to consider before choosing the mode of entry. They also present different strategies based on the firm's condition, size, financial and managerial means and preferences. While large firms may be able to choose mode of entry according to their own preferences and goals, Small to Medium Size Enterprises (SMEs) do seldom have the same opportunity. Thus, the entry mode is of great importance for SMEs.

To enter a market the firm needs to decide on what entry mode to choose. In this case study, entry modes have been divided into non-equity and equity mode. The non-equity modes are exporting, licensing, franchising and strategic alliances. The equity modes are equity joint ventures and wholly owned subsidiaries. Equity refers to the level of control over business operations and the amount of ownership.

The thesis will also give a point of view on what SMEs should contemplate before each entry into a new foreign market by highlighting the factors crucial to the entry success of SMEs. These types of enterprises may have different managerial and economic prerequisites and could be servicing a market niche or producing highly innovative products. Due to these various factors the firms may chose differently even though they are of the same size.

Furthermore, there are many external factors that are of great importance when contemplating entry into a foreign market. Transition markets often suffer from corruption which may take various forms such as bribery, patronage and pay-offs among others. Countries are usually measured by Transparency International (TI) on a yearly basis.

This thesis aims to guide Bond Communications in its internationalization process to enter the Qatari market. Choice of the entry mode in Bond Communications' case may be a limiting factor because of

The Company size. Highlighting The Company's limitation to market entry will be of vital importance to its consideration to expand into foreign countries.

Bond Communications is currently active in 5 different countries, mainly in the GCC region.

Qatar is an interesting and upcoming market with great potential within the GCC region. Therefore, in collaboration with Bond Communications (Dubai), this project will be presented as a case study on how to enter the Qatari market. This will be done with a clear perspective of the current market conditions in Qatar. The emphasis will not be on whether Bond Communications should enter the Qatari market or not, but rather how The Company could make a successful entry given its current limited resources. The study will focus on the company's opportunities and choices on how to enter that market. The factors related both to the market and to the firm will be evaluated together with the current market and economic conditions. The conclusion will emphasize key recommendations for successful modes of entry.

1.3 Purpose

The purpose of this thesis is to evaluate the important factors related to the firm and the market in order to present suitable entry mode(s) which Bond Communications can use for a successful entry into the Qatari market.

1.4 Brief overview of all chapters

In chapter two a brief introduction to Qatar and its current market situation are presented. This is followed by a section revealing the recommendations along with the use of various theories which will guide the reader.

Chapter three will present the methodology of the case study, and a description of the selected research method. This chapter will also highlight the pros and cons aspects of the recommended method. The primary data will be presented accordingly, followed by a presentation of the conducted interviews. This section will form the basis of the research. Together with the working model, it will be thoroughly reviewed in the section that follows.

In Chapter four a SWOT analysis will be conducted leading to the final findings. Chapter 5 will highlight the feasibility study for this case study; culminating with the last chapter that lists the recommendations along with challenges and opportunities attached to each recommendation.

Chapter.2. Literature Review

A brief introduction to Qatar and its market situation will be presented; the Political, Economical, and Socio-Cultural analysis will help determine if Qatar is a potential market where Bond Communications can expand. Various theories, factors and different entry modes will be discussed to evaluate the best mode of entry and guide the reader throughout the thesis.

2.1 Background of Qatar

Qatar, a relatively small country geographically with a total area of around 11,000 km^2 offers, a unique variety of opportunities. Having almost entirely transformed itself during the last several years, the country keeps its incredible momentum of steady development. However, under the auspices and progressive guidance of His Highness the Emir of the State of Qatar, Sheikh Hamad bin Khalifa Al Thani, the chosen economic strategy is the one of comprehensive as well as sustainable development to advance the country. Qatar, therefore, constantly seeks to diversify the sources of national income by creating other important resources wherein, for instance, the private sector would play an important role, something that Bond Communications can use to increase its benefits from this market. The following analysis will provide a comprehensive image of the different macro environmental factors, to provide an in-depth analysis of the Qatari economy potential.

This analysis is a useful tool for understanding the "big picture" of the environment, in which Bond Communications wants to operate, and the opportunities and threats that lie within it. By understanding this environment the company can take advantage of the opportunities and minimize the threats.

It is a useful tool for understanding risks associated with market growth or decline, and as such the position, potential and direction for the organization.

The analysis will be used as a generic 'orientation' tool, finding out where the organization stands in the context of what Qatar can offer it, as well as a business measurement tool, looking at factors external to Bond Communications.

1. Political Environment

A key element of the Qatari market is the political stability. The Emir has managed to create a stable environment in a traditionally volatile region. Qatar is a strong ally of the U.S. and a member of the Gulf

Cooperation Council. Qataris distinguishing themselves as sponsors of peace and international cooperation, and skillfully navigating the political issues between the West and Middle East.

2. Economical Environment

The economy of Qatar has achieved a remarkable growth during the second quarter, April/June 2007 in various economic activities. Estimates indicate that the GDP reached QR 50.7 Billion, compared with QR 48.0 Billion during corresponding quarter, April/June 2006, with a growth rate of 5.59 %,While it reached QR 44.7 Billion during the preceding quarter, January/March 2007, with a growth rate of 13.38 %.Qatar economy does not focus on tourism to a large extent, but rather on Science and Technology-based industries as well as building a "knowledge" economy. Evidence of this is displayed in the new Science and Technology Park in Doha. Furthermore, Education services companies and foreign universities have already invested in Qatar.

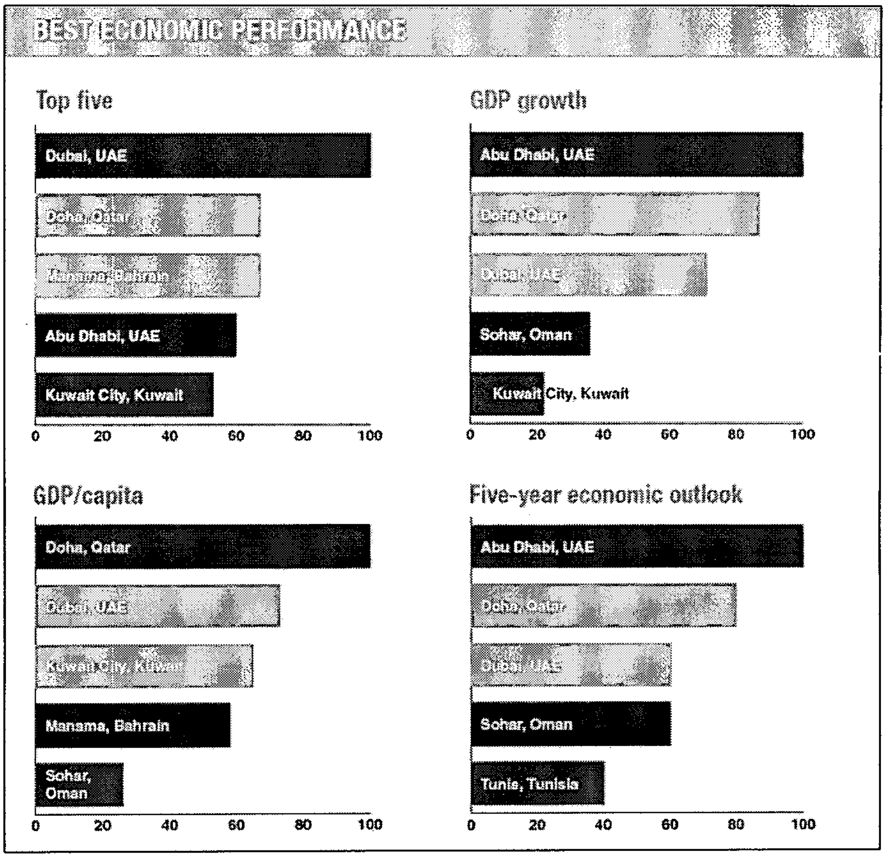

Figure 1: Best Economic Performance
Source: (FDI magazine foreign direct investment)

Qatar's business environment provides a key element for Bond Communications to enter that market. There is a strengthening legal system; after the independence of Qatar in 1971, British jurisdiction over non-Muslim foreigners ceased. Consequently, the sharia court regained full jurisdiction in all civil and criminal matters over all foreigners in Qatar. Thus, the status of non-Muslims became incompatible with the law applied by the sharia court. In response to the new situation the Emir, Sheikh Khalifa Bin Hamad Al-Thani created the Adlia court, as distinct from the sharia court, to deal with the backlog or disputes among foreigners and Qatar's nationals. In addition, with the increase in oil revenue, the government began to experience modernization in various fields. Thus new laws and new judicial techniques were urgently required to deal with consequences and problems of modernization that were unknown not only to sharia law but to the sharia court as well. Therefore, the Adlia court was deemed necessary in the light of a changing society. Qatar's legal development has culminated in a dual judicial system. The constitution apparently marked the beginning of an attempt to organize the judiciary. This organization had resulted in a division of Qatar's judicial system: while the sharia court applied sharia law, the Adlia court applied Western civil law. its government promotes fair competition, transparency and strong business ethics. Some of the major economic benefits include:

- Qatar hopes to spend an astronomical $100bn on investment and infrastructure projects by 2012.
- Qatari officials expect at least USD 45 billion to be invested in expansion projects by the Coming few years.
- Qatar has the highest GDP per capita income in the world which stood around of $49,655. In 2005
- Qatar builds a USD 5 billion new airport, the biggest in the region.
- Qatar plans 27 mega industrial projects by 2011 at USD 60 billion.
- Qatar introduces USD 2.5 billion project "Pearl of the Gulf" man-made Island (http://www.investinqatar.com.qa/business/).

Growth is Due to liquidity from oil and the growing non-oil Sector, diversification towards a knowledge & technology based economy. Qatari government invested $130 Billion into industrialization policy [Qatar Financial Center]. Growth is also due to an aggressive investing policy abroad and the liberal business environment a very important factor is the few restrictions on corporate remittances. Although it offers a lot of benefits this market has obstacles. Most important are:

- Inflation caused by high real estate and construction costs

- The time required to start-up a company in terms of expenses and competitors dramatic actions
- The ownership regulations
- Incentives for Foreign Ownership of Business

Generally, a non-Qatari national, whether natural or juristic, may engage in commercial activities provided the foreign participation in the entity does not exceed 49%. In October 2000, the Government enacted a new Foreign Investment Law aimed at promoting foreign investment in specific business sectors including agriculture, manufacturing, health, education, tourism, electricity and projects that develop and utilize the State's natural resources. The new law permits up to 100% foreign ownership in these business sectors. The law does not allow a non-Qatari to participate in banking, insurance, commercial agency or real estate trading activities.

The Government welcomes foreign investors and is keen to promote projects involving the transfer of foreign expertise and technology to the Qatari economy. The enactment of the new Foreign Investment Law confirms the Government's commitment to attracting new investors to participate in the future development of business in the State. In addition to expanding the zone within which foreign investors can participate in the national economy and avail of 100% ownership in certain fields of the economy, the new Foreign Investment Law confers upon foreign investors privileges, which were not available previously, including:

- The right to lease land for the project for up to 10 years.
- The right to import the machinery, equipment and some of the primary materials required for the project.
- The exemption of the capital to be invested in the project from income tax for a period not exceeding 10 years.
- Exemption from import customs duties on the equipment and machinery to be imported for the project.
- Exemption from import customs duties on the primary raw materials and half-manufactured materials, which are not available in Qatar.
- Protection from confiscation by the state other than for the public welfare use, without discrimination and subject to fare and adequate compensation.

- The freedom to repatriate the profits of the project and its capital on liquidation; and the freedom to transfer the ownership in the project (http://www.investinqatar.com.qa/business/).

3. Socio-cultural

Qatar is an independent state. It declared independence on September 3, 1971 following the British 'East of Suez' withdrawal. The form of government is a Constitutional Monarchy, with Qatar instituting it's constitution in 2005. The Al-Thani family has ruled Qatar for the past century. The current Emir assumed power from his father in 1995. He transformed the State of Qatar into a vibrant, secure and influential Arabian Gulf State. Under his reign, the state has enjoyed relaxation of press censorship and measured, economic and political reforms, including increased rights for women and limited democratic elections.

According to its geographical location and climate, Qatar is classified as a hot subtropical desert. Qatar is home to 907,229 people (July 2007), although only about 20% of those are Nationals. The state has one of the highest per capita incomes in the world at $62k (2006) and an 83% literacy rate. The Qatari people are proud of their heritage and customs. Though they dress western internationally, they always wear their national dress "at home".

Besides being distinguished by its comprehensiveness, diversity and efficiency in terms of equipment and human resources, health care in the State of Qatar is based on the sober philosophy that medical care should be available to all residents of Qatar, citizens and expatriates alike.

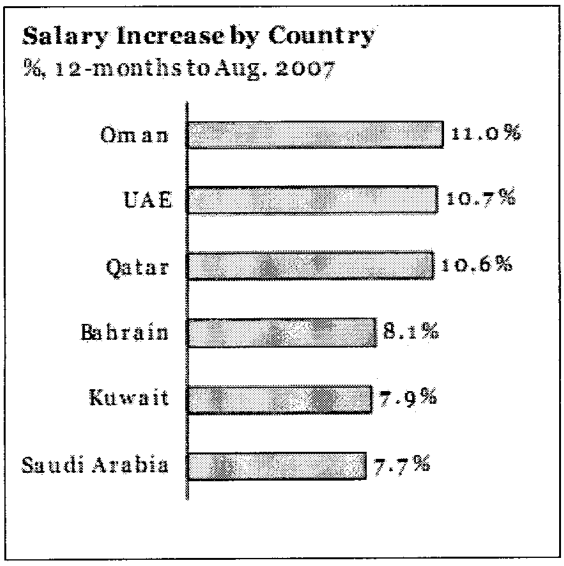

Figure 2: Salary Increase by Country
(Source: www.GulfTalent.com/)

In 1995, the Emir established the Qatar Foundation for Education, Science and Community Development. Sheikha Mozah (a prominent public figure, who has been the "champion" behind the reforms, was appointed in August 2003 and has become more involved in the day-to-day activities of the government) has been the catalyst for success of the rapid development of these new changes and initiatives.

A key element of success is the development known as "Education City", a 2400 acre development consisting of schools, universities and research centers that include campuses representing several Western Universities, each with a different specialization (http://www.investinqatar.com.qa/business/).

2.1.1 Industry Overview

Intelligent building management is growing in global popularity, particularly in Middle Eastern countries such as the State of Qatar where state-of-the-art property developments aggressively compete for investor attention.

In order to fast-track project delivery in such a highly competitive market, many developers opt to equip modern structures with traditionally designed systems running on proprietary networks for various building management systems, as well as separate telephony, data and television networks.

This has led to the emergence of numerous complex network management issues and, unfortunately, the installation of systems at exorbitant costs, but with limited functionality and automation.

One solution to manage building network complexity is extra low voltage (ELV) systems integration. This deviates from the traditional construction process, which separately installs low voltage, voice and data systems and thus leads to the creation of multiple cabling systems and pathways.

The ELV systems integration approach supports the installation of common cabling and pathways instead of individual systems, thus resulting in improved total system monitoring and management and significant cost reductions.(www. Arabianbusiness.com)

The installation of common cabling and pathways requires planning of the containment systems at the early stages of the project so that the optimum routes can be designed by experienced network architects. Cable runs will be reduced, while maintaining the performance standards.

A fully integrated extra low voltage system (IELVS) operates on a common platform for the purposes of collecting, exchanging and archiving data. An IELVS facilitates a common web interface for monitoring display, archiving, reporting and controlling the ELV services and providing value added tenancy services such as on-line billing, building performance displays and maintenance requests.

An IELVS may include systems such as the fire detection and alarm, voice evacuation, voice and data communications, public address, access controls, intrusion detection, CCTV, audio-visual, cell phone and wireless distribution, plus other such auxiliary systems.

Structured cabling designed according to the latest Institute of Electrical and Electronics Engineers (IEEE) standards supports the core internet protocol (IP) network and provides the interconnectivity between such systems.

ELV integration provides many benefits that result in minimizing the total cost of ownership and maximizing the return on investment of a building.

A single installation offers major advantages as it greatly simplifies procurement, project and site management and reduces the risks of delay. This results in clear savings on commissioning time and faster overall system installation. It can also add to bottom line savings, as the building can be occupied earlier and revenues can start flowing in faster.(Nicholas Moubayed, CEO, Bond Communications)

The tangible benefits that a fully integrated software system offers the building owner or facilities manager is a total solution that delivers ease of operation, a high level of operator accountability and optimum control. This ensures a seamless system for responding to events quickly and effectively.

The complex ELV systems installed in high-rise buildings in Qatar present a number of challenges to design engineers, including space constraints, limitations of physical structure and the integration of multiple systems protocols onto a common network platform. To successfully overcome these issues, careful planning and collaboration with other industry professionals is essential.

The network architect who is responsible for the design of ELV systems must have an understanding of both the passive level (cabling/containment) and active layer (network switches and routers). Increasingly, because ELV systems are converging and systems communication takes place at a high level, it is important to have a software platform and application designed to ensure that the various ELV systems are coordinated and able to communicate flawlessly with each other.

The future of ELV integration is in energy management. Some of the features enabled through ELV systems integration are:

- Connects disparate building management systems so multiple buildings can be managed from one network operations centre
- Provides a common interface through a standard web browser
- Remote monitoring and control in real time;
- Provides advanced alarm handling capability;
- Enables fast and secure data analysis;
- Enables user-friendly time scheduling and temperature control;
- They bring data from building control networks into corporate intranets for ease of access and more effective use of specialized skills;
- It is a very saleable solution.

Traditionally each ELV system was installed separately under different services contracts: hvac controls with mechanical services; access control and lighting in electrical services; fire detection with fire plumbing etc. When it was necessary to get the systems to operate together it proved to be difficult, expensive and time consuming.

This traditional approach does not exploit the synergies between the systems. It prevents the stakeholders in a building, such as developers, operators and owners, from getting real value out of their investment. These traditional systems have a larger impact on the efficiency and operating costs of any facility.(www.gulfnews.com)

Extra low voltage systems integration enables the installation of common cabling and pathways for different building systems.

In a traditional approach there may be ten ELV systems installed independently within a building. This means that there is huge cost impact that includes ten separate software applications on ten separate pcs, plus there will be duplication of hardware, software, cabling and networking equipment.

To be able to compete and succeed in Qatar an ELV systems integrator must be able to provide solutions for safe, secure and intelligent buildings, as well as having the capability to deliver cost-effective integrated building management facilities and energy management services. This includes the ability to access, collate and evaluate energy data to implement decisions in real time to provide substantial business benefits such as:

- Real time energy meter readings
- Identification of wasted energy
- Reduction of energy costs
- Simplified demand management
- Emission trading management

2.1.1.1 System Maintenance

Network convergence has become the mantra for modern building communications and power systems. Functions and applications operating on individual, isolated infrastructures are rapidly becoming obsolete as building managers are becoming increasingly concerned over issues such as installation time, manageability and cost savings.

Indeed, both residents and operators of modern facilities are increasingly demanding integrated electro-mechanical and IT infrastructure.

In the Qatari property market, energy efficiency, green buildings and intelligent management are becoming development standards. The country has rapidly embraced the concept of the modern environmentally friendly and economical intelligent building (IB).

ELV systems integration fully supports the three key IB construction elements: communications network and office automation; building management system (BMS); and integrated services infrastructure. Many such systems are being deployed with data networking and local area network (LAN) architectures that facilitate monitoring and increased diagnostic capabilities over a standard Ethernet LAN using the IP normally reserved for internet communications.

Aside from increasing infrastructural efficiency, the minimal electrical load of ELV systems provides enhanced safety and reduced operational costs. ELV network integration needs less cabling and wiring which, combined with the low voltage, can reduce ownership and maintenance costs.

In addition, the optimized automation delivered by ELV systems integration equates to savings in manpower needs such as security guards, faster response times to technical problems and a far more pro-active approach to maintenance of facilities.

ELV integrators such as Al Mana Networks and others continue to develop technologies and services that further enhance centralized building management capabilities that have a direct and often costly impact on building operation and management. Another factor that makes such firms services valuable is the trend towards higher facility standards and stricter building codes and laws.

2.1.1.2 Industry Limitation

There is a lot of work to do as many operators and owners in Qatar still consider building management systems as pure costs rather than crucial investments, but it is hoped that developers will be convinced of the superiority of automation and systems integration in ensuring facility safety, efficiency and regulatory compliance.

In an increasingly technology, economy and environmentally conscious global property market, tenants, operators and owners are favoring efficient and pro-active strategies to building management. ELV systems integration provides an edge in satisfying market needs and meeting stringent operational and management requirements.

Nowadays in Qatar although the telecommunications sector has been impacted by the global downturn, it has remained relatively robust in 2009/2010.

As Patron of the TMT Finance and Investment Middle East 2009 held at the Sharq Village Hotel Doha on March 18-19, 2009, leading operator Qtel used the event to drive discussion about some of the technical and structural opportunities that could enable operators to ensure profitability in the short-term and deliver long-term growth opportunities in the long-term.

With operations in 17 countries and 57.5 million customers, the Qtel Group has a strong insight into the bright-spots in the international telecommunications market, particularly given its growing presence in the Asia Pacific region.

The choice of Qatar as the host nation for the event in particular reflects the nation's growing stature within the industry, as the Qatari market enjoys greater liberalization and the national telecommunications provider, Qtel, moves towards its target of becoming one of the top 20 companies in the world by 2020.

Qatar's ongoing economic dynamism - and the dynamism of the wider region - provides additional opportunities for investment companies. Qtel has been able to acquire new customers for mobile and entertainment services at the highest rate in its history in the first few months of 2009, reflecting Qatar's success in remaining buoyant in difficult economic times.

2.2 The Internationalization Process

This section provides the reader with some definitions, then discusses and analyzes three theories for a better understanding of the internationalization process of firms. It deals with how companies act when reaching for new markets. These models were used as an inspiration and as a tool in order to create a working model upon which the following analysis will be built.

2.2.1 Definitions

2.2.1.1 Internationalization

From a historical perspective, internationalization of businesses and firms began with mankind's ability to travel across the seas and borders. Scholars and academics have tried to define internationalization on many occasions using many different perspectives and variables. The term 'internationalization' is ambiguous and definitions vary depending on the phenomenon they include. Penrose's (1959) point of view on the topic focuses on the firm's core competences and opportunities in the foreign environment.

Welch and Luostarinen (1988) defined internationalization as the process in which firms increase their involvements in international operations. Johanson and Vahlne (1977) agree with that. By some scholars internationalization is also defined as the process by which firms both increase their awareness of the direct and indirect influences of international transactions on their future and establish and conduct transactions with other countries. Later on, Calof and Beamish (1995, p. 116) defined internationalization as "the process of adapting firms operations (strategy, structure, resource, etc.) to international environments".

2.2.1.2 Strategy

Strategy is the determination of the basic long-term goals of the enterprise, and the adoption of courses of action and allocation of resources necessary for carrying out these goals (Chaffee, 1985). It consists of integrated decisions, actions or plans that will help to achieve goals. Business strategy is then used as an umbrella term to denote the broad range of strategic options open to the firm, including both organizational and functional management strategies, product/market strategies, and diversification strategies (Barringer & Greening, 1998).

2.2.1.3 SMEs

The concept of small and medium enterprise or SME has many connotations among researchers and they apply quantitative criteria to identify SMEs. From this perspective, SME refer to firms in all sectors as long as they do not exceed a particular size.

Researchers propose a number of indicators such as profits, total capital, market position, number of employees and turnover in order to define the size of SMEs. However, number of employees and turnovers are often used as the most appropriate quantitative criteria.

For our case we would like to use the definition given by the European Commission (2005, p. 5) that states "The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro".

2.2.1.3.1 Characteristics of SMEs

In order to achieve the purpose of our research, it is important to understand their inherent characteristics. Organizational structure in SMEs is organic compared to a more bureaucratic structure in large firms (Ghobadian & Gallear, 1996). "A salient feature of an organic organization is the absence of standardization and the prevalence of loose and informal working relationships" (Ghobadian & Gallear, 1996). These characteristics make SMEs more flexible to environmental changes and research has found that small firms are perceived of as being significantly more flexible than large firms (Levy & Powel, 1998). Therefore, SMEs are more likely to survive in turbulent environments than large bureaucratic organizations, where innovation and/or flexibility to adapt to new situations are the key factors. The flat structure of SMEs and lack of hierarchy allow them to have a more flexible work environment and enables the top management to build a strong personal relationship with employees (Ghobadian & Gallear, 1996). SMEs then are characterized by an absence of standardization, formal working relationships and having a flat organizational structure where staff development is limited.

Hollensen (2001) explains some of the characteristics of SMEs as follows:

a. **Organization**: the employees of SMEs are really close to the entrepreneur/owner/manager of the firm. They are easily influenced by this actor.

b. **Risk taking**: can occur in situations where the survival of the enterprise may be threatened, or where major competition is undermining their activities. By not having experience or information about foreign markets, the entrepreneur or management team take risk on decision making.

c. **Flexibility**: the communication experienced by SMEs and its customers helps them react faster and more flexible to the customer's needs.

2.2.1.4 INVs/Born Globals

McDougall and Oviatt (1994) focus on a certain types of newly started firms that are international from the very beginning and known as International New Ventures (INVs). They define INVs "as business organizations that from inception, seeks to derive significant competitive advantage from the use of resources and the sales of outputs in a number of countries" (McDougall & Oviatt, 1994 p. 49). New market conditions, technological developments and the capabilities of managerial team and/or entrepreneurs as well as the international network relationships are the factors that help firms become international from inception (Madsen & Servais, 1997). INVs are result of international awareness that managerial team or entrepreneurs have about the international business, being able to link resources from other countries to meet demand of markets that are inherently international (Coviello & Munro, 1992). Firms that have innovative products or services, having a competitive advantage over other firms help SMEs to gain internationalization from inception. This happens when the market has the need to have that innovative product or service in that specific foreign market. Another definition of INVs or born globals is given by Knight and Cavusgil (1996) who suggest that these are small firms that strive to achieve competitive advantage based on technology and from the earliest days of their foundation operate in multiple international markets. While McDougall and Oviatt (1997, p. 48) state that "INVs are not a phenomena that occurs in a specific industry, but that can happen in a wide range of them".

INVs have flexible operating procedures which enable them to react faster to changing environments. Often the CEO or the owner or the founder does business deals personally and makes decisions on the spot. So, in the cases of INVs, foreign market commitments are less likely to be influenced by organizational routines and internal politics than in established firms (McDougall & Oviatt, 1997). Born globals are known to be firms whose competitive advantage is the great knowledge and the technologic know-how they posses; that combined with managers and/or entrepreneurs with experience in the international market, will easily move abroad. The knowledge they posses allow them to make a move fast by choosing the right entry mode to go abroad.

2.2.1.5 International Entrepreneurship

McDougall and Oviatt (2000, p. 903) defined international entrepreneurship as "a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations". This definition has been one of the most widely accepted. Afterwards, they embraced a deeper concept of entrepreneurship, defining it as the discovery, enactment, evaluation, and exploitation of opportunities across national borders to create future goods and services (McDougall & Oviatt, 2005)

McDougall and Oviatt (2005, p. 540) explain their definition as follows:

a. ***Discovery:*** refers to finding innovative opportunities

b. ***Enactment:*** means to proactively put opportunities into use acquiring a competitive advantage.

c. ***Evaluation:*** is required to interpret the actions taken developing experience and knowledge.

d. ***Exploitation:*** refers to the future development of the opportunity.

2.2.2 SMEs and the Internationalization process

Most literature in international business indicates that export is the major international business activity. Traditionally, internationalization by exporting has been considered as a way to increase growth of firms. Exporting is still significant, but during the last decade, firms has been focusing on different business activities as ways of internationalization and considering them to be important to achieve competitive advantage. Partnerships with foreign companies, foreign investments and cross border networking have become increasingly important as ways of facilitating exchange of technology and knowledge which enable SMEs formulate strong international business strategies. Globalization, technological, political and economic changes are some of the main drivers for the increasing internationalization of SMEs in today's world. Various theories of internationalization process suggest that certain types of SMEs internationalize by following the 'stage model', expressing a cautious and progressive behavior; whereas there are other types of SMEs that are considered as born globals and internationalize at an early stage of establishment.

2.2.2.1 SMEs' motives for Internationalization

There are several different motives behind internationalization of SMEs indicating a diversified approach to internationalization. One of the most frequent motives is to gain access to new and larger markets in order to achieve growth. Firms expand the market for their products by exporting or creating subsidiaries or joint ventures abroad. Many firms go abroad to have access to know-how and technology in order to remain competitive. This indicates that various different internationalization processes are undertaken by firms to achieve different strategic goals.

Before a firm starts its internationalization, someone or something either from inside or outside the firm must initiate the strategy of the internationalization process (Hollensen, 1998). The intention of a firm's internationalization is influenced by the opportunities of the foreign market (Albaum, Stranskov & Duerr, 1998). Those opportunities are stimuli only if the company has the resources to enter that market. There are two ways to analyze why SMEs decide to gain internationalization. Firms can receive internal or external stimuli in the decision making in initialization of export, where both internal qualities and environmental factor play an important role (Cavusgil, 1982). When the firm plans internationalization, the management team should be aware of which activities should they exploit in order to meet with market opportunities. This kind of export stimuli is known as proactive (pull factors), whereas the stimuli received from the reaction to changing conditions and passive attitude to export opportunities (push factors) (Cavusgil, 1982).

2.2.2.1.1 Proactive factors

Proactive factors indicate that the choice a firm has to internationalize is influenced by internal means: interest in exploit unique ideas and competences, as well as the opportunities that the foreign market offers. The managerial team has the desire, drive, enthusiasm, commitment to the market and motivation. By knowing the local and international market, and by exploiting the competitive advantage the firms has over other companies in a specific, soon to be, host country, the managerial team would be able to act proactive and start planning a strategy to internationalize. The examples mentioned above are internal factors. The environment also provides the management team with tools to plan a strategy to begin the process. Knowing about a foreign market will allow the firm to see and undertake the opportunities offered by that specific location.

2.2.2.1.2 Reactive factors

Reactive factors to internationalization explain that firms can act passively and respond to both internal and external pressure: competition. When a company has a unique product they face an easy way to internationalize, since foreign market can inquire for that product. Another factor that reactive firms must exploit is when the firm own specialized marketing, since they posses knowledge or have access to specific information that will make them different to competitors. The marketing advantage can serve then as an entry barrier for competition in foreign market (Albaum, Strandskov & Duerr, 1998).

2.3 Entry Modes

Entry modes are divided into **equity modes** and **non-equity modes**. The section will begin by explaining non-equity entry modes: exporting, licensing, franchising and strategic alliances. This is followed by the equity modes: equity joint ventures and wholly owned subsidiaries. The modes of entry will be explained and at the end of this section the various and diverse entry modes will be discussed.

2.3.1 Foreign Market entry modes

There are three basic entry decisions that management has to consider before going international (Hill, 2007):

a. Which market: the one being more attractive to the firm, seeking a balance between benefits, costs and risk.

b. When to go abroad: or timing of entry can be described either as first-mover or later entrants. First movers are those firms that go to an international market before anyone of his kind/industry enters a foreign market. Later entrants are those firms that go abroad after other firms have done so. Both first and later entrants have advantages and disadvantages. First movers are able to be pioneers on the market, but at the same time they can experience high costs. Whereas, later entrants can just copy first movers, avoiding risks they have already taken and having less cost on their proceeding. But, they will have more competence in the selected market.

c. The scale: a firm can enter on a large or small scale depending on the involvement of commitment they (the firm) are willing to have. Entering on a large scale implies rapid entry and involvement of significant resources. The small entry allows a firm to learn from the market chosen with less exposure to the market itself.

After considering the three main factors mentioned above, the management team should decide how to internationalize. Hill (2007, p. 486-497) describes the six ways a firm can obtain internationalization. There is no right or wrong ways to go abroad, it all depends on the firm's size, age, resources, commitment to market and the market itself. Each of the next six entry modes have disadvantages and advantages that make the manager team make their on how to go abroad.

2.3.1.2 Exporting

This is one of the least expensive ways of international expansion and also the mode of entry that most companies start with. It is a direct sale of domestically produced goods in a different country. This is sometimes the only option for small firms due to financial limitations. However there are three different approaches to exporting:

- Indirect exporting
- Direct exporting
- Cooperative exporting

Indirect exporting: the firm sells its products through an intermediate firm situated in the foreign economy. This is an inexpensive mode of entry where the exporting firm gets expertise on the foreign market by the intermediate firm. The risk is very low but, so is also the expected potential return in sales and profit. This can occur due to poor channels of distribution, wrong pricing decisions and a bad marketing mix chosen by the intermediary. If the intermediary takes too many poor decisions the brand image can be tarnished. This mode can be chosen to test a market and if successful the entry mode can be altered to a more controlled alternative with higher profitability chances.

Direct exporting means that the firm has its own department of export which sells the products via an intermediary in the foreign economy. This way of exporting provides more control over the international operations than indirect exporting. Hence, this alternative often increases the sales potential and also the profit. There is as well a higher risk involved and both more financial and human investments are needed.

In the table below a comparison of indirect exporting and direct exporting, is presented where positive and negative preferences are highlighted.

Indirect Exporting	Direct Exporting
Low set-up costs	High set-up costs
Exporters tend not to gain good knowledge of export markets	Leads to better knowledge of export markets and international expertise due to direct contact
Credit risk lies mostly with the intermediaries	Credit risks are higher, especially in the early years
Because it is not in the interest of the intermediaries that are doing the exporting, customer loyalty rarely develops	Customer loyalty can be developed for the exporter's brands more easily

Table 1: Indirect Exporting vs. Direct Exporting
Source :(Kotabe et al., 2005)

Cooperative exporting is a third choice and can be considered to be a middle way between indirect and direct exporting. The level of control is intermediate and so is the risk. The most common version is piggyback exporting where the firm uses the overseas distribution network of a company that is either in the domestic market or in the market of entry. This company helps selling the firms goods or services in the overseas market.

2.3.1.3 Licensing

This mode of entry is a contractual transaction; the company which is the licensor offers propriety assets to the licensee. The licensee is in the foreign market and has to pay royalty fees to the licensor for assets like e.g. trademark, technology, patents and know-how. The royalty can vary, often between 0.125 and 15 per cent of the sales revenue. The licensee produces and promotes the product which makes this mode a quite cheap alternative and it is even easier than exporting as a result of getting around the import barriers. The licensor also decreases the exposure to economic and political instabilities in the foreign country. The downside is that the royalty income faces ups and downs and also the selling activities diminish the profitability for the licensor compared to other entry modes. On the other hand, other risks such as wages and chance of failure are attached to the licensee.

2.3.1.4 Franchising

Franchising is somewhat like licensing where the franchiser gives the franchisee right to use trademarks, know-how and trade name for royalty. The normal time for a franchisee agreement is 10 years and the arrangement may or may not include operation manuals, marketing plan and training and quality monitoring. Like with licensing, the franchisor gains local knowledge of the market place and in this case the domestic franchisee is highly motivated. This due to that the profit is tied to efforts. The risk is considered low but, like the case of licensing the problem lays in finding the right candidates with a high ambition level.

2.3.1.5 Strategic Alliances

Strategic alliances are cooperative relationships on different levels in the organization. Licensing, joint ventures, research and development partnerships are just few of the alliances possible when exploring new markets. 'Strategic alliances can be described as a partnership between businesses with the purpose of achieving common goals while minimizing risk, maximizing leverage and benefiting from those facets of their operations that complement each other's'. There are different types of strategic alliances; marketing alliances where the companies jointly market products that are complementary produced by one or both of the firms. A promotional alliance refers to the collaboration where one firm agrees to join in promotion for the other firm's products. Logistics alliance is one more type of cooperation where one company offers, to another company, distribution services for their products. Collaborations between businesses arise when the firms do not e.g. have capacity or the financial means to develop new technologies. Strategic alliances have increased a great deal since globalization became an opportunity for companies.

2.3.1.6 Equity Joint Ventures

A joint venture occurs when new organizations are created, jointly owned by both partners. This type of strategy is a lucrative mode where the domestic partners can provide entry to market, knowledge as well as labor while the entering firm can provide technology, expertise, finance and management. It can be a majority partnership with more than 50 percent ownership, fifty-fifty or minority with less than 50 percent ownership. Later in the thesis we will see that equity joint venture can be a possible entry mode which bond can adopt to enter the Qatari market.

2.3.1.7 Wholly Owned Subsidiaries

This is a mode of entry that can be chosen if a company wants to have 100 percent ownership. This is a very expensive mode where the firm has to do everything itself with the company's financial and human resources. Thus, this is a choice which large multinational corporations (MNCs) could select rather than small and medium sized enterprises (SMEs). Wholly owned subsidiaries bestow the company the greatest amount of control of all the different entry modes. It also means that the company has to bear the whole risk and possible losses. It is therefore, many MNCs that are reluctant to pick this mode of entry. There are two different types of wholly owned subsidiaries. These can be owned through acquisition and Greenfield operations.

Acquisition is a very expensive mode of entry where the company acquirers or buys an already existing company in the foreign market. This is a way of entering a market by buying an already existing brand instead of trying to compete and launch the company's products on the market and thereby lowering the chance of a profitable product. Acquisition is a risky alternative though, because the culture of the corporation is hard to transfer to the acquired firm. Most important, it is a very expensive alternative and both great profit and great losses could be the end product of this entry mode.

Greenfield operations, a mode of entry where the firm starts from scratch in the new market and opens up their own stores while using their expertise. This is sometimes a better or even a cheaper option than acquiring a company in the market, basically because there may not exist suitable companies to acquire. Merely the process of finding a possible company can be more costly and the firm will not struggle with corporate cultural differences and the cost of integrating the acquired company. The company, in addition, stays more flexible for instance in areas such as, suppliers, logistics etc. Albeit, Greenfield operations is without doubt, the best alternative when it comes to e.g. control and profit opportunities. This mode requires vast amounts of investments, time and capital. Hence, this mode of entry is almost exclusively a choice for MNCs that can afford and manage this process.

There are numerous factors related to choosing mode of entry and the company's needs. This thesis is limited to the most essential factors concerning an SME related to the choice of entry mode. The factors will be divided into **firm related factors, market related factors** and finally **Factors related to both market and firm**. By dividing this part into the mentioned categories the thesis will be arranged in accordance to the working model presented later.

2.3.2 Firm Related Factors

In this part the analysis will focus on the firm-related factors which include: the need for control of business activities, internal resources and assets, and previous experience of internationalization.

2.3.2.1 The Need for Control of Business Activities

Depending on the need for control, different firms will choose different entry modes where the level of control of foreign operations varies. The level of resource commitment for entry into foreign markets depends partly on the amount of wanted control. An SME may have less chance of controlling its foreign operation, compared to large organizations, due to managerial and financial limitations; this will inflict in its choice of entry mode and limit them, sometimes, to a non-equity mode such as exporting or licensing.

2.3.2.2 Internal Resources and Assets

Medium businesses often have limited resources and assets which often mean that they have to enter a foreign market with a low-commitment and a non-equity mode. This, in addition, means that there will be a low level of control.

Low-commitment refers to low level of involvement possibilities for firms entering the market, in their foreign market operations. The key problem for SMEs is their financial situation which may hold them back in transition economies where a less favorable capital market exists. Banking system can be weak and concentrating on large firms rather than newly established SMEs.

2.3.2.3 Previous Experience of Internationalization

There are two types of knowledge which are of importance in the internationalization process. These are objective knowledge and experiential knowledge. Objective knowledge can be gathered rather easily through standardized methods such as market research, which can easily be transferred to other countries and replicated by other firms than the one that gathered the information. Experiential knowledge, or tacit knowledge, on the other hand, is based on "learning by doing". This means there is a trial and error phase where knowledge is gained over time. Furthermore, learning from previous internationalization processes is crucial in gaining experiential knowledge. Recently, the importance of current business as the source for experiential knowledge has been challenged, and the internationalization process has been analogized with an innovation process, thus, variation is a precondition for a successful process. Strengthening this notion Eriksson et al. (2000), suggests that variation of a firm's global activities in terms of geographical spread is a crucial aspect of experience. Also time itself is strongly associated with the internationalization process, some claim even more than the process of business activities. Without the essential time needed firms cannot gain the experience from business activities.

It is possible for firms to gain access to experiential knowledge of other firms without going through the same process as that particular firm did. Learning by observing other firms' behavior and activities, i.e. imitative learning, can be achieved especially when observing firms with high legitimacy. Organizations can learn by a focused search for information, activated by an opportunity or a problem, rather than experience from own activities.

As information and communication technology advances, the accessibility of information related to the internationalization process has improved dramatically. These advances coincide with the globalization trend. This trend also implies the convergence of consumption patterns, decreasing trade barriers, industry standards etc. This means that the difference of doing business domestically and internationally diminishes which makes business activities less problematic. Furthermore, the need for specific knowledge for internationalization decreases as globalization increases.

Hence, organizations will be able to achieve a larger market penetration with less knowledge acquired for less money. This leads to the notion, as knowledge obstacles decreases, the pace of internationalization increases.

2.3.3 Market Related Factors

In this part the market related factors are explained. These factors include: Competition, cultural differences, risk assessment, and corruption.

2.3.3.1 Competition

According to Michael Porter (2000) prosperity and productivity of a location is not correlated with the industry the company is competing in, rather in the manner the companies compete. Studies on competition showed that the number of competitors in the domestic economy have an inverse relationship with success. Thus, the more competitors there are on the market the harder it is for the entering firm to succeed. A market that is highly competitive and where there is strong competition between distributors, SMEs find little incentive to enter it with an equity mode. Thus, the SMEs prefer a non-equity mode of entry and can easily replace distributors that are not performing well. The opposite is true when there are few distributors in the market and SMEs may choose an equity mode of entry instead. When opportunistic behaviors of foreign partners exist SMEs tend to use equity modes to protect expansion where a market provides very few alternatives. Knowledge of competitors in the market of entry is important to be able to compete accordingly with the expected competitive situation.

2.3.3.2 Risk Assessment

Risk refers to the political and economic environmental stability/instability of the country. International expansion sometimes comes with unstable foreign exchange, economic, political and/or social environment. Unemployment rate and GDP are important indicators, which must be considered. Domestic firms could face some of the mentioned risks while foreign exchange risk only refers to foreign firms, which can be disadvantageous on the market. The political instability may contribute to currency restrictions, expropriation, unexpected changes in tax and labor laws, which can make things complicated for foreign firms in reference to function profitably in a particular market. When risk is high, in a foreign market, SMEs choice of entry mode will differ from a low risk market entry.

2.3.3.3 Corruption

Corruption is a vast concept where one can find many different types of inertia for a firm in a country with corruption problems. Corruption often takes place between company/private person and government officials or institutes.

Bribes may be the most commonly known types of corruption, where money or gifts (grafts) are given to government officials or institutes in order to avoid costs, gain benefits and/or get favorable treatment. As officials in the public sector may receive low wages they can have low incentives to actually carryout their jobs properly.

Corruption can be noticeable in the political process in terms of trading votes and rigged elections. One can also find corruption in the legal system where rigged juries and bribed judges could be some of the noticeable actions. Corruption may also inflict on the government capacity to facilitate public goods and services as well as facility to regulate the market. Control over corruption is of vital importance in order for entrepreneurship to develop. It is due to weak legal systems and unreliable actions by government officials that contribute to unfavorable conditions for the private sector. Corruption on these levels will hinder secure investments and hold back growth of private businesses, thus market-supporting infrastructure will face inertia to develop.

2.3.4 Factors Related to both Market and Firm

In this part the factors that are related to either market/ firm or both are discussed. Barriers to entry are the category of included factors.

2.3.4.1 Barriers to Entry

During the years several researchers have defined this subject in different ways. This section will summarize some of the definitions in order to get a clear picture of what this concept means.

In 1954, Joe Bain argued that economies of scale are barriers to entry. Suppose that in order for a firm to be efficient it has to add considerably to industry output and incumbent firms can continue to maintain their existing output in the event of an entry. If the new entrant enters the market at less than the efficient scale, the new entrant will most likely be at a significant disadvantage compared to the incumbent companies. This will lead to a significant boost in total industry output which will lead to a higher supply than market demand resulting in lower pricing and decrease profits for the entrant.

"A barrier to entry is anything that allows incumbents to raise prices above marginal cost, which usually entails above-normal profits, without inducing entry of new firms" (McAfee et al., 2003). This quote covers the basis of Bain's definition of a barrier to entry. But Viscusi et al. (1992) argues that this definition can be somewhat simple because it only defines the condition of entry, without any serious consideration of other facts and this makes it self-contradictory.

George S. Stigler however rejected Bain's notion that scale of economies are barriers to entry and instead developed another definition. Stigler states that "a barrier to entry is a cost of producing (at some or every rate of output) which must be borne by firms seeking to enter an industry not by firms already within the industry".

According to this definition, barriers only exist if the entrant's long-run costs are greater than the costs of the incumbent. In any industry, incumbents and entrants benefits from the same scale of economies as they increase their output and similar technology standards, economies of scale, according to Stigler, is not a barrier to entry, while Bain states otherwise. Economies of scale are not barriers to entry as long as entrants have the same cost function as the incumbents.

While Stigler's definition differs from Bain's, Ferguson's (1974) definition follows the line of Bain's. Ferguson defines a barrier to entry as factors that make entry beneficial and, when incumbent firms can set prices above marginal cost while consistently earning "monopoly" profits. If existing firms compete through advertising, possible entrants may be required to spend large amounts of fixed advertising costs in order to enter the market. However, incumbent firms also have to pay the fixed advertising costs. These fixed costs will increase the average cost curves of all involved firms (without affecting marginal costs), incumbent as well as new entrants. According to Ferguson's definition, as long as they are not a source of scale of economies, they are not a barrier to entry even if incumbents set prices above marginal cost, because they increase average cost, thus their above normal profits decrease and this in turn reduces the incentive of possible entrants into that particular market. Comparing this definition to Bain's definition, these factors are a barrier to entry because they allow existing firms' prices to reach above marginal cost without encouraging entry.

These three definitions have one thing in common, which is that they all look at the different opportunities which arise for insiders and outsiders. The definition proposed by Franklin Fisher (1979) states that 'a barrier to entry is anything that prevents entry when entry is socially beneficial' (cited in McAfee et al., 2003). If profits are unnecessarily high for incumbents, 'in the sense that society would be better off if they were competed away...' (McAfee et al., 2003), entry barriers exist according to Fisher. In order to determine whether a possible barrier to entry causes unnecessary high profits, one must ask whether entrants analysis differs from the one society would want the entrants to make when entering the market, given this barrier to entry (Fisher, 1979, cited in McAfee et al., 2003). Johnson, Kevan Scholes and Richard Whittington, (2005) have a somewhat simpler definition of the term barrier to entry and have listed typical barriers that an entrant may face 'Barriers to entry are factors that need to be overcome by new entrants if they are to compete successfully' (Johnson,et al., 2005).In some industries, such as production of automobiles, economies of scale are very important. But now business models are changing and the viable scale is falling. If viable economies of scale cannot be achieved this can increase the chances of not entering the particular market (Johnson, et al., 2005). The capital cost of entry varies because of the level of technology and scale. For example, it is less costly to set up a dot.com business than to enter the chemicals industry. Globalization can lead to allowing some companies to become more vulnerable to entrants abroad with lower cost of capital (Johnson, et al., 2005).

In many industries companies have had control over supply and/or distribution channels. This has been through either ownership (vertical integration) or just plain customer or supplier loyalty. For a new entrant to win over a supplier or a distributor who is loyal to a competitor is very difficult. One way to overcome this barrier is to skip the distributor entirely and sell directly to the customer (e.g. Dell and Amazon) (Johnson, et al., 2005).

It can be hard for a new entrant to penetrate a new market where the incumbents already know the industry well and have good relationships with key buyers and suppliers (Johnson, et al., 2005).

Early entrants into the industry gain, of course, experience sooner than others. This can give them the upper hand in terms of cost, customer and supplier loyalty (Johnson, et al., 2005).

If a possible entrant has expected retaliation from an existing firm, in the particular industry where entry is considered, and fear that the retaliation will be so great as to prevent entry or that the retaliation will be so costly so that entry is not viable, this can be considered a barrier to entry (Johnson, et al., 2005).

There are different kinds of restraints on competition. Examples of these can be patent protection, legislation of markets and direct government action. Companies in newly deregulated markets may face competition for the first time. The barrier to entry decreases if deregulation occurs and new firms may choose to enter these markets (Johnson, et al., 2005).

Further, technology level can be a barrier to entry as government spending on technology can vary in different countries and the level of technological advancement can vary. If the government has little or no focus on technology a firm's chances of entering can be small if the intended industry is technology based (Johnson, et al., 2005).

2.4 Factors Related to Choosing Entry Mode

2.4.1 Why the Choice of Entry Mode is Important for SMEs

The choice of entry mode for MNCs is a vital strategic decision. Selection of mode of entry for SMEs has not been focused enough. A recent study acknowledges that the mode of entry for SMEs can relate considerably to their performance. Due to often limited financial, as well as managerial resources SMEs can have a smaller variety of modes to choose from. A non-equity mode of entry may be used such as licensing and exporting. The lack of complementary assets narrows the small-sized firm's choice of mode and in order to decrease uncertainty they often have to select a co-operative agreement with domestic firms. To minimize risks of failure small-sized firms may choose e.g. joint ventures and strategic alliances. This is due to the fact that local firms may have easier access to information channels and assets.

Contradicting or altering this point of view is the notion that SMEs can service small niche markets which could lower the risk on investments and/or produce very innovative products and in this case the SMEs may rather choose an equity mode in order to protect propriety technology. On the other hand, other scholars argue that SMEs may be less innovative than larger firms and therefore prefers a non-equity mode in order to gain advanced knowledge. SMEs are highly concerned with maximizing the expected profit and hence, use a mode of entry accordingly. The constraints involved, especially for SMEs, are resources, time and information. It is hardly possible for the SMEs to evaluate the whole set or alternatives of entry modes at one time. Thus, they can/will use a hierarchical decision making strategy in order to limit themselves to the most promising alternative(s). This decision making strategy involves the equity and non-equity based modes of entry.

2.4.2 Arguments For and Against Entry Modes

Choice of entry mode can be divided into two categories, equity and non-equity. The underlying reasons and obstacles for entry have been triggering factors to a spectrum of studies and also different schools of thoughts. Johanson and Vahlne, and Root have developed a school of thought which is based on the choice of entry mode and the fact that a foreign market is highly uncertain due to differences in culture, political factors and market systems that the new firm has to adapt to. They argue that due to the high risk involved, an incremental involvement in the foreign market such as exporting is preferable in the beginning due to its low resource commitment. Exporting is a non-equity alternative and the mode of entry with least capital investment required. On the other hand equity modes are preferable for SMEs with higher growth potential. This may be true for firms that are willing to invest more capital in order to harvest a bigger share of potential returns. In contrast, SMEs that perceive low growth potential may choose a non-equity mode of entry. This would indicate that over time firms would move from exporting towards wholly-owned subsidiaries once the risk has decreased and potential return have increased.

A second school of thought highlighted the transaction cost perspective where companies internationalize activities they can perform at a lower cost and subcontract activities externally to other firms with cost advantages. When doing so the firm will face transaction costs such as controlling and inspecting performance as well as establishing a network of suppliers. These studies, on the transaction cost perspective, have been conducted by e.g. Erramilli and Rao (1993); Williamson (1986), cited in Pan & Tse (2001). This school of thought present subcontracting as a choice of entry mode, internalize the activities they are good at and externalize the activities which are not functioning well (cited in Pan &

Tse,2000). Firms facing small benefits from internalizing foreign operations choose to utilize non-equity modes of entry like exporting, strategic alliances, franchising and licensing. While firms that perceive high contractual risks often prefers equity mode of entry; wholly owned subsidiaries and joint ventures (Brouthers & Werner, 1999; Agarwal & Ramaswami, 1992, cited in Nakos &Brouthers, 2002).

A third school of thought concentrates on location-specific factors, the importance of being close to the customers and situated in the right place (Hill, Hwang & Kim, 1990, cited in Pan & Tse, 2000). According to Dunning (1988) location specific factors were becoming more and more important and affecting firm's international operations (cited in Pan & Tse, 2000). Dunning (1993) further acknowledge in more recent studies that international expansion service international locations and this contributes to gaining more customers and also amplifies the service level of existing customers (cited in Nakos & Brouthers, 2002). The location-specific factors recognize that domestic customers are more likely to buy from the same supplier internationally. It also helps the subsidiaries to standardize their operations, purchase pattern and provide better service. On the customer side it may lower the prices and hopefully improve quality. All this increases the firm's ability to withstand and protect itself from competitors that wants to gain market shares domestically (Nakos & Brouthers, 2002). Equity modes are preferable, such as wholly owned subsidiaries, in order to compete on a full scale with domestic competition in the foreign market and to be in control of their business activities. SMEs can still gain, even though they may not have the means to use an equity mode of entry, leverage and new customers as well as increased sales with a non-equity alternative e.g. exporting, licensing or franchising (Pan & Tse, 2000).

Studies done by McCarthy, Puffer and Simmonds (1993), cited in Shama (2000) of companies internationalizing showed that a vast majority selected a non-equity mode; exporting or strategic alliances.

2.5 Internationalization Theories

Going back through history we find a lot of theories that approach internationalization process of the firms in different ways. Early researchers, such as Adam Smith, David Ricardo, Heckser-Ohlin and other authors introduced us to the international business world. Adam Smith discussed the absolute advantage based on the classical economic thought (Mitgwe, 2006). Adams Smith saw in the nation as being the unit of rationale for trade was simply to take the maximum advantage of an absolute advantage (Mitgwe, 2006). David Ricardo came up with his arguments that Smith was not right and proposed theory of competitive advantage (Mitgwe, 2006). Not all the theories are applicable to every case of internationalization that occurs in the business world, but they, in a way complement each other and function as different tools for us to explain and understand internationalization process of firms.

2.5.1 The Uppsala Internationalization Process Model (U-model)

According to Mitgwe (2006), research on the firm internationalization process centres on the U-Model, from the Nordic school, the incremental school. The theoretical framework for this theory was first developed by Johansson and Wiedersheim-Paul (1975) in their study of four Swedish firms, in which they observed that when firms internationalize, they move along in a series of incremental steps which they termed as "establishment chain" or "step by step". In 1977, Johansson and Vahlne refined and established the model. The theory focuses on four aspects that firms should face while going abroad: market knowledge and commitment, and commitment decisions and current activities which are divided into stage and change aspects that interact with each other in what seems to be a cycle (Figure 3).

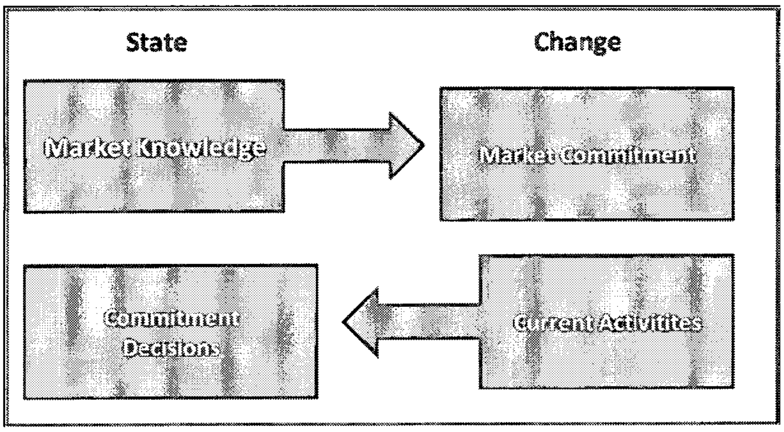

Figure 3: Uppsala model, state and change aspects (Johanson & Vahlne 1977).

State aspects are the resources committed to the foreign market: market knowledge and commitment decisions that would affect the firm's opportunities and risks (Johanson & Vahlne 1977, p. 27). Market commitment stands for those resources that will be committed as well as the degree of involvement. Market knowledge helps the managerial team to make decisions. There are two main types of knowledge: objective knowledge, which can be transferred from one market to another and experiential knowledge, which is gained by experience, learning by doing or acting. Change aspects are the results of the state aspects. Once the firm know about the market they can decide the way the firm will commit to that market, and will therefore be able to plan and execute the current activities needed to complete the cycle by committing to the market.

The basic assumption of the Uppsala Model is that market knowledge and market commitment affects both the commitment decisions and the way current decisions are performed—and this, in turn, changes market knowledge and commitment. The amount of knowledge of foreign markets and operations is influenced by the amount of commitments of resources in foreign markets, and vice versa (Johanson & Vahlne, 1977). Incremental growth also suggests that companies begin internationalization process in markets that have less psychic distance. Psychic distance is defined as factors such as differences in language, culture, political systems, etc., which disturb the flow of information between the firm and the market (Johanson & Wiedersheim-Paul 1975, p. 308).

In figure 4, the path followed by firms following this stage model states that the firms with no exporting activity will start by exporting via an agent. Sales subsidiaries can follow exporting. Firms can also use the entry modes such as joint ventures, licensing, franchising, depending on the nature of the firm. The last step into the chain is wholly owned subsidiaries.

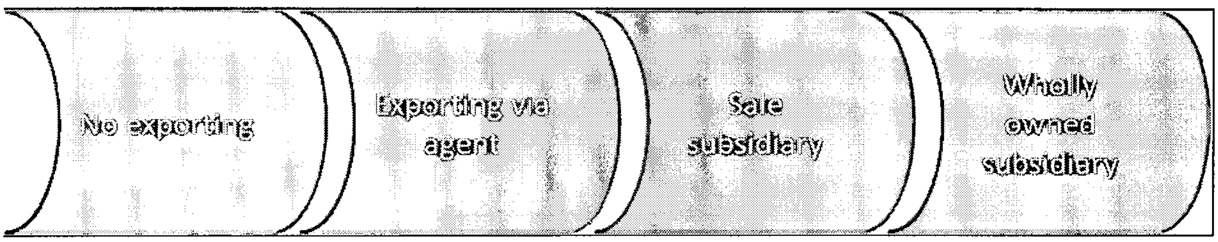

Figure 4: Uppsala model process, adaptation from the theory.

2.5.1.1 Critics to the Uppsala model

From the beginning, the Uppsala-model has been widely criticized on both theoretical and operational levels (Mitgwe, 2006). Some researchers have found it invalid in some cases while some others accepted it with modifications. Researchers have tested the model's applicability, strengths and weaknesses through different studies. The model has been criticized from different perspectives and its basic assumptions have been challenged by a number of empirical studies (Andersen, 1993).

Andersen (1993) argues that the main problem of the model is that there is no explanation on why or how the process starts or the nature of the mechanism whereby knowledge affects commitment. Figure 5 explains the theory from two view points; the development in a specific country is explained as the four stages the firms with go through, while the development across the countries explains the importance of psychic distance and the choice of new markets.

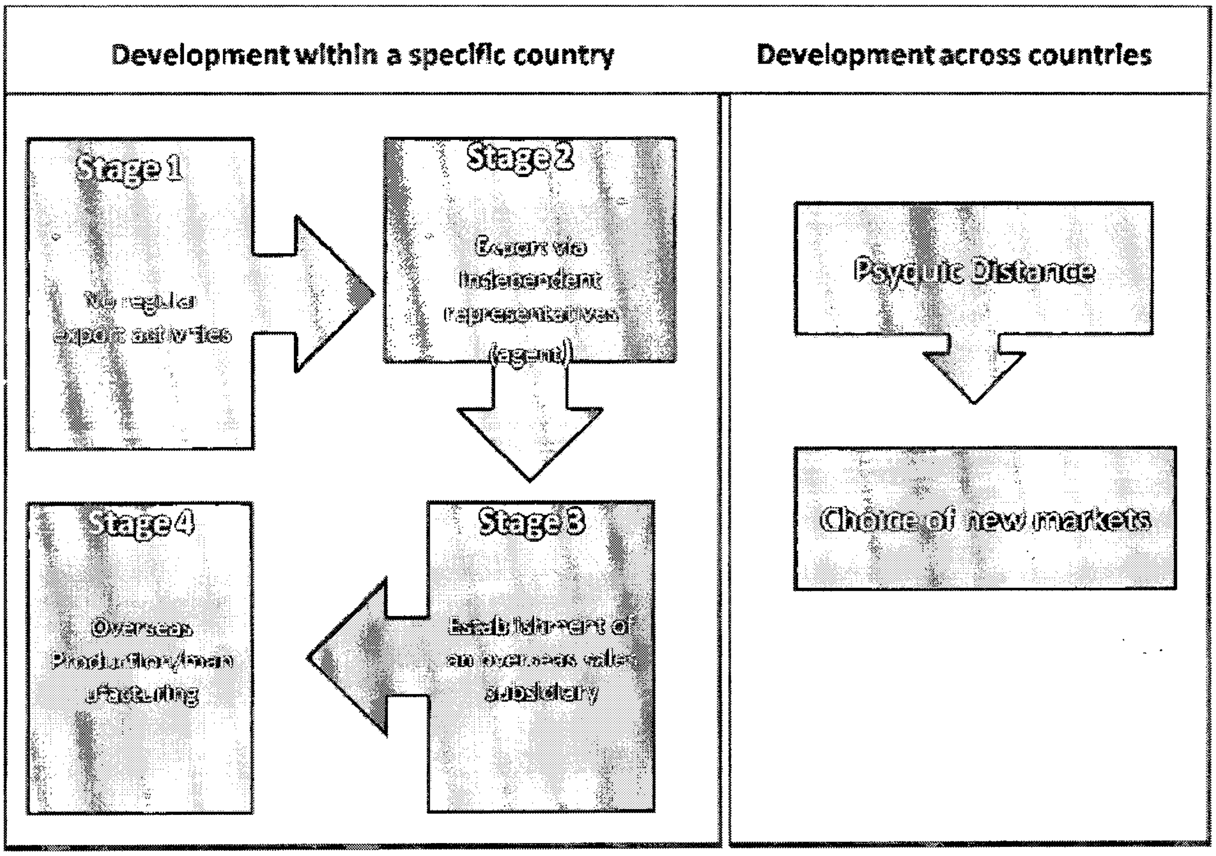

Figure 5: Operational levels, adaptation from the theory (Andersen 1993, p. 223)

The development across countries predicts that firms that enter to a new market with successively greater psychic distance. Psychic distance is defined as the distance between home market and a foreign market resulting from the perception, learning and understanding of business differences. Johanson and Wiedersheim-Paul (1975) defined it as the differences in language, culture, politic systems, etc., that makes it hard or easy for a firm to enter the new market. When a firm has chosen where to go, the psychic distance is assumed to reduce to the increased market-specific knowledge. If knowledge can be transferred from one country to another, firms with an extensive international experience are likely to perceive the psychic distance to a new country as shorter than firms with little international experience.

Some critics focus on the theoretical aspects while others argue against its practical implications. The Uppsala model's basic argument is that while internationalizing, firms pass through four consecutive stages of increasing commitment to international activities. Andersen (1993) criticizes that the stages mostly lack an explanation of the mechanisms that takes the firm through them. After testing the incremental internationalization hypothesis, Sullivan and Bauerschmidt (1990) concluded that the empirical evidence did not support this hypothesis.

Many critics argue against the incremental, step-by-step character of the model since studies have found that it is possible for firms to skip some of the stages and achieve internationalization rapidly rather than doing gradually (Chetty & Campbell, 2003).

According to Hollensen (2001), the Uppsala model fails to recognize the importance of interdependencies between different markets and actors that has to take into consideration. He considers a firm more internationalized when it views and handles different markets and actors as interdependent as completely separate entities (Hollensen, 2001). Reid (1984), Andersen (1993), and Crick (1995) observed a lack of explanatory power as well as the incongruence between the theoretical and operational levels (figure 5) of the model and expressed their surprise since the model still received an enthusiastic acceptance in the vast majority of literature.

It is of great importance, the role of people who are involved in foreign operations as well as their environment; knowledge is the key element to begin with the process of internationalization. Forsgren (2002) analyzes how the process of learning is conceptualized in the model. U-model was built up based on the fact that lack of knowledge of foreign markets is the first barrier to gain internationalization. U-model puts deep emphasis on experiential learning: personal experience that can rise from current activities. One way to gain knowledge is by performing activities in the market, since they gain information about the current market. Stage by stage can be seen as a learning process where the firm learns by doing. More knowledge equals less uncertainty.

The authors of the U-model discuss the two different types of learning: objective learning and subjective learning. Objective learning is the one taught; while the subjective one is the one gained by experience. Forsgren (2002) argues that experiential learning affects the firm's behavior, but before being influenced it must be interpreted.

The problem is that there is no specification on the role of the individual. The individual seems to play an important role in how the model is supposed to work. Those individuals are the owners of market knowledge.

By 2003, Johanson and Vahlne combined the experiential learning-commitment interplay as the driving mechanism from the Uppsala Model with a similar experiential learning-commitment focusing on business network relationships.

2.5.1.2 INVs and the Challenge for the Uppsala Model

INVs are considered to be the biggest challenge for the Uppsala model, since from înception, they seek to derive significant competitive advantage from the use of their resources and the sale of outputs in multiple countries (McDougall & Oviatt, 1994), therefore they do not exhibit incremental behavior in their internationalization process.

"INVs appear to require some highly valuable resource at the least cost possible (often human resources) wherever in the world that resource is, to employ a strategy of serving globalizing niche markets with unique products and services, to be founded by internationally experienced entrepreneurs with very aggressive growth goals, and to have tightly coordinated organizational processes" (McDougall & Oviatt, 1997, p. 89).

According to McDougall and Oviatt (1997), international operations are inevitably obvious under such conditions and since the experiential knowledge of foreign markets is sufficiently present among entrepreneurs, incremental steps for internationalization are unnecessary. Moreover, INVs are global by birth, which means they have resource commitments in multiple nations from the very beginning. Since they do not evolve gradually as traditional firms who begin operations in domestic markets and then move to international markets, they do not go through those stages emphasized in the Uppsala model in order to achieve internationalization. The U-model argues that internationalization is a cautious, slow, risk-averse movement of firms from domestic to international markets; on the other hand, INVs achieve internationalization rapidly and tend to take high risks during their expansion.

Unlike large multinationals, INVs have flexible operating procedures which enable them to react faster to changing environments. Often the CEO or the owner or the founder does business deals personally and makes decisions on the spot. So, in the cases of INVs, foreign market commitments are less likely to be influenced by organizational routines and internal politics than in established firms. (McDougall & Oviatt, 1997)

According to Johanson and Vahlne (1990), INVs are a product of international network of firms and this network help them develop and distribute products to different markets. Right from the beginning, INVs employ different strategies and entry modes to rapidly expand into different foreign markets and well chosen strategy can lower the uncertainties of internationalization. So, the step-by-step process is most likely to hinder the internationalization of INVs and therefore may not be useful for their successful expansion (McDougall & Oviatt, 1994).

2.5.2 Network Theory

Uppsala-model has been challenged by network theorists in recent years, whose fundamental argument is that modern high-technology firms do not exhibit the incremental process; rather they achieve a faster internationalization through the experience and resources of network partners (Mitgwe, 2006). All firms in a market are considered to be embedded in one or more networks via linkages to their suppliers, subcontractors, customers and other market actors (Johanson & Mattsson, 1988).

According to Emerson (1981) a network is a set of two or more connected business relationships, in which each exchange relation is between business firms that are conceptualized as collective actors. Network theorists see firm's internationalization as a natural development from network relationships with foreign individuals and firms (Johansson & Mattson, 1988). Networking is seen as a source of market information and knowledge, which are often acquire in longer terms when there are no relationships with the host country. Therefore, networks are a bridging mechanism that allow for rapid internationalization (Mitgwe, 2006). The emphasis of the network approach is in bringing the involved parties closer by using the information that the firm acquires by establishing close relationships with customers, suppliers, the industry, distributors, regulatory and public agencies as well as other market actors. Relationships are based on mutual trust, knowledge and commitment towards each other.

Firms establish and develop position in the market in relation to other actors in a foreign network (Johanson & Mattsson, 1988). Firms, while going abroad are engaged in a domestic network with the main goal to develop business relationship in a foreign country. Firm's position in the local network determines its process of internationalization since that position determines their ability to mobilize their resources within the network. All firms in the market are related in a way to other actors, whether they are local or international. As actions take place on the firms interacting in the network, their activities should be coordinated in order to get a better profit from those relations. In such a way a firm can have better understanding with a supplier, or with other companies. Coordination in the market comes from the interaction of the firms involved in the network, where price is only one of the many factors influencing decision (Lindblom, 1959).

The ties resulted from the firm's network, are hard to imitate. These ties have consequences in three dimensions: a) the information is available to the parties involved in the relationship; b) timing, and c) referrals (Burt, 1997). Firms learn from the ties made in the network, information about what is going on in the market is open to the network itself. Thus, there is information that is not available for everyone. Ties also influence on timing when some information reaches a particular firm. And referrals firms get interested on other firms, in the right time and place. Ties may be strong or weak. Granovetter (1973, p.1361) defines the strength of ties as a combination of time, emotional intensity, intimacy and the reciprocal services of the ties. They are weak when they are low, the relationships are distant. When there is a tight interaction the ties are strong, parties involved enjoy autonomy and easily adapt to each other. No tie is static. As time passes by firms can make the ties become stronger or weaker depending the relation between them.

2.5.2.1 Johanson and Mattsson's (1988) network approach

The first step a firm must follow in order to internationalize is the understanding of the market where it operates, its environmental conditions and the firm's relationships (Madsen & Servais, 1997). Johanson and Mattsson (1988) argue that as firms internationalize, the number and strength of relationships brought up in the network increases, helping their international extension. By using trust and increasing commitment in established foreign networks, the firm gains penetration. After having some penetration, firms can gain international integration by using the network and getting involved with other firms in various countries (figure 6).

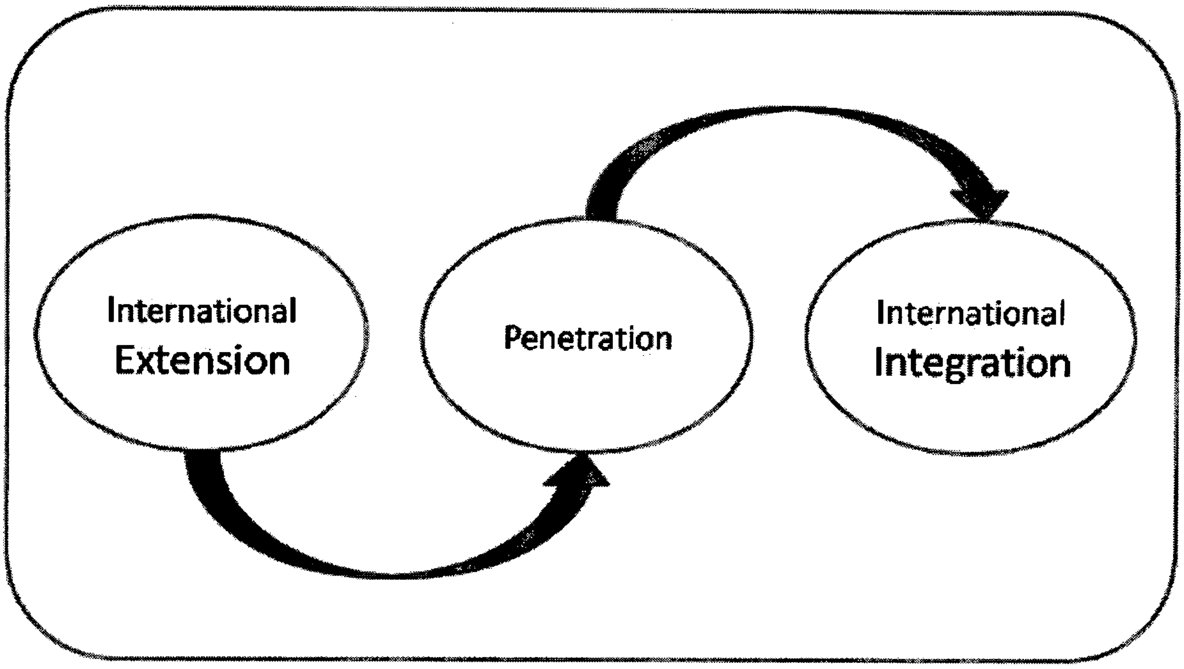

Figure 6: Network approach to internationalization, based on Johanson and Mattsson (1988).

When the firm follows these activities (figure 6), relationships are formed, gaining access to the market and its resources. Resources in the network are controlled by the firms itself, as well as other actors involved. A firm requires resources that are controlled by other firms, which can be obtained depending on their position in the network (Johanson & Mattsson, 1988).

Johanson and Mattsson (1988, p. 212) have identified four categories of firms: the early starter, the lonely international, the late starter and the international among others.

The early starter is the firm that has only few relationships in the foreign market. They tend to have little knowledge about foreign market and have little chance to acquire it in their home base country. In order to have knowledge, this kind of firms makes use of agents to enter the foreign market. By using the agent's experience, the firm will obtain knowledge.

In the lonely international category are the firms that are highly internationalized but in a market environment with a domestic focus. They have the capabilities to promote internationalization of the market. This firm has acquired prior knowledge and experience in a foreign market, so it has what it takes to succeed.

Later starters are in a market that is already internationalized. The firm has indirect relationship with the network. By making use of those relationships the firm is able to internationalize. They have the disadvantage over the competitors, since they have more knowledge. For the later starters is hard to get a place in the existing network.

International among others focuses on a highly internationalized firm, where both market and the firm are highly internationalized. Since they posses knowledge and experience it's easier for this firms to set sales subsidiaries, as it needs to coordinate activities in different markets. They are well connected to international networks that provide opportunities.

2.5.3 International Entrepreneurship Theory (IET)

According to Zahra and George (2002), the term "international entrepreneurship" first appeared in a short article by Morrow in 1988. Morrow (1988) suggested that advancements in technology, declining cultural barriers and increasing cultural awareness has opened once-remote foreign markets to all kinds of companies; small firms, new ventures as well as established companies. "Soon after that, McDougall's (1989) empirical study comparing domestic and international new ventures paved the way for academic study in international entrepreneurship" (McDougall & Oviatt, 2005, p. 537).

International entrepreneurship is the study of cross-border entrepreneurial behavior focuses on how actors discover, enact, analyze and exploit opportunities in the creation of new goods or services. McDougall and Oviatt's (2000, p. 903) introduced their definition of international entrepreneurship as a " combination of innovative, proactive and risk seeking behavior that crosses national borders and is intended to create value in organizations". This definition has been one of the most widely accepted. Afterwards, they embraced a deeper concept of entrepreneurship, defining it as the discovery, enactment, evaluation, and exploitation of opportunities across national borders to create future goods and services (McDougall & Oviatt, 2005). Discovery refers to finding innovative opportunities. Enactment means to proactively put opportunities into use acquiring a competitive advantage. Evaluation is required to interpret the actions taken developing experience and knowledge. "International entrepreneurship theory argues that individual and firm entrepreneurial behavior is the basis of foreign market entry" (Mtigwe, 2006, p. 16). Technological advancements, cheap and easy ways to access to information and better communication between the countries have helped SMEs to go abroad. Nowadays SMEs are gaining internationalization very rapidly, if not by inception as in the case of international new ventures.

A modification of McDougall and Oviatt's (1994) definition of entrepreneurship is given by Stevenson and Jarillo (1990, p. 23), for them entrepreneurship is "a courageous managerial value creation process through which an individual engages innovative, proactive, calculated risk-taking behavior designed to prosecute foreign business opportunities presented by multinational market successes and imperfections for financial and non-financial rewards".

International Entrepreneurship has been receiving a lot of interest from researchers and academics. According to IET, the key to internationalization nowadays is the entrepreneur. He is the one that possesses the skills and enough information to measure the opportunities in the market with ability to create and make stable relationships with other firms, suppliers, customers, government and media. He can be the one that has experiential and objective knowledge. Since he is a risk seeker, he is also able to commit the resources in an efficient way to achieve competitive advantage. In the international entrepreneurship theory, the entrepreneur needs to be opportunity seeking and internationally experienced in order to exploit the opportunities he might see in the market and be able to commit to it through entrepreneurial activities that would be translated as entrepreneurial services.

An essential part of the discussion about international entrepreneurship theory is international new ventures (INVs), because they are closely related to each other; we have discussed the INVs and their challenges to the U-model earlier.

2.6 Working model

From the purpose and the theory presented above a working model has been constructed in order to analyze the empirical findings. This means that a summary of the theoretical framework should be compiled and a model should be developed. This model should be derived with the help of the purpose together with the frame of reference in order to get a satisfactory model in which the analysis can be built upon. The model upon which this project is built will start the internationalization process from the decision of internationalization, i.e. there must be a will to internationalize.

The analysis will then focus on market related factors and firm related factors. The market related factors consists of, competition, cultural differences and risk assessment. Firm related factors include, need for control of business activities, internal resources and assets and previous knowledge. Barriers to entry are seen as both market and firm related which means that a separate evaluation of these, in terms of market and firm related factors, is to be done. Market related factors and firm related factors are interrelated and can be seen as two different aspects of the internationalization process.

A combined analysis of the various factors should then be made in order to be able to choose the right entry mode, i.e. equity mode or non-equity mode, a decision is now ready to be made and this decision will lead to a market entry. Figure 7 illustrates the working model.

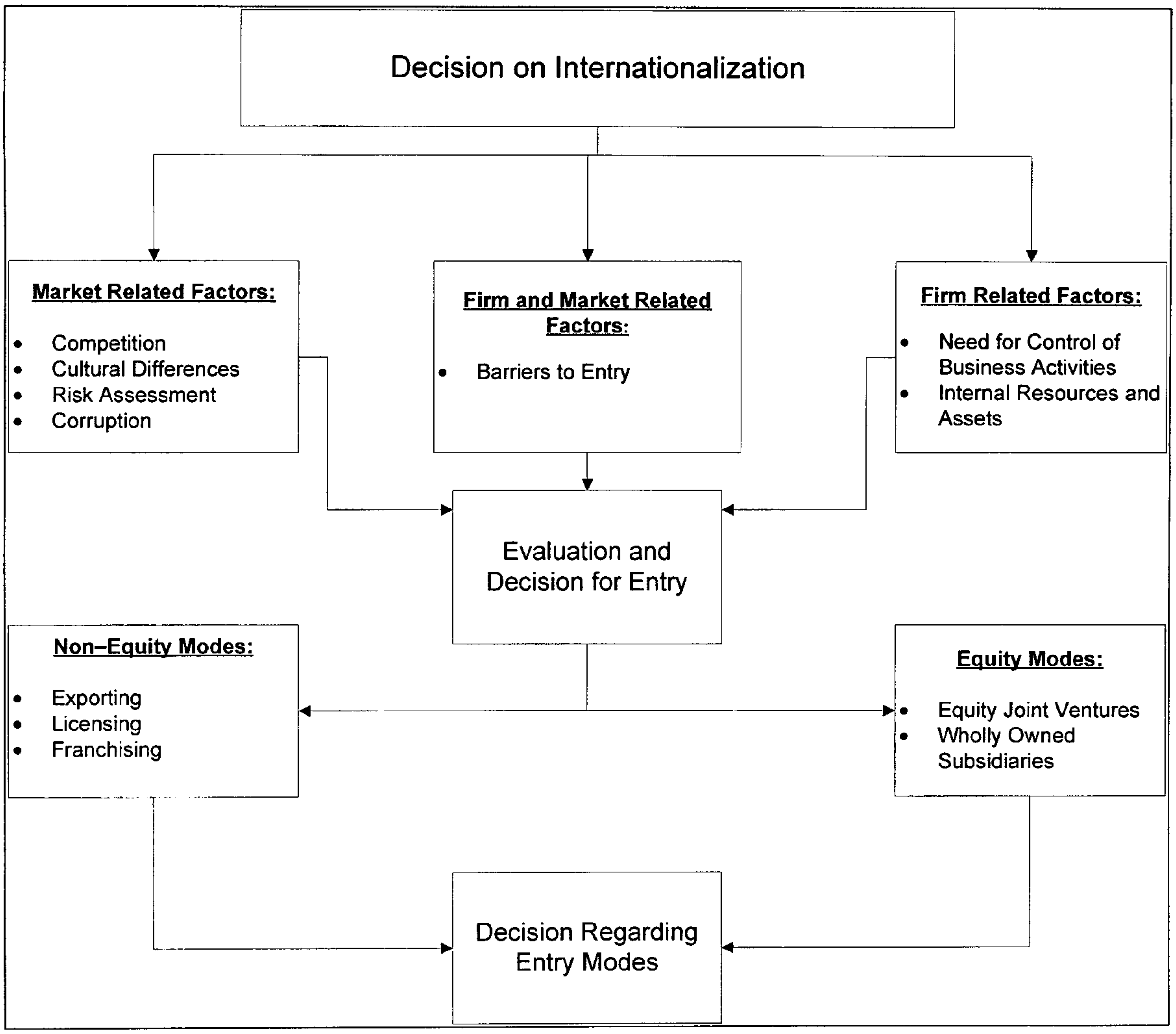

Figure 7: Working Model

In conclusion as determined in the Political, Economical and Socio-Cultural analysis the Qatari market presents some limitations, however the positive aspects of this market are overwhelming. As well several entry modes were presented and the most suitable can be the equity joint ventures that will be highlighted in the coming chapters.

Chapter.3. Procedures & Methodology

This Chapter will present the methodology used in the thesis. Here a description of what kind of research method that has been chosen. The bulk of the thesis is based upon telephone interviews, because of the distance between UAE and Qatar. This chapter also highlights the positive and negative aspects of our chosen method.

3.1 Qualitative and Quantitative Research Methods

In this section the differences between a qualitative and a quantitative research method will be explained to validate the choice of method for this thesis.

Based on the purpose and the theoretical framework, the following key questions arose:

- Which factors should Bond Communications take into consideration before choosing entry mode strategy for Qatar?
- Which entry mode(s) could Bond Communications use in a potential entry into Qatar?

3.1.1 Qualitative Research Method

The thesis requires a qualitative approach because of the nature of the purpose. Interviews give in-depth views on the problem and are considered to be a better alternative. The purpose of the thesis makes a quantitative approach less suitable and such an approach will not give satisfactory results. An extensive survey of some sort would not be possible to conduct because of logistic obstacles, such as time, money and distance. The statistical data which would be collected would not be credible as the sample size would be too small. The thesis is a case study and the angle of the case study is not suitable for a quantitative approach; leaving qualitative as the best option. The nature of the problem and purpose makes a qualitative approach much more suitable and the approach will broaden understanding more than a quantitative approach would do. These notions are substantiated by Zikmund (2000) who describes that qualitative research as one of two key approaches to research methodology in social science. What qualitative research emphasizes is an in-depth understanding of human behavior and also the reasons that preside over human behavior. Qualitative research could include an investigation about why and how of decision-making, thus the need is greater for smaller but focused samples instead of random and large samples. A qualitative research method tries to collect information with an in-depth view and not from a wide perspective of secondary data. The method aims at giving a detailed and complete report. Richness and precision are keywords that a qualitative research should strive for.

Another perspective that the researcher D.T Cambell, presents is, 'all research ultimately has a qualitative grounding' (cited in In Miles and Huberman's 1994, p 40). The discussion about qualitative and quantitative is 'essentially unproductive'. What often researchers agree upon is that quantitative and qualitative research methods need each other in research. Typically qualitative data involves words and quantitative numbers. Another big difference between the two research methods is that quantitative research methods are deductive and qualitative are inductive. Deductive research is used in hypothesis testing and hypotheses that were not originally formulated actually do get generated with the process of induction. Both induction and deduction are common tools when using hypothesis testing and hypothesis generation. Also, with a qualitative approach, it is not necessary to have a hypothesis to start the research, but on the other hand all quantitative research needs a hypothesis before the research can start.

3.2 Data Collection

This part explains the method used for data collection in this thesis. The section will further highlight the chosen method to collect the data which will be used later to analyze the problem.

3.2.1 Primary and Secondary data

Data that is already collected and organized for a project by someone else is called secondary data. The beneficial aspects of secondary data are that the information can be assembled much quicker and at a lower cost than the primary data, due to the fact that the data already exists. The value it brings to the researcher is that they do not have to reinvent new models and theories. Primary data is new data which has to be collected and is connected with the purpose of the researchers' project. The main objective of the research is to find answers to the specified problem and purpose. The primary data collection therefore can be gathered by either communication or (and) observation. The communication part includes interviews. The observation method includes a process of screening different market conditions in the specific theme.

The primary data, in this thesis, consists of four interviews on firm related factors and market related factors for the internationalization process. These findings are validated by the theories presented above. The secondary data is crucial, in order to make use of models and concepts available. As the secondary data is collected the base for the primary data collection emerged. The secondary data makes it easier to understand and makes sure the primary data is correct and valid for the purpose of the thesis.

3.2.2 Validity, Reliability and Credibility

To fulfill the research questions we need to get validity to the questions asked. Validity is used to compare if the problem stated are in accordance to what is wanted to be measured. Validity decreases if problem and research questions do no correlate. A question that we should be asking ourselves is: Does the expected result measure the actual observation? It does not matter if the approach of the research or the study is qualitative or quantitative, the problems with validity is the same. Validity refers to what is meant to be measured and what is being measured as well as the connection between theory and empirical findings. As the theoretical framework is developed, research questions evolved to validate the work at hand. In this thesis, secondary data is validated with the empirical findings and substantiated by the empirical findings.

Reliability can be seen as an indicator. Reliability is the level to which a test, experiment, or any measuring procedure yields the same result on repeated trials. Reliability can be defined as the degree where measures are totally out of error that will show that the result is reliable and coherent. What reliability refers to is if the related findings have credibility or not. A vital part is to find out if the findings are reliable. In order to increase reliability, the number of interviews must be increased so that the answers can be compared and analyzed in an orderly fashion. The interviews in this thesis numbered four which is considered enough for reliability purposes. Credibility is achieved by interviewing people who are well embedded within the Qatari market and people within Bond Communications who are quite familiar with the Bond Communications and have insights into its internationalization processes.

3.2.3 Interviews

Interviews have been chosen as the method of collecting data. The purpose is to obtain credible and in depth information in the field of interest. There are several forms of interviewing methods. It is important in an early stage to decide if it will be an unstructured or a structured interview. Different techniques to conduct the interview are face-to-face interviews or by telephone and/or using online services. The point of using a semi-structured interview is to construct a list of questions and topics. The questions do not necessarily have to be the same for each of the interviews. The benefit is the possibility to construct interviews that are suited in the context of the specific interviewee. Questions that might arise during the interview session shall be answered while they come up, therefore the order of the questions sometimes will be rearranged during the session. I aim to generate a reliable base in terms of the interview material. The interviews were decided to complement and investigate the theoretical part and pinpoint differences and similarities.

The interviews are divided into two groups, market related and firm related interviews, as this follows our working model (figure 4). The interviews are constructed differently due to the fact that firm and market related questions differ in some aspects. Further, I will describe the interviewees and what contributions they make to this thesis.

Some telephone interviews have been conducted because of the distance to Qatar and for the convenience of the interviewees, others were face-to-face interviews conducted in Dubai.

As a starting point the market related interviews were conducted with two different persons that are closely connected to the Qatari market. The aim is to get a clear standpoint what differences and similarities might occur in terms of experiences. Furthermore, we received permission from all interviewees to use their names, views and thoughts in this thesis.

The most complicated part when arranging for interviews is to find reliable interviewees who match the purpose. The problem is that there are a limited number of systems integrator companies in the Qatari market. Therefore, interviews have been made with people who are active within the business. These people contribute to the thesis by giving insights on the Qatari market and how it works.

Zeyad Jaidah is the founder of "Techno Q", the leading systems integrator in Qatar. He started the company in 1995 and has been situated in Doha ever since. The company specializes in audiovisual, security, control, fire, lighting, IT, broadcast, and hospitality management systems. It has developed more than 200 projects over its 12-year history for government institutions, educational and health care organizations, and such corporate clients as hoteliers, retailers, and international developers.

Doha has a geographical advantage due to the fact that it is endowed with rich resources, and a free and open financial environment. Among the wealthiest countries in the world, Qatar is experiencing phenomenal growth in both oil and non-oil related business sectors. Amid the current economic boom, commercial and industrial construction is at an all time high. In the city of Doha alone, there are currently more than 50 high-rise building sites under construction. The country is well on its way to becoming the world's top petrochemicals producer and is diversifying into many new industries including steel, concrete and aluminum production. The company has selected and trained a team of 100 professionals, including managers, engineers, and designers, to provide clients with comprehensive and customized project leadership. Mr. Jaidah's contribution to this case study is that his company is similar to Bond Communications' size and his experience is in the Qatari market. His experience is high, due to the fact that he lives and operates in Qatar and has done so, alone, for more than 20 years. Aspects that cannot be answered by a newly established company are answered by Jaidah and give a view of Qatar as a potential business market.

The next procedure deals with the firm-related factor and employees at Bond Communications have been interviewed with that purpose in mind. The interviews contain a different set of questions than the other interviews in order to gain a better understanding of challenges linked to the firm related factors. The aim of these questions is to get a view of how things inside the company are perceived from different perspectives. First interview was with Ghassan El-Sayegh who is the General Manager of Bond Communications. He contributes with knowledge about the company, its markets, design aspects and its entrants in different markets. Nicholas Moubayed, CEO contributes to more in-depth answers about Bond Communications' strategic choices and business environment.

3.3 Case Study

The thesis consists of a case study of Bond Communications and its possibilities to enter new markets (Qatar), and which type of entry mode is preferable to the firm. The case study approach is thought to be the most suitable for this type of problem and purpose. With the nature of the problem, a qualitative case study approach has emerged and the theory substantiates that this is the proper approach to take for this thesis. Colin Robson (2002) defines a case study as "a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence" (Cited in Saunders et al., 2003).

To avoid confusion about the meaning of a case study, further explanations will be presented. A case study's purpose is to find the complexity of a case. A case study is to be used when the researchers have special interests they want to investigate. The important reason for case studies is the detail of interaction with its context. It is the study of a particular and complexity of a single case, and will later on in the process come to the understanding of its activity within important elements of the case. The primary advantage with the case study approach is that an entire organization can be scrutinized thoroughly with meticulous attention to detail.

It is important to bear in mind that the case study research is not a sampling research. An important criterion is to maximize what can be learned. In accordance with the purpose of this thesis case study approach should lead us to understandings and assumptions. Case studies are described as exploratory research that involves concentrated search of one or few precedent problem situations that are viewed as comparable to the researcher's present problem. A case study necessitates the researchers to carry out an in-depth examination of the component of interest. This specific element could be a salesperson, customer, or market area. This way of collecting data is best used when researchers want to attain significant detail about the specific matter or even when they do not know exactly what they are looking for or are trying to find out vital ideas and pointers about the explicit research problem. The accomplishment of using case study methods is often the capability of the researcher's widespread wisdom and imagination throughout the data gathering process.

Preferable objectives of a case study method are:

1. Relevant variables identification.

2. Indication of the nature of the different connections among the variables.

3. Notice the problem and the opportunity in the new result.

3.4 Hypotheses

Entering the Qatari market using the Equity Joint Venture mode of entry will increase profits and technical proficiency of Bond Communications.

The primary data will be presented accordingly, first a short introduction to Bond Communications, which is followed by a presentation of the conducted interviews. This part will form the basis of the analysis. Together with the working model, it will be analyzed in the following sections.

3.5 Interviews

This section will present the findings of the interviews upon which the analysis is partly based. No editing of the interviews has been done so as to present the interviewer as objectively as possible. Together with the working model these findings will be analyzed.

3.5.1 Ghassan El-Sayegh, General Manager, Bond Communications Dubai

Ghassan El-Sayegh, begins to discuss what previous knowledge Bond Communications had when they started the internationalization process. When new offices in Morocco and Oman took place, traditions and previous market knowledge was inherited. The employees at Bond Communications had a collected knowledge base within the company both before and after the expansion.

Further on, Ghassan El-Sayegh discusses the importance of the control factor when it comes to market and labor related factors in the business. The general way of controlling Bond Communications' markets are through different branches, where the company sets goals and demands that must be fulfilled and accomplished. The goals and demands are translated monthly into statistical databases and are analyzed in the sense of control factors, district by district. Ghassan El-Sayegh further explains the different parts of the control aspects. A vital part is the quality control of customer service during and after project implementation which is managed by QA/QC specialists. According to Mr. Sayegh, quality is not just the products but also the logistics aspects are all well considered. Service, logistics and the product itself can be seen as a package offering that must be fully satisfactory to the customer.

The internationalization process of Bond Communications is built upon different experiences. The CEO, Nicholas Moubayed contributes with previous experience and knowledge. Before establishing Bond Communications, Mr. Moubayed worked for a company which had annual turnover around 1 Billion AED. During this period the company had major success in both Germany and USA. Through his experience Bond Communications has had major advantages when it comes to knowledge about internationalization processes.

Moreover, Ghassan El-Sayegh says that it is impossible to avoid smaller customer losses when doing business abroad. The Moroccan market has been a complex market according to him. The complexity originates from the company's cooperation with a Moroccan Based company. Bond Communications' intension was to provide the knowhow and the expertise it had accumulated throughout the years whereas the Moroccan Company was responsible for getting potential projects due to its presence in the country. Few weeks following the establishment of Bond Communications in Morocco, the company was awarded one of the most prestigious projects in the country, being the Mazagan 7 star Hotel in Al Jadida. Start up was very challenging with difficulties that needed to be overcome mostly in logistics and communications (language barrier); Spoken language in Morocco is French whereas the spoken language in the U.A.E is English.

Ghassan El-Sayegh also points out the limitations a medium-sized company may experience in a huge market when it comes to resources.

Bond Communications is a medium-sized company and therefore, has limited resources. This can be a large hindering when entering a new market. According to Ghassan El-Sayegh, one of Bond Communications' major goals is to be extremely strong in its primary market that includes Dubai and Abu Dhabi. The increase in sales in the UAE for the year 2006 was 39.9% and the overall increase was 20% for all of the company's other existing operations.

Bond Communications is experiencing a stronger brand image and reputation, especially in the Dubai and Abu Dhabi market. During the last five to ten years the construction business in the GCC region has experienced a drastic change (Construction Boom) due to the fact that many developers have been investing heavily in real estate. Construction projects underway in the GCC are calculated at $1 trillion, according to industry data, and projected to grow dramatically with the launch of the GCC common market. This Construction boom has propelled the company's sales dramatically making it the leading IT system integrator in the region.

Most of Bond Communications' competitors are smaller in size concentrating their efforts in one or two areas, whereas the company broadened its competencies to become a full system integration company. But, the company will never ignore local competition, especially those that are following Bond Communications' footsteps and gaining experience and know-how project after project.

Some multi-national companies can be seen as competitors. But, on the other hand the local market prefers supporting local companies that can deliver similar quality services to those of multi-nationals with a lower price and a higher service presence. One must keep in mind that the concept of quality that characterizes good service is totally different between different cultures but also within specific countries.

Ghassan El-Sayegh explains that cultural difference can be seen as an opportunity when it comes to Qatar.

He also adds that Bond Communications has established moral and ethic regulations that are consistently followed. The company has always profiled itself as an ethical company and may sacrifice its expansion plans into new markets if corruption becomes a determining factor in those markets, according to Mr. Sayegh.

The Kingdom of Saudi Arabia is a complicated market to enter according to Ghassan El-Sayegh. A few years ago an entry strategy was introduced to expand into the Saudi market. However, the market is complex in the sense that there exists a very limited and quite conservative view of doing business. The Saudi market is still an interesting one to enter, but more knowledge has to be collected for a successful entry.

Suppliers and distribution channels have never been a problem because Bond Communications has control over them. An advantage is that suppliers and distribution channels are closely related to UAE due to the Free Zones facilities. This control is even getting stronger and stronger due to the fact that Purchasing is being done in Bulk Quantities, centralized in Bond Communications' free zone warehouse and then redistributed to all the projects in the different regions and nearby countries. This is considered as a huge advantage of economies of scale.

Bond Communications' management decided early on to never bid on projects under the Electro Mechanical Contractor. In this case competition is all about price and never about quality, service and after sales. They want to keep their strategic positioning and tackle projects directly through the client, having different systems to be integrated. In this case competition is less and margins can be more appealing. Bond Communications' primary goal is to grow in size as well as to earn more money and even be more efficient and profitable on its current markets, keeping the size and the reputation of the company as a first priority.

3.5.2 Nicholas Moubayed, CEO, Bond Communications Group

Regarding the internationalization process, and what kind of previous knowledge Bond Communications had regarding the intended market, Nicholas Moubayed described that knowledge and experience as being crucial factors. He added that he has experience when it comes to different markets due to the fact that he worked in various large organizations since 1973 and within different foreign markets. When introducing Bond Communications to new markets it is very important to gain as much information as possible so the customers will feel that the value delivered by Bond Communications will be more than satisfactory.

The Company has chosen to work as wholly owned subsidiaries and the control occurs through the Country Managers in the different markets. Their work is to control existing and potential markets. It is of great importance that Bond Communications' philosophy is communicated throughout the organization and not only through the control on the financial side. The control is further exercised by collecting information which is analyzed and discussed.

Bond Communications has obtained and still obtains experience about the internationalization process, by learning and doing. The company also collects secondary data concerning competitors and the markets. Nicholas Moubayed further explains that an indicator could be to compare themselves with similar competitors in the specific market investigated. If Bond Communications is successful in a market it may be a triggering factor to expand to closely related markets. An example of this process could be the expansion from the UAE market into the Omani market with similar ways of doing business. Nicholas Moubayed states that it is very important to research the specific market. An example could be if Bond Communications would gain more by investing 500.000 AED in UAE or 500 000 AED in e.g. Qatar.

Moreover, Nicholas explains that Bond Communications' competitors are not seen as a barrier to entry. Sometimes the company discovers disadvantages that their competitors face; and in these situations, when for example a competitor has trouble with a specific element within its product/client, Bond Communications takes advantage of that knowledge to improve that specific part in order to transform it into a competitive advantage. A typical example is competing firms on Audio Visual Systems. Firms that integrate Audio Visual Systems often have problems with their logistics, even though their design is popular. Here, it is possible for Bond Communications to gain advantages because of its extensive knowledge about logistics.

Bond Communications has good knowledge of its competitors. A comprehensive competitor analysis is always done before a possible entry. The company actively and consistently conducts research for information about its competitors so as to make necessary adjustments to help keep the company in a leading position.

Political stability, economic environment and currency exchange rates are all important factors that must be thoroughly assessed before entering a new market, according to Nicholas Moubayed.

Corruption is sometimes a problem and a few years ago Bond Communications delivered a security system to a hotel project in Oman. The truck, which was supposed to deliver the products, suddenly disappeared. Luckily the materials were insured and Bond Communications received the amount of money they lost. But a month later the Omani Police contacted Bond Communications and suggested that they could buy back the materials. This is an example of the difficulties that may occur. Sometimes the company experiences sluggish customs officials who wait for bribes that never come from Bond Communications. The company does not cave in to corruption.

When entering a new market, the high capital costs of entry could have a deterrent effect. Saudi Arabia has always been discussed as a possible new market but barriers to entry have been that Bond Communications has to build up show rooms, offices and find a suitable local sponsor who would involve large capital investments keeping in mind that competition in the Saudi market is very tough.

Suppliers have in some markets been a source of problems when entering a new market for Bond Communications. In Qatar, for example, existing exclusive dealers for some products will present problems for Bond Communications; These existing dealers have not been very active for the past years but their dealerships contracts last for more than 30 years to come. This is one of the biggest constraints one should consider when entering the Qatari market but the challenge is to find alternative products.

Nicholas Moubayed further explains that the company's main strategy for entry is to do so as a wholly-owned subsidiary. But this strategy requires larger resources and more capital.

He finally argues that it is important for Bond Communications to expand. When business in the UAE reaches a saturation point and is no longer possible to increase market share, then foreign markets will help the company grow substantially.

3.5.3 Zeyad Jaidah, Founder, "Techno Q"

According to Zeyad Jaidah, the Qatari Systems Integration business is generally well developed and this is because of the real estate boom that hit the GCC and MENA region and in particular the Qatari territories. Most of the new developments require state of the art technology starting from a "Smart City "getting into a "Smart Building". For instance the Pearl Qatar is a good example where a lot of money was spent on IT systems to make it the first "Smart City" in Qatar.

Doha is a good example of a city where the cost of living and overall costs are high, especially housing costs which are very high due to the high demand of the large expatriates who are moving to Qatar in droves looking for better opportunities.

A few years ago, language was a barrier when conducting business in Qatar by a foreigner. The only language used back then was Arabic. Nowadays the barriers have become somewhat neutralized and English has been accepted as the language most commonly used for conducting business. This removes communication barriers and substantially eases the business process.

While discussing the importance of the geographical position, Zeyad Jaidah states that this really depends on what are the company's goals and objectives. An exact answer is almost impossible to give as each company has its own goals and objectives but, in most cases, Doha is well known for its enormous energy reserves, and Qatar is considered to be one of the wealthiest states in the Gulf.

According to Zeyad Jaidah, the labor situation in Qatar is stable. Qatar's labor force consists primarily of expatriate workers. With a total estimated population of 744,000 and Qatari's constituting no more than one fourth of this number, the role of expatriates in the economy is very important. The challenge is for the Ministry of Interior to regulate the recruitment of expatriate labor force. Currently almost all employees in Qatar require sponsorship. Employees are not allowed to work for anyone other than their sponsor even on a part-time basis. In practice this rule is often broken, although doing so is sufficient grounds for cancelling a work permit. Employees cannot normally transfer sponsorship unless they have worked for their employer for two years. They will also need a clearance letter from their sponsor in order to do so. A sponsor can ban a departing employee from returning to the country for two years. Workers cannot leave the country without an exit permit, although minors and wives may do so. After a residence permit is cancelled, an employee cannot return to the country for two years, even as a tourist.

Qatar is a traditional monarchy in which decision-making authority rests with the Emir and his ruling Al-Thani family. Qatar's recent political history has been characterized by non-violent intra-family coups. While the ouster of the current Emir cannot be ruled it, it remains of low risk in the short to medium term. He has proven himself adept at controlling political dissent and has sought to integrate various members of the Al-Thani family into government to ensure that rival power bases cannot develop.

Qatar faces no serious external threats. Its long-running border dispute with neighboring Bahrain was settled by the International Court of Justice in May 2001 to the satisfaction of both parties.

On 19 March 2005, a suicide car bomb attack on a theatre in the capital of Doha claimed the life of a British expatriate while injuring dozens of others. Further sporadic terrorist attacks are a possibility.

Qatar's short to medium-term outlook is one of continued political stability with the position of the Emir firmly entrenched. While the political reform process may lead to some uncertainty in the short-term, in the medium to long term it is expected to lead to greater political stability. Like the political stability, the Qatari finances are stable as well.

As Zeyad Jaidah experienced it, there are no major difficulties to start a business in Qatar and the bureaucracy is mostly the same as in the UAE. Twenty years ago the situation was much more complicated. Foreign people had problem because they could not own a business on their own.

Presently, the Qatari government strongly encourages foreign investment, particularly in its hydrocarbons industry. That said, the licensing and investment approval process for foreign investment remains opaque, particularly as it relates to the government procurement process. By regional standards, corruption is not considered to be a significant obstacle to foreign investors. The government allows for up to 100% foreign ownership in a number of sectors including agriculture, industry, health and natural resources (following government approval). Only a few sectors, such as fuel distribution, cement, steel and public transportation are not open to foreign investment.

As most newly established companies experience, the level of bureaucracy is high. Bribes do exist in some industries and often at higher levels of governmental institutions. If a company needs to expedite a decision, then a bribe might be the best solution. Zeyad Jaidah does not like that and bribes are not his way of doing business.

Zeyad Jaidah further explains that the general businessman in Qatar is more than willing to change the mode, in which the business is operating, if it is deemed more valuable for the company. During the past 18 years that Zeyad has been involved in running Techno Q's, the company's strategic direction has remained on course with no major shifts.

If a system Integration Company should introduce itself on the Qatari market, Zeyad Jaidah sees the process as a bit complex. There are more advantages to staying in the UAE where the market is larger and better known, he concludes. Mr. Jaidah further explains that if a system Integration Company decides to enter the Qatari market in today's business environment, the timing may be just right as numerous new construction projects are underway requiring a strong demand for such technology; "it could be a little late but the future holds a lot of promise", he said.

A very important factor to bear in mind is to be clear and precise when dealing and doing business in the Qatari market. Misunderstandings are often connected with miscommunication. The Qatari people appreciate humble businessmen. A humble way of treatment will probably strengthen the business relationship for both parties in the long run.

In the above paragraphs, qualitative research was conducted. The results were mostly collected from phone interviews with senior management people who have the necessary knowledge and in-depth expertise of the internalization process and the Qatari market. All data collected together with the working model will be analyzed and reviewed in the coming chapter.

Chapter.4. Findings

The theoretical framework and the empirical findings regarding the swot analysis, firm related factors, market related factors and factors related to both firm and market will be compared and analyzed in order to evaluate the results. The evaluation will compare Bond Communications to the factors that are important to its choice of entry mode(s).

4.1 SWOT Analysis

The following are key strength factors in Bond Communications' favor:

- Bond Communications has all of the Key Elements to provide the Total Integrated Turnkey Solution required by bringing professional expertise for the successful on-time completion of the projects.
- 20 years of Experience in the Integration of Extra Low Voltage Systems (ELV).
- Largest system integrator and solution provider in the UAE and the region.
- One stop shop Company.
- Multi-vendor relationships.
- Locally Based with the availability of a huge task force.
- Availability of sufficient plant and tools.
- Availability of local stores/Warehouses.
- Vast Hands-on experience in Major projects.
- Availability of all departments in-house.
- Qualified and highly trained staff/resources.
- ISO Certified Company.
- Superior after sales service strategies with possibility of providing 24 x7 support.
- Many Turn-Key project experiences.
- Present regionally and serving locally.
- Competitive pricing policy.
- High Credit Facilities with all major suppliers.
- Employs skilled people and provides world-leading training systems.
- Maintains solid partnerships with its customers.
- Broad product lines and strong technical support systems that can satisfy all kinds of customer needs and adapt to ever changing market demands.
- Was awarded the " CISCO - Real Estate Partner of year 2008".

Weaknesses

- Lack of presence in local market.
- Complex implementation process with little local support
- Cultural resistance, as it is essentially a Muslim one in Qatar which can be an obstacle in certain cases
- spending too much revenue on the training of its employees which is a risk because the trained group sometimes does not seems to be productive for the company and chances are there that they may switch to other companies.
- Losing out to competitors on the technology front
- Although it is growing very fast but at the same time it is losing its customers as well because the competitors are chasing close behind.

Opportunities

- Increasing demand for Extra Low Voltage systems installations (security, surveillance & intrusion detection)
- Increasing sales volumes to benefit the Economy of scales advantage
- Increasing awareness of technology needs
- Can retain its customers if it continues to be the first in implementing new technologies in the region
- Clients are more comfortable dealing with an experienced team that has a proven successful track record in executing large projects applying consistently high quality and security processes.
- Lack of High end experienced competitors
- Clients are demanding delivery excellence and delivery of high quality of service
- In the years ahead it can actively solicit high-caliber people on a global basis and develop a pool of management personnel to ensure that human capital is adequate to match its corporate development.
- Can establish a multi-way training system for domestic and overseas customers.

Threats

- Competitors such as Techno Q and AL Mana Networks can be a threat because they deliver similar services as Bond Communications.
- Training the workforce and investing in their development might be considered a threat to the company because some employees may switch to competitors.
- Risk of unforeseen general macro-economic factors and political disorder.

- New entrants into the market pose serious problems to Bond Communications with lower costs and good quality products.
- Growing bargaining power of major customers and suppliers.
- Changing stakeholders' needs and values.

4.2 Factor Analysis

The first section will analyze the firm related factors, market related factors and factors related to both firm and market. This analysis will explain and point out the results from the empirical findings and combine them with the theoretical framework and the working model.

4.2.1 Firm Related Factors

According to the interviewees, firms in general, want to have as much control as possible of their international business activities. But on the other hand, Nakos and Brouthers (2002) state that the level of control is much dependent on the resource commitment a firm has abroad. An SME, like Bond Communications, has less capability to obtain high levels of control in a new market. The company's existing international markets are mainly based on wholly owned subsidiaries which require a high resource investment. In this sense Bond Communications has good control over how they operate and sell the products. Its strategy is the following: Instead of mobilizing a fully fledged team to the new market they are entering, the company appoints at the beginning an operations manager for the target market along with a couple of key resources needed to boost the start-up process. These key resources will start targeting projects and preparing the bids. To do so effectively, the company can rely on the full support of the UAE-based team who will take care of the design of the systems needed. In this case, the company can reduce the high cost of resource investment. Bond communications decides which employees to engage and how they are to operate providing full control of the operations to local managers. Once the project is awarded, a small team of skilled technicians can be transferred to Qatar and additional requirements for manpower can be dealt with by employing additional resources locally. There does not exist the will nor resources to change the mode of business in existing markets according to Carl-Henrik Spak. Because Bond Communications is a medium-sized company, it places much effort in controlling and enhancing the quality of its products and installations. This is considered a critical part of the operations manager's role in the foreign market. In this sense, the need for quality control in an international market is high.

As Ghassan El-Sayegh explains, the operations manager of each foreign market sends monthly reports to Bond Communications' headquarters for review and analysis. As stated above, because the company's resources are relatively limited, these can hinder its successful entry into a new market but not at the expense of Bond Communication's brand image and reputation which continues to grow throughout the region.

Previous entries into new markets have been based on experiential knowledge and not so much on objective knowledge. The CEO, Nicholas Moubayed contributes greatly to the expansion of the company into international markets. His expertise has enabled the company to be successful. Previous entries into foreign markets have helped Bond Communications in expanding into more markets and according to Eriksson et al. (2000, cited in Petersen et al., 2001), the more markets the company is active in, the greater the knowledge is and the easier it is to enter new markets. The company has been active in foreign markets for several years and this helps in gaining experiential knowledge which is crucial for entering new markets. Learning-by-doing is mainly how Bond Communications gathers its experiential knowledge. The trial and error phase occurred in the early stages of the internationalization process and is now not a part of the company's strategy.

In order to be successful abroad, using experiential knowledge must take a critical position in the strategy. To gain experiential knowledge, a firm must experiment in order to succeed. In Bond Communications' case this phase has already been made based on previous experience of the CEO Nicholas Moubayed. He applied that knowledge within Bond Communications and was able to produce a successful concept. Experiential knowledge can also be applied on competitors, i.e. how well a firm knows its competitors is extremely important. Jason Abboud (Business Development Manager, bond Communications) states that the company's knowledge of its competitors is vital to help the company move ahead and take a leadership position.

Bond Communications constantly tries to pinpoint the strengths and weaknesses of its competitors. It then tries to replicate these strengths internally and eliminate the weaknesses from its own organization. As Huber (1991, cited in Petersen et al., 2001) stressed, firms can learn from focused research. The company often uses this tool in order to learn as much as possible, especially when studying new potential markets. Bond Communications is able to identify problems fast and learns from these in a fast manner.

4.2.2 Market Related Factors

Osborne (1996) argued that competition needs to be taken into consideration and be properly analyzed for the entering company to get an idea of what is waiting for them after entry (cited in Nakos & Brouthers, 2002). Zeyad Jaidah mentioned that there are many systems integration companies in Qatar but the major potential competitor would be Al Manna Networks, installing high quality products/projects, could be a potential competitor to Bond Communications. Multinational companies like Honeywell and Siemens, even though not perceived as direct competitors, can be mentioned as big actors in the Qatari market.

As Bond is a UAE-based company, cultural differences have to be acknowledged. Doing business in Qatar differs somewhat from the way of doing business in the UAE. Qatari business people, according to Zeyad Jeidah, are much more accustomed to haggle about prices even more aggressively than their UAE counterparts. However, this is something Zeyad Jeidah does not mention as being part of the business culture in Qatar. Qatari employees are seen as very disciplined and hard working, something Zeyad Jeidah agrees with and he also mentions that Qatari employees are very ambitious. Language, the cultural difference that is usually mentioned in most of the Internationalization Process is in this case not considered a cultural difference as stated by all the interviewees due to the fact that Arabic is the spoken language in both country. English has become more and more common in the business life in Qatar, and one can, without problems, negotiate and use English in day-to-day activities. Adapting to the rest of the GCC countries, where English is one of the most important languages when it comes to business operations. Zeyad Jeidah mentions the willingness to work and productiveness are important factors in the Qatari culture and also Qatari business people are easy to do business with as they are eager to collaborate and adapt to new circumstances. This somewhat contradicts the notion who argues that Qatari business people like to do it their way and extensive negotiations are common. But, Zeyad Jeidah points out that one should be clear and precise when doing business in Qatar, where humbleness is a very important attribute which can strengthen a relationship that will last in the long-run.

Kotabe et al. (2005) states that risk could refer to both the economic environment as well as the political stability. Risk also concerns factors such as political and social environment; in addition exchange risk concerns specifically foreign firms. According to Dunning (1993); the foreign exchange risk may be a disadvantage for foreign firms operating in Qatar. Ghassan El Sayegh states that he has not noticed problems with neither the economic environment nor financial institutions.

The foreign exchange risk is not a problem as Qatari Riyal exchange rate is almost equal to UAE Dirhams (1 Qatar Riyal = 1.0086242 United Arab Emirates Dirhams).

Although Qatar was ranked the least corrupt country in the region for the second consecutive year and placed better than some European countries in the annual Corruption Perceptions Index (CPI) 2008 released by Berlin-based International Watchdog Transparency International.

Improving upon its last year's position, Qatar climbed four slots from the 32nd place to 28th this year, advancing its CPI score to 6.5 from 6. The higher the score on the 0-10 index, the lower the corruption perceptions. The report said Denmark, Sweden and New Zealand shared the honor of being the world's least corrupt countries. Among countries in the region, the United Arab Emirates was rated 35th with a CPI score of 5.9 points, Oman (41st place, score 5.5), Bahrain (43rd place, 5.4), Kuwait (65th, 4.3) and Saudi Arabia (80th, 3.5). The ranking measures perceived levels of public sector corruption and draws on surveys of businesses and experts. One should bear in mind that this is just one way of measuring the corruption level in a country and it is only the perceived level. To actually measure corruption is very difficult.

Corruption can be noticeable on many levels within governmental officials and according to Rose-Ackerman (1999) corruption is between the private person or firm and government official or institute. She also argues that bribes or grafts are given to get favorable treatment, to avoid costs or to receive benefits. Zeyad Jeidah mentions corruption as a big problem in Qatar. This was of course much more noticeable in the 80s when bribes and grafts were part of the way of doing business. However, things have become better since then.

Abed and Davoodi (2000) claimed that corruption can also be found in higher levels within the political and in the legal system which could hinder the private sector from growth (cited in Johnson et al., 2000). Nicholas Moubayed has noticed that bribes do exist, and sometimes even at higher levels of government organizations. To get favorable treatment or to get decisions approved, sometimes bribes may be the solution even though this is not something he has had to do. This corresponds well with arguments presented by Rose-Ackerman (1999), where government officials may have low wages, thus having low incentives to carry out their jobs and bribes can be the solution.

4.2.3 Barriers to Entry

As Bond Communications considers new potential markets, numerous barriers to entry have to be tackled. A barrier to entry is something which hinders, or slows a firm from entering a new market. As

Bond Communications is a medium company, the capital cost of entry can be extremely high. In order to enter a new market where the company's name is unknown, the company has to rent an office space in a prime location along with a warehousing facility, so that the construction industry as well as the consultants will be aware of Bond Communications and what it stands for. Also the company must be strategically placed at various exhibitions and fairs in order for the brand name to reach the right market segment, i.e. people in the construction industry and people who appreciate technology.

In Qatar, regulation sets higher standards which put more pressure on Bond Communications' suppliers to be able to deliver the proper quality.

Experience plays a big part of entering a new market, and to some extent previous experience can be transferred to a new market, but for a firm who has never acted in the specific market it can be very difficult to succeed, as supplier and customer loyalty may not be so favorable. A new market, such as Qatar, which has a somewhat different customer base other than the UAE, can be troublesome for the company to win the "hearts and minds" of the people.

Bond Communications sees its competitors, not as hostile actors in a market, it sees them as objects from which the company can learn and develop its own organization. Bond Communications wants to be able to learn from every aspect of the market, including its competitors. Thus, the importance of knowing one's competitors is very important in order for the compnay's ability to know the market.

The occurrence of corruption in Qatar makes it hard for a small legitimate firm to succeed without succumbing to it. Also bureaucracy and red tape are rampant in Qatar hindering a company's ability to establish itself easily in the market. As Bond Communications sees itself as a moral and ethical company, corruption is not a part of Bond Communications' way of doing business.

4.3 Evaluation of Related Factors

The need for control of foreign business operations for Bond communications is generally very high and this is something that both Ghassan El-Sayegh and Nicholas Moubayed pointed out that the company wants. By using agents with expertise in a specific market, Bond Communications ensures quality execution of the project. These agents have been engaged throughout the whole internationalization process with good results and good control over what is happening in the different markets. By establishing long-term relationships with these agents, Bond Communications has transferred how it wants to be perceived. Because management operates hand-in-hand with these agents, the company is typically satisfied with the operation. Because of the specific set of skills required, it is often difficult to recruit experienced people. Once recruited, the new agent may have limited knowledge about the products the company provides, the image, and how the company wants to be perceived. As Bond Communications uses export, agents are among the few good alternatives if the wants to continue to have high level of control. To increase control Bond Communications would have to use another mode of entry.

The more resources the more control of foreign business activities is required as internal resources and assets are scarce and limited, which is often the case with medium-sized firms; it is therefore hard to increase the control of foreign business activities. Cash restraints are obviously one of the hardest challenges to overcome for any medium-sized firm as is the case for Bond Communications. Good knowledge of the market is an advantage but it does not help the company to compete against rich, capital intensive firms.

Bond Communications has a good knowledge of the market it is currently operating in; this happened with the help of local employees, but especially due to Nicholas Moubayed's previous knowledge of foreign operations and market entry. Previous knowledge is of great importance according to Eriksson et al. (2000, cited in Petersen et al., 2001). Learning-by-doing is used by Bond Communications and by applying its experience from previous market entries the company can facilitate and minimize the whole process the next time.

Knowledge of competitors is something every company needs to consider, analyze and accumulate. Bond Communications always investigates the competition before any entry into a new market, according to Ghassan El-Sayegh. By doing so, Bond Communications will know what competition they can expect and act accordingly or withdraw from a potential entry if competition is too fierce. The biggest competitor Bond would have on the Qatari market is most likely to be Al Manna Networks which is a Qatari based service provider company with a product positioning similar to that of Bond.

The cultural differences from UAE compared to Qatar that has been mentioned by the interviewees are that Qataris have the habit of haggling about prices and English is used when negotiating business deals. Qataris are seen as ambitious people and hard working.

According to Nicholas Moubayed, there may be differences in cultures between Dubai and Doha, but it's probably minimal as English is increasingly being utilized throughout the business community. Qatar may not differ a great deal compared to other GCC countries where Bond Communications is currently present and has experience from.

Qatar is a country with relatively good economic stability, according to Ghassan El-Sayegh. However, Zeyad Jaidah does not agree. He said that the current economic environment is not favorable to smaller firms. This notion may be true in the case as Techno Q is a small sized firm while Bond Communications is not. The economic environment is more favorable for bigger firms while smaller firms can face inertia in e.g. the banking system which does not support the small firms in Jaidah's opinion.

Qatar had a GDP growth of 15% in the year 2008 and has a very low unemployment rate of less than 1%. The political risk is hard to measure and Zeyad Jaidah finds the political situation complicated. Therefore, one can presume that Qatar will face political difficulties, but how far it reaches is hard to determine and one cannot draw the conclusion that an entering firm should see it as a risk or not. The political risk may not affect an entering firm but one cannot exclude the notion.

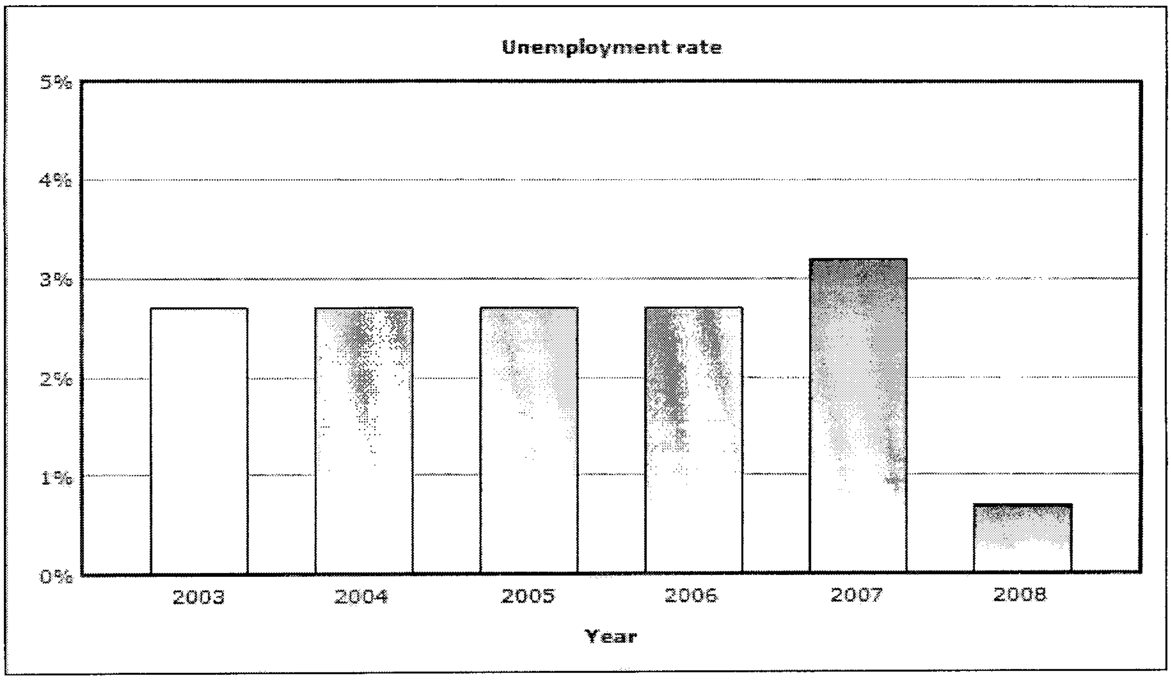

Figure 8: Unemployment Rate in Qatar
Source: (CIA World Factbook, 2009)

Year	Unemployment rate	Rank	Percent Change	Date of Information
2003	2.70 %	174		2001
2004	2.70 %	170	0.00 %	2001
2005	2.70 %	22	0.00 %	2001
2006	2.70 %	25	0.00 %	2001
2007	3.20 %	31	18.52 %	2006 est.
2008	.70 %	3	-78.13 %	2007 est.

Table 2: Unemployment Rate in Qatar
Source: (CIA World Factbook, 2009)

Corruption is something that Qatar does have problems with. Zeyad Jeidah said that while it may take place now, it was certainly much more common during the 80s. He also mentioned that corruption usually takes place between private persons or firms and government official or institutions. Corruption may be more noticeable among smaller firms said Zeyad Jeidah. It may be easier for bigger firms that have more influence on the economy to withstand corruption and discourage it. Compared to the UAE, the corruption issue is quite different and most definitely something for Bond Communications to consider as the company is based on high norms and ethics. This is very important due to the fact that Bond Communications has not experienced any corruption in its current markets.

Entry barriers exist in every market, but they can be more or less noticeable and occurring. The capital cost of entry will be high and Bond Communications could face problems to gain knowledge of its services and the perception wanted. It is hard to define whether it would be more or less costly to enter the Qatari market compared to another new market. Bond Communications would need to be sure that there is a big market for its products/Services in order to get back the invested capital. The cost could be very high and could force the company to withdraw from the market. Retaliation from competitors is something Bond Communications may not have any problems with in a potential entry into Qatar.

4.4 Choice of Entry Mode

Strategic alliances are considered as a non-equity option where companies share responsibilities and different functions within the foreign operations. Bond Communications could consider an alliance with another company to cooperate with on the Qatari market. It is, of course, not easy to find a firm to cooperate with, which share the same goals and preferences Bond Communications wants. The risk will be lessened and therefore it might be easier for the company to cope with corruption, tight economy and the financial environment in Qatar.

Franchising, exporting and licensing are other non-equity modes that could not be used to enter the Qatari market. This will not be an alternative for Bond Communications as it doesn't manufacture or produce any products and hence it doesn't need to have control over production. The notion of using non-equity mode for this purpose does not apply in the case of Bond Communications.

According to the theoretical framework, the entry mode that is most preferable in reference to the level of control and possible higher revenues is the wholly-owned subsidiary mode. As the level of control need is high for Bond Communications, this is the best alternative if the company wants to be sure that its brand name and perceived image should stay unblemished. There are many advantages with wholly-owned subsidiaries and this can be obtained by either Greenfield Operations, where Bond Communications would have to start from scratch or by acquisition where the company would acquire an already existing company. This type of entry mode is the most preferred for all firms that have the capital means, the managerial skills and are well prepared.

The mode is primary used by big firms and may not be the mode of entry first used when internationalizing. This in accordance with the notion of an incremental approach, where risk and uncertainty of the market is the triggering factor for this approach (cited in Pan & Tse, 2000). Bond Communications is a medium-sized and this further strengthens the notion of an incremental approach. Bond Communications could face low growth potential in Qatar and, therefore, the resources commitment would probably be too large for the company to cope with. The risks and the uncertainty of the market are other factors that limit Bond Communications from using wholly owned subsidiaries in Qatar.

Equity joint ventures would be a good alternative as well, with good control and potential returns. According to Johnson et al. (2005) the domestic partner could provide knowledge, labor and entry to the market. Then, Bond Communications would have to provide expertise, management and finance. Thus, the company would have the capital requirements to use equity joint ventures with a strong existing local partner.

Fifty-one percent participation by Qatari nationals is the general requirement for all Qatari established companies. The Federal Law stipulates a total local equity of not less than 51% in any commercial company and defines the categories of business organization, which can be established in Qatar. It sets out the requirements in terms of shareholders, directors, minimum capital levels and incorporation procedures. It further lays down provisions governing conversion, merger and dissolution of companies.

Venture & Partnership are considered contractual agreements between a foreign party and a local party licensed to engage in the desired activity. The local equity participation in the joint venture must be at least 51%, but the profit and loss distribution can be prescribed. There is no need to license the joint venture or publish the agreement. The foreign partner deals with third parties under the name of the local partner who - unless the agreement is publicized - bears all liability.

Finally we can conclude from the different factors and the SWOT analysis that two modes of entry are possible for Bond Communications to succeed in the Qatari market. One is the wholly owned subsidiary which requires full commitment and the other is the equity joint venture which is more suitable for Bond Communications.

Chapter.5. Feasibility Study

In this Chapter, a small feasibility study will be conducted in order to identify the problems and opportunities, to assess the range of costs and benefits and to define a successful outcome. The purpose of this feasibility is to support our decision based on a cost/benefit analysis of the actual business and to prove the project viability.

5.1 Expenses Projection

Below is a projected list of Employees required to run the operations of Bond Communications Qatar during the next three years.

Projected Salaries Structure - Bond Communications Qatar						
	Year		Year + 1		Year + 2	
Function	**Employee**	**Amount**	**Employee**	**Amount**	**Employee**	**Amount**
County Manager	1	60,000	1	65,000	1	65,000
Project Managers	2	40,000	3	45,000	3	45,000
Sales Manager	1	35,000	1	40,000	1	40,000
Sales Executive	1	20,000	2	23,000	3	23,000
Business Developer	1	25,000	1	28,000	1	28,000
Engineers	3	20,000	6	25,000	10	25,000
IT Specialists	5	15,000	9	20,000	12	20,000
PRO	1	10,000	1	13,000	1	13,000
Accountant	1	10,000	1	13,000	1	13,000
Salaries (QAR)	**16**	**375,000**	**25**	**670,000**	**33**	**853,000**

Table 3: Projected Salaries Structure

Then a projected list of expenses required to run the operations of Bond Communications Qatar for the coming three years

Projected Expenses - Bond Communications Qatar			
	Year	Year + 1	Year + 2
Travel Expenses & Allowances	25,000	30,000	35,000
Office Rental	300,000	300,000	300,000
Accommodation Rental	200,000	220,000	240,000
Office Expenses	15,000	17,000	20,000
Telephone Expenses	35,000	40,000	45,000
Water – Electricity	20,000	25,000	30,000
Exhibition Expenses	50,000	50,000	50,000
Tools & Equipment	100,000	100,000	100,000
Office Equipment	25,000	25,000	25,000
Other Expenses	30,000	30,000	30,000
Projected Expenses (QAR)	**800,000**	**820,000**	**840,000**

Table 4: Projected Expenses

The tables above show necessary total projected expenses in order to run Bond Communications Qatar Operations for the next 3 years

Projected Total Charges - Bond Communications Qatar			
	Year	Year + 1	Year + 2
Total Charges (QAR)	**1,175,000**	**1,490,000**	**1,693,000**

Table 5: Projected Total Charges

5.2 Revenue Projection

Based on Bond Communications analysis, the Qatar office is supposed to sign at least three major projects in the first year of its operation and a projected forecast for the following 3 years.

Revenue Projections - Bond Communications Qatar			
Revenue	Year	Year + 1	Year + 2
Projects	1,000,000	2,500,000	4,000,000
Total Revenue (QAR)	**1,000,000**	**2,500,000**	**4,000,000**

Table 6: Projected Total Revenue

5.3 Profit & Loss Projection

Profit & Loss - Bond Communications Qatar			
P&L	Year	Year + 1	Year + 2
Total Revenue	1,000,000	2,500,000	4,000,000
Total Expenses	1,175,000	1,490,000	1,693,000
Taxes	-	-	-
Net Profit/Loss (QAR)	(175,000)	1,010,000	2,307,000

Table 7: Projected P&L

5.4 Break Even Analysis

Break-even analysis is a technique widely used by management. It is based on categorizing costs between those which are "variable" (costs that change when the business increases and the output changes) and those that are "fixed" (costs not directly related to the volume of business).

Total variable and fixed costs are compared with sales revenue in order to determine the level of sales volume, or sales value at which the business makes neither a profit nor a loss (the "break-even point").

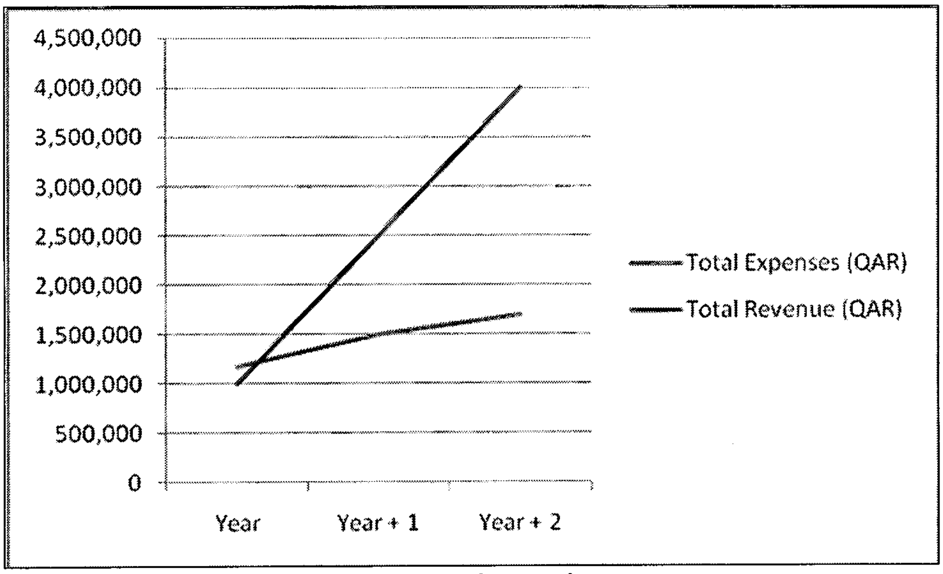

Figure 9: Break Even Chart

The Break-Even Chart

In its simplest form, the break-even chart is a graphical representation of costs (fixed + variable) at various levels of activity (3 years projection) shown on the same chart as the variation of income (or sales, revenue) with the same variation in activity. The point at which neither profit nor loss is made is known as the "break-even point" and is represented by the intersection of the two lines. Of interest is the fact that as of the second year income levels are higher than projected expenses.

5.5 Payback

The Payback Period is defined as the length of time required to recover an initial investment through cash flows generated by the investment. The Payback Period highlights the level of profitability of an investment in relation to time. The shorter the time period the better the investment opportunity:

Pay Back Period = Investment / Cash Flow

Bond Communications initial investment in the first year of its operation in Qatar is assumed to be 1,175,000 QAR. Projected loss at the end of the first year is 175,000 QAR. The company will start becoming profitable in the end of the third year of operation as explained below.

Initial Investment	Loss Year	Profit Year + 1	Profit Year + 2
1,175,000	(175,000)	1,010,000	2,307,000

Table 8: Pay Back

Using the formula above, the payback is calculated by looking at the cash flows of the three years and establishing the year the investment is paid off. It is worth noting that at the end of Year 2, the company would have recovered QAR 835,000 of the initial investment. At the end of Year 3, the remaining QAR 340,000 is recovered with the cash flow of QAR 2,307,000 earned during this period and a saving of QAR 1,967,000 is registered. The payback period is then 2+ a very short time period it is a good investment.

In conclusion, the above study shows that during the first year of operation, the company will incur losses, which is typically acceptable for a newly established entity. In its second year the company starts generating higher income, however these will not be enough to break-even and return back the initial investment. In during the 3rd year when the company is projected to make a profit that is sufficient enough to cover both the initial investment and the first year's incurred losses.

Chapter.6. Conclusions & Recommendations

This thesis was initiated to plan for Bond Communications a possible expansion into the Qatari market and will it be a profitable move. In this section we are going to connect the purpose and research questions with the analysis in order to derive solid conclusions in which the thesis aims at presenting .In this final chapter we would like to highlight the most important findings of our thesis.

6.1 Conclusions

The purpose of this Case Study is to evaluate the important factors related to the firm and the market in order to present feasible entry mode(s) which Bond Communications can use in a potential entry into the Qatari market.

The most important factor that Bond Communications should take into consideration in a potential entry into the Qatari market are: The need to control, the risks and the resources. Even though the other factors analyzed are of importance, they do not weigh as heavily as the ones mentioned above. Entry barriers are not perceived to be among the most important factors, this is due to the fact that these are mostly affecting larger firms, as they can influence the domestic market more than a medium firm could. The above control factors reflect the current situation in Qatar as well as Bond Communications' constraints and challenges on the market of interest.

In addition, all three interviewees stressed the need for control as being the most valued when internationalizing.

The structure of Qatar's economy has changed drastically over the last 10 years. This is a result of Qatar Government's efforts in diversification. This change has surely favored the private sector, thereby leading to higher revenue margins and growth opportunities. But, despite these and other changes being contemplated, the risk is still relatively high to enter the Qatari market; Not only from an economical point of view, but also from the political environment, as mentioned by our interviewees. The Qatari political environment is not a stable one at the moment and could be a problem for Bond Communications. Corruption is another problem which evidently is something that occurs often in Qatar.

The risk can therefore be assumed to be quite high. Resources are limited for Bond Communications as it is a medium sized firm. Lack of resources, in my opinion, are the most vital factors that limit the company from choosing the best entry mode. The banking system in Qatar seems to be favoring big companies which can also be seen as a limitation aspect for Bond Communications.

The recommended mode of entry for Bond Communications is **Equity joint venture**. This entry mode will be more expensive and collaboration with a domestic company would have to be engaged. The advantages with equity joint ventures include lower risk factors and shared responsibilities. The level of control is also assumed to be higher with equity joint venture compared to alternative modes of entry.

6.2 Limitations

Had the many constraints which covered the production of this thesis been less, the content would have covered a broader aspect and the purpose would not be as narrow as it might be. Being able to generalize over several industries and covering different types and sizes of firms is important. As it is now, it can be hard for the conclusions to be realized and tested. The theories included within these pages raise even more questions which cannot be included due to the narrow purpose. These questions and problems can be studied further, perhaps in another study. As these studies are conducted a model could emerge in which other firms and industries could take part and thus a general internationalization model would be developed.

When using a qualitative interview approach it can be hard to know, beforehand, if the questions asked are appropriate for the purpose and, if the interviewees are able to answer the questions. Whether the interviews were successful or not could only be realized afterwards. Also, it was difficult to find suitable firms to interview as the purpose is quite narrow. One must settle for what is manageable and what is obtainable, given the restraints which exist, such as time limitations and resource limitations.

Due to the privacy set by our competitors, we were not able to get additional information and interviews with all of our major competitors, especially with the big multinational companies such as Siemens as they have high standards and confidentiality specially when dealing with competitive firms.

6.3 Recommendations

Recommendations are given on the basis of Porter's Five Competitive Forces. Based on the information derived from the Five Forces Analysis, management can decide how to influence particular characteristics of their industry.

i. REDUCING THE COMPETITIVE RIVALRY BETWEEN EXISTING PLAYERS:

If the rivalries between the firms are strong, competitive moves & countermoves dampen the average profitability of the industry. As in this case, Bond Communications has strong competitors and can avoid the threats of rivalries between through:

- Avoiding price competition.
- Product differentiation.
- Focusing on different segments

ii. REDUCING THE THREAT OF NEW ENTRANTS

New entrants add capacity, inflate costs, push prices down and reduce profitability. As Bond Communications is continuously facing the threats of new entrants so it should adopt these strategies for minimizing the threat:

- Create a stronger marketing / brand image.
- Tie up with suppliers.
- Tie up with distributors.
- Develop customer loyalty.

iii. REDUCING THE BARGAINING POWER OF SUPPLIERS

Suppliers exert a competitive force on the company as they have the power to raise prices, lower the quality & curtail the range of free services that they can provide. To avoid this:

- Opt for partnering with the suppliers.
- Decrease dependency on single suppliers.

iv. REDUCING THE BARGAINING POWER OF CUSTOMERS

Customers can bargain for price cut, they can ask for superior quality & better service and they can also induce rivalry among competitors. If they are powerful, they can depress the profitability of the supplier industry. To avoid these problems Bond Communications should:

- Increase the loyalty of its customers.
- Give value added services to its customers.

v. REDUCING THE THREAT OF SUBSTITUTES

Substitute products limit the potential profit of the companies by imposing a ceiling on the prices. To avoid such problems Bond Communications should:

- Introduce such innovative products that are hard to be replicated.
- Switch costs as to reduce the threat of its substitutes

Going global is no longer an either / or proposition. Propelling your business globally could be as simple as setting up a Website to market your goods and services. In the ever-changing and ever-flattening world, in order to compete with your neighbors and competitors going global is no longer an option but a necessity. The world-of both, information and goods, moves at a higher speed than it did even five years ago.

Finally, all the above factors and figures illustrated throughout the paper, proves that moving to Qatar using Equity joint venture as a mode of Entry would be a profitable and sustainable move, not only for Telecommunication Companies like Bond Communications but also for Electro Mechanical and construction companies.

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Appendices

Appendix A-Interview Bond Communications

Internationalization:

1. Did Bond Communications use any academic theory concerning internationalization when introducing their products/services on a foreign market for the first time?
2. Has the theoretical framework about the internationalization process help ongoing internationalization process of Bond Communications?
3. If you used theories, what theories and how did you use it?
4. How do you perceive internationalization as a concept?

Firm related factors in the internationalization process:

5. When first starting to internationalize what kind of previous knowledge did you and the firm have regarding the intended market?
6. What are the company's control needs of foreign market activities, labor in the foreign market, and marketing of Bond's services?
7. How did you/Bond gain experience about the internationalization process, by: learning-by-doing or did you/Bond have secondary data on how to proceed?
8. Does the size of Bond Communications along with its size and resources limit the company's opportunities for internationalization? If yes how and if no why?

Market related factor in the internationalization process:

9. Did you/Bond perceive the competition on the foreign market as a hindering factor to entry?
10. Did you/Bond have good knowledge about the competition in the new market?
11. Did you/Bond find cultural differences as a problem when introducing the products/services in the foreign market?
12. Did you/Bond assess the risk of the foreign market such as political stability, economic environment and/or exchange risk, what did you/Bond assess and how?

13. Have you/Bond experienced corruption as an obstacle in any of Bond's current markets?

Barriers to entry:

14. During previous internationalization processes, has the capital cost of entry into the foreign market discouraged your entry and has this instead led to entry into another market instead?
15. Has supply and/or distribution channels been a source of problems when entering a new market?
16. Have Bond experienced any retaliation from competitors when entering a new market?

Entry mode:

17. What mode of entry did you/Bond choose for the first foreign market entry? Export, franchising, licensing, strategic alliances, equity joint venture or wholly owned subsidiaries?
18. Have Bond used different entry modes in different markets?
19. Have Bond changed any modes after introduction in a new market?
20. If yes, to which mode and why? If no, why?
21. Are you/Bond satisfied with the entry mode chosen?
22. Would Bond prefer other modes than the chosen ones?
23. If Bond would not be limited by its size and assets what mode of entry to a new market would you/Bond prefer?
24. Will you allow the authors to make use of this information and your name in the thesis?

Appendix B-Interview Zeyad Jaidah

Please, describe your company in terms of:
Name
Background
Employees
Positioning

Firm related factors in the internationalization process:

1. Is the need for control of foreign business activities important for you/the firm e.g. control over distribution chains, suppliers, retailers etc.?

Market related factor in the internationalization process:

2. Is the language, using English or Arabic, an important factor when doing business?
3. How do you perceive the political stability in Qatar?
4. Describe the financial stability in Qatar on the basis of your own knowledge.
5. Is the bureaucracy a problem when entering the Qatari economy as a foreign company?

Barriers to entry:

6. How well developed is the infrastructure in Qatar?
7. How is the technology level in Qatar compared to the rest of the GCC?
8. What kind of noticeable entry barriers can one find as a new firm entering the Qatari economy?

Entry mode:

9. To the best of your knowledge, which are the most common ways to enter the Qatari market?
10. With what kind of entry mode did you/the firm, enter Qatar?
11. Ex:
    - Exporting

- Licensing
- Franchising
- Strategic alliances
- Equity joint venture
- Wholly owned subsidiaries
- Start from scratch

12. Why did you/the firm choose that mode?
13. After entering into Qatar, what is the logical step to expand and proceed from the entry phase?
14. Is it common for firms to change their entry mode after establishing themselves on a new market?
15. Has your strategy changed over time and was the entry as expected?

General Questions:

16. Is the geographic position an important factor for entry?
17. How is the labor situation in Qatar? Is there available labor and how is the wages in Qatar compared to the rest of the GCC?
18. Is there a trend of wages increasing? If this is the case, what are the reasons?
19. Are there big inequalities between rich and poor in Qatar?
20. Will you allow the author to make use of this information and your name in the thesis?

Appendix C- Bond Communications

Bond Communications Group was established in 1989 owned by HH. Sheikh Hamdan Bin Mohammed Bin Khaled Al Nahyan and headed by the group's president and CEO Mr. Nicholas Mobayed and forms part of the following group of entities:

- Bond Trading Establishment, Abu Dhabi and Dubai: Financial Arm, Leading Extra Low Voltage (ELV) integrator, Network of Investors and Partners.
- Middle East Entertainment Establishment, Abu Dhabi: Agreement with SACEM in charge of collecting intellectual property rights on behalf of the Music Composers, Authors and Publishers.
- Bond Communications FZLLC, Dubai Internet City: Holding Company of the group involved in international markets and involved in collecting intellectual property rights.
- Bond Communications S.A.R.L. Lebanon: Group Presence in Lebanon.
- Shore & Mountain Resorts S.A.L Lebanon: Real estate arm of the group, own and operates several properties.
- Bond Engineering, Abu Dhabi and Dubai: MEP (Mechanical, Electrical and Plumbing) contractor.

Today Bond Communications counts more than 1,000 employees and an annual turnover of 500 million AED. This represents a high annual turnover per employee. The company has as a goal to reach one billion AED in annual turnover in 2009. This is considered an ambitious goal to reach, but according to Bond Communications' senior management, all market trends indicate increased sales. The company has evolved from being a satellite and cable TV installers to become a one stop-shop-solution IT integrator.

The following Bond Communication's organization chart shows current hierarchy levels of the Company:

KEY SENIOR MANAGEMENT

President and CEO	: Nicholas William Moubayed
General Manager	: Ghassan El-Sayegh
Contracts Manager	: Jamil Moubayed
Projects & Operations Manager	: EG Pradeep
Abu Dhabi Director	: Khalid Hawari
H.R Manager	: Rabih El-Sayegh
Projects Director	: Walid Rahme
Finance & Admin. Manager	: Zahi Sayegh
Purchase Manager	: Marwan El-Sayegh
Business Development Manager	: Jason Abboud

MID-LEVEL MANAGERS

Technical Manager	: KV Raveendran
Hospitality Manager	: Mani Anand
Project Manager	: Feroz Mehdi
Project Manager	: Haissam Said
Project Manager	: Omar Chataw
Project Manager	: Jonathan Richard Goodwin
Project Manager	: Phil Braith Waite
CATV Manager	: Fawsi Salman
Media Content Acquisition Manager	: Soraya Bohsali
Senior Planning Engineer	: Rajesh Mathath
Project Manager	: Lakshmana Kumar Panchena
Project Manager	: Roy Fernando Anthony Fernandes

Sl No	Category of Specialization	No. of Staffs
1.	Managerial Staff	33
2.	Administration & Finance Department	45
3.	Purchase Department	15
4.	Planning Department	10
5.	Sales and Marketing Department	10
6.	Project Engineers	75
7.	IT Support Engineers	25
8.	Site Engineers	55
9.	Estimation and Design Engineers	35
10.	CAD Draftsman	51
11.	QA/QC	28
12.	Quantity Surveyor	5
13.	Health & Safety	14
14.	Site Supervisors	105
15.	Certified Technicians	155

Table 9: Bond Communications Staff
Source: (Bond Communications 2007)

Strengths & Attributes

Bond Communications was founded in 1989 and specializes in innovative integrated IT Solutions covering the Middle East, the Arabian Gulf and Levant. As system integrators and solution providers, Bond Communications provides consultancy services, project design, project management, turnkey solutions and annual maintenance contracts. Bond Communications is dedicated to delivering Total Integrated Solutions, utilizing the latest technology, providing excellent value.

Bond Communications provides annual maintenance and support services, with a sizeable certified and experienced Technical Team, so that the time between trouble shooting and problem solving is minimized. These agreements are governed by the industry's highest quality standards. The support services of Bond Communications are offered remotely or online, based on a mutually agreed upon schedule. "Not only do we design, install, commission and maintain your systems, but also we provide thorough training to your staff so that they learn to fully realize its potential helping them troubleshoot most issues. Every system installed in our client's site has a remote connection with our central server machine, which allows our technical team to remotely login immediately when a support request is received". (Walid Rahme, Projects Director, Bond Communications).

Bond Communications integrates world-leading technologies including ATMs, kiosk technology and Payments/Billing systems software for financial services, retail systems software, Biometric Security appliances, Fire Alarm, Door Alarm, Interactive TV, Master Antenna TV, Closed Circuit TV, Plug n Play Internet Solutions, Internet Security and Building Management Systems. Bond Communications does not manufacture network products, but delivers worldwide implementation and maintenance services for world-class network and systems vendors and for major enterprise customers. The company concentrates on global IT-solutions aimed at focused delivery, providing efficient solutions to its customers. The company leverages its numerous alliance partnerships to complement its core competencies and uses its cross-service capabilities to deliver totally integrated solutions.

Value Proposition

Below is a list of benefits providing Bond Communications customers value proposition:

- Proven experience in being able to deliver mega project locally.
- Availability of the largest local task force for system integrators.
- Availability of a fully fledged local set-up, with offices across the U.A.E, stores etc...
- Non-Vendor Specific.
- Availability of sufficient plant and tools.
- Focused on providing Customer requirements.
- Availability of all departments in-house.
- Qualified and highly trained staff.

- ISO Certified Company.
- Superior after sales service with possibility of providing 24 x7 support.

Bond Communications Portfolio

Bond Communications works closely with its Clients to design, install, commission and maintain complete integrated solutions as per the client's requirements. These state of the art solutions are designed to support and deliver to the highest standards: IT, Telecommunications, Audio Visual, Security, Automation and Building Management Systems. Bond Communications will meet the requirements of the Client on time, on budget and provide them with the latest solutions available in this ever-changing high-tech industry.

Some Projects include:

Burj Al Arab

Emirates palace Hotel, Abu Dhabi

The Jumeirah Beach Hotel

Le Meridian Jumeirah

Dubai Tourism Department

Dubai Immigration Department

Emirates Towers (Office Tower)

Jebel Ali Free Zone Authority

Dubai World Trade Centre

Chamber of Commerce, Bahrain.

Emirates Hill Model Homes

Burj Dubai Tower

Atlantis Hotel

Etisalat

Wild Wadi Aqua Park

ADNOC Housing Complex

Emirates Airlines

ABN Amro

Sharjah Grand Hotel

Dubai Internet City

Grand Hyatt

Sheraton Jumeirah

Le Royal Meridien

Dubai Convention Center

Novotel and Ibis Hotels

Business Avenue

Sheik Maneh Building

The Tower - UP

Capricorn Tower

Higher College of Technology

Dubai 2003/IMF

Burjuman Center

Knowledge Village

Green Community - UP

Dubai Autodrome - UP

Abu Dhabi Police Department

Holiday Inn, Abu Dhabi

Mirdiff – UP

Dubai Festival City

Marina Hotel – Yas ISland

Renaissance Hotel

Dubai Mall

Palm Jumeirah

Source: (www.bondcommunications.com, 2009)

Client categories include the following sectors: Hospitality, Governmental, Commercial Buildings, Residential Communities, Educational, Shopping Malls, Conference Centers, Banking, Airports, Train Stations, Ports and Sports Facilities. In general Clients are divided into two categories:

- Category 1: Client is in the front line and ELV packages are directly under the client; In this case the client has to be aware of the quality of the products to be installed and the quality of the installer. And in this case awareness of the client is very importance. Final decision is made by the client.
- Category 2: Client is not in the front line and the ELV packages are under the Electro Mechanical contractor. In this case the contractors look first for cost saving options and are ready to sacrifice quality in favor of higher profits. Final decision is made by the contractor.

With extensive experience serving customer needs, Bond Communications has the expertise, software, consulting services and hardware to build integrated solutions for all market segments. By integrating and building on these solutions, the company is in a unique position to help businesses understand and market their products and services to end use customers at each and every point of interaction. Bond Communications' global business is built upon the following basic solution portfolios: Broadband Distribution, Network System Integration, Telecommunications, Hospitality, Audio Video and Automation Satellite and Cable TV - CCTV/MATV/AV System/Paging/ Access Control/ Time Attendance.

Bond Communications is playing a major role in the rapidly expanding, increasingly sophisticated world of Technology Integration, from security to telecommunications to building management systems...

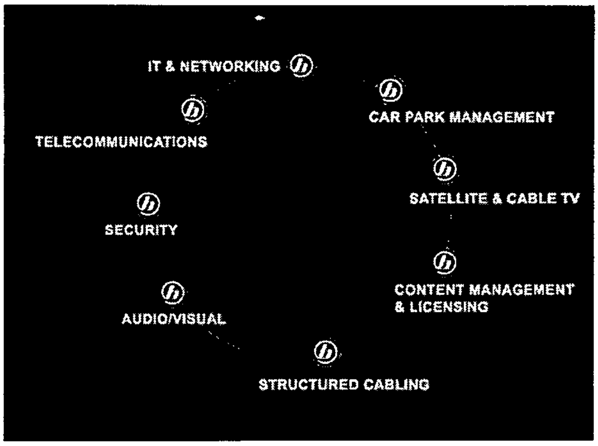

Figure 10: One Stop Shop System Integrator

Source: (www.bondcommunications.com, 2009)

Bond Communications understands that the buying power and the need for a one stop-shop system integrator in Qatar is increasing, and very few of the companies who operate in Qatar have the capability for a full system integrator.

According to Jason Abboud (Business Development manager, Bond Communications UAE), advantages of entering the Qatari market for the company include the fact that the company has a diversified portfolio in the GCC and has worked and integrated some of the most prestigious developments in the U.A.E. .

Qatar, on the other hand, has a limited number of large projects compared to those in the U.A.E.. But, the state is expediting infrastructure work across the capital to help encourage developers plan and build larger projects following on the footsteps of Dubai. And, since the two countries are close geographically Qatari customers may be serviced efficiently out of Dubai Bond offices.

Bond Communications considers corruption as a high risk factor in entering the Qatari market due to the company's stringent code of ethics. Another risk is that company senior managers have limited knowledge of Qatar's market structure and human relations policies especially those dealing with work procedures and employment security.

Another risk is the fact that some Qatari customers may require local market experience and execution placing Bond Communications at a disadvantage in its bidding process.