Establishment Processes in a Developing Country
The case of Scania and Volvo in Algeria

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Shohoudi Shadi / Derkaoui Ahmed

Supervisor: Abraha Desalegn
Examiner: Marianne Kullenwall
ESTABLISHMENT PROCESSES IN A DEVELOPING COUNTRY
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This thesis is submitted by Shadi Shohoudi and Ahmed Derkaoui to the University of Skövde for the Bachelor Degree in Business Administration, in the School of Technology and Society.

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We certify that all materials in this thesis which is not our own work has been identified and that no material is included for which a degree has previously been conferred on us.

Signature:

Shadi Shohoudi

Ahmed Derkaoui
ABSTRACT

This Bachelor degree thesis deals with the establishment process of two Swedish firms, Scania and Volvo, two world leaders in the automotive industry, in an emerging market, Algeria. The purpose is to analyse the establishment process and examine how Volvo and Scania have established a network in Algeria. Indeed, this country has been recently attracting foreign investments, due to important economic growth, regulation liberalization and major infrastructure renovations done by the government.

The research was conducted using the case study method. The information was mainly obtained from primary sources through e-mail, questionnaires and telephone interview, and secondary sources through the companies’ websites, newspaper articles, previous models of establishment processes, books, Mr Desalegn Abraha courses and television documentary.


The result of this study shows that both companies had to face the same barriers such as the slow and complex bureaucratic system, the cultural differences in the way of doing business, competition from the emerging countries and general environmental problems such as the quality of infrastructure and climate differences. However they both managed to deal with those issues by making adaptations in their strategies and developing strong and long lasting relationships with the different actors within the network and finally established successfully.
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1. INTRODUCTION

1.1 BACKGROUND

The Swedish global firms Scania and Volvo are the world leaders of trucks manufacturers with operations in Europe, Latin America, Africa and Australia. After getting established in Morocco and Tunisia, they targeted the Algerian market and qualified it as a potential market and an essential place for their marketing policy and business strategy in North Africa.

According to Jan Johanson and Associates (*Internationalization, relationships and networks*, 1994), the establishment process is defined as developing relationships that are new to the establishing firm and to other actors with whom it interacts in the new market. Nowadays companies are more and more internationalized thanks to the evolution of information technology, the reduction of some barriers such as tariffs on trade and import quotas that are regulated by the help of international institutions such as the World Trade Organization. As Scania and Volvo are famous Swedish multinational corporations that succeeded within their establishment process in the world market, we wanted to study how they succeeded in this specific region of North Africa which is from a cultural, economic, political and general environment point of view very different from the Westernized world.

After analysing the different case studies of the establishment process of Swedish companies in emerging countries and under-developed countries such as Poland, Mexico, Kenya (Desalegn Abraha, 1994, 1997, 2002, 2006) we could observe three different steps: Exportation, Collaboration and Establishments. The first step is to export their products by appointing an agent who is generally their main customer, and which is often the best or even the only way to penetrate the concerned market. When the agents were not able to cope with new developments in the market, they end the contracts to establish their own sales company. In most of the cases, companies chose to produce part of the product locally because of import restrictions and government regulations. In some cases companies established a joint-venture or collaboration with a state-owned company, or a local company and finally got established. Indeed, “Swedish firms often develop their international operations in small steps, rather than by making foreign production investments on single occasions. Typically, firms start exporting to a country via an
agent, later establish a sales subsidiary, and eventually, in some cases, begin production in their host country”. (Johanson and Associates, 1994, p51)

Emerging countries are usually characterized by a strong state intervention within the market. Therefore companies experienced difficulties by implementing their strategy and had to adapt it, even sometimes change it to the local market and develop good relationship with the government, in order to get more flexibility and penetrate smoothly the market. Moreover, they developed a supporting strategy with their customers. Indeed, those countries usually didn’t have the adequate technology, therefore they had to train the local labour skills and provide them with advanced technology.

Finally, we want to stress that one of the key success factor of this establishment is the collaboration with a local company, as they know and can understand better the needs and demand of their own market.

Firms have variety of choices between exportations and investments, so we will try to explain the strategic choices. Companies engage themselves to international business to strengthen their structure and their position on a domestic market against their competitors, internal and external structures, and to find another way to become more profitable with new resources:

- To expand their sales
- To acquire resources
- To diversify sources of sales and supplies
- To minimize competitive risk”

Source: Daniels and Radebaugh, 2001.

The reasons for internationalization are determined; often firms have to make strategic choices when they begin to operate in an International business and to start a settlement in an emerging market as Algeria.
1.2. PROBLEM DISCUSSION

The research problem deals with how a multinational firm penetrates a new market, how they develop business relationships with local actors, and how they deal with cultural, economic, political and general environment differences. Indeed, Scania and Volvo have to take into account different factors such as: political, economic, environmental and cultural aspects. Companies have to assess various points and details that compose a market, the culture and the society being the main points. Moreover, their behaviour could avoid some conflicts and problems: a company can not become profitable on a market if it does not understand the way it functions.

This problem can enhance one main question:

- How Volvo and Scania establish themselves and develop a position in the Algerian market?

Moreover, we will examine the following sub-questions:

- Who are the main actors that the firms developed relationships with?
- What are the main problems encountered and how did they deal with?
- What are the main opportunities that the Algerian market offers?
- What are the most critical resources in the Algerian market?

1.3 PURPOSE OF THE RESEARCH

The purpose of our study is to understand the strategic business choice of those companies and what makes the difference with other European companies. In that case, for example Scania is competing with Renault, a French company in the North African market, so we will underline the competition and the different strategies adopted on this market. Therefore, in order to reach our objective, we will apply the model of establishment process to this specific market and then make a clear analysis of it.
1.4 LIMITATIONS

We will focus our study on the establishment of two Swedish companies in the automotive industry, Scania a manufacturer of trucks and buses and Volvo a manufacturer of cars and motors, in one country: Algeria. In addition, our research will be based on the truck industry for both companies, as it represents for Volvo and Scania the largest market share in North Africa. In order to be able to conduct this study, the model of establishment processes developed by Desalegn Abraha (1994, 1997, 2002, 2005 and 2006) will be used as a conceptual framework to describe and analyse the establishment process of Volvo and Scania in Algeria.

2. METHODOLOGY

In this part we will discuss the different types of methodology available for the researchers as well as the method chosen in order to carry out this study.

2.1 RESEARCH STRATEGY

According to Ghauri and Gronhaug (2002), there are three main classes of research design: Exploratory research, Descriptive Research and Causal Research.

Exploratory Research:

'The objective of exploratory research is to gather preliminary information that will help define problems and suggest hypotheses.' (Kotler et al. 2006, p.122) This strategy is usually used when the research problem has not been clearly defined. According to Ghauri and Gronhaug (2002), the key characteristic of it is flexibility and key skill requirements are ability to observe, get information, construct explanation and theorizing.

Descriptive Research:

'The objective of descriptive research is to describe things, such as the market potential for a product or the demographics and attitudes of consumers who buy the product.' (Kotler et al. 2006, p.122). When the problem is structured and well understood, this strategy can be used.
Researchers should elaborate questions, good measurements to get information and then make procedures on how they are going to conduct their interviews. Key characteristics of it are structure, precise rules, and procedures.

Causal Research:

'The objective of causal Research is to test hypotheses about cause-and-effect relationships. (Kotler et al. 2006, p.122). This research is used when the problem has been well understood, but at the same time the researcher faces “cause-and-effect” problems. Therefore, according to Ghauri and Gronhaug (2002), the researcher should isolate causes and tell whether and to what extent causes result in effects.

In this study, we mainly conducted a descriptive research as we were able to clearly define the problem from the starting but we used sometimes an exploratory research in order to confirm our initial problem definition.

2.2 RESEARCH METHOD

According to Ghauri and Gronhaug (2002, p13) during the research, there are two ways of establishing what is true or false and drawing conclusions: induction and deduction. Induction is based on empirical evidences while deduction is based on logic. The process of induction goes from observations to conclusions and therefore can’t be trust by 100%, whereas the process of deduction goes from logical reasoning to conclusions, and therefore doesn’t really need to be true but logical. What is important to understand is that by induction, facts acquired by observations lead researchers to theories and hypothesis while with deduction researchers accept or reject those theories and hypothesis and finally the acceptance or rejection help them to explain or predict. In this study, we mainly carried out an inductive study as we used the collected data to draw conclusions.
2.3 QUANTITATIVE AND QUALITATIVE METHODS

Depending on the objective of the research one can choose between a quantitative and a qualitative method or even combine both. The main difference between both is not only about statistical data but also about the procedure. Indeed the qualitative method is often focused on social process whereas the quantitative one is focused on social structures. However, researchers usually combine both as for example a quantified data requires an analysis, that is to say a qualitative method. In order to conduct a qualitative research, researchers should have the ability to think abstractly, step back and analyse situations critically, Ghauri and Gronhaug (2002, p85).

“Qualitative evidence uses words to describe situations, individuals, or circumstances surrounding a phenomenon, while quantitative evidence uses numbers usually in the form of counts or measurements to attempt to give precision to a set of observations”. (Remenyi, Williams, Money & Swartz, 1998)

In the light of that, our research will apply the qualitative method as the purpose of our study is to understand the process of establishment of a company.

2.4 DATA COLLECTION METHODS AND DATA SOURCES

According to Ghauri and Gronhaug (2002, p16), one can distinguish two types of data sources: primary data and secondary data. ‘Secondary data are information collected by others for purposes which can be different from ours and primary data are original data collected by us for the research problem at hand.’
Secondary data:
Different types are available in business research such as Internal sources that are information given by the company itself regarding their activities including information about their customers, employees, marketing plans or even their competitors, External sources that are information on the one hand published by others in books or journal articles and on the other hand found by commercial organizations or companies for the purpose of selling them.
Ghauri and Gronhaug (2002).
Different researchers (Bryman, 1989; Dale et al., Hakim, 1982, 2000; Robson, 2002) have generated a variety of classifications for secondary data. These classifications do not, however, capture the full variety of data. Therefore, Saunders, M., Lewis, P., Thornhill, A. (2006) built a model that distinguishes three main subgroups: documentary data, survey based data, and those compiles from multiple sources.

Figure 8.1: Types of Secondary Data
Primary data:

According to Gilbert A. Churchill, Jr. and Dawn Iacobucci (2005), when secondary data are not available or don’t help to answer the questions researchers have to collect them by themselves through observations, experiments, surveys and interviews. Depending on the kind of questions needed to be solved, this method is quite time consuming and difficult to be successful as researchers have to collect them directly from the involved people.

![Diagram of Primary Data Sources](image)

Figure 7.2 Sources of primary data
Source: Ghauri and Gronhaug (2002).

During our research, we used a combination of primary data and secondary data: Indeed we first researched secondary data but because only few of them were found, primary data were used as well in our study.

2.5 RELIABILITY AND VALIDITY

Because of the large amount of information that people receive thanks to the development of technology, researchers should be careful with the collection of data and in order to carry out a successful empirical research, researchers should assess and measure the reliability and then the validity of their sources. Indeed “the quality of the information is highly dependent on the
measurement procedures used in the gathering of the data’ Ghauri and Gronhaug (2002, p63). The assessment will involve looking at who were responsible for collecting the information and examining the context in which the data were collected. From this, researchers should gain some feeling regarding the likelihood of potential errors.

According to the literature, an important method of ensuring that the collected data is valid and reliable is to use “triangulation”. ‘In business and management research, this term refers to obtaining data from multiple sources to ensure that a biased view is not being obtained from one informant’. The purpose of triangulation is to attempt to find other suppliers of information that will support the initial view. (Remenyi, Williams, Money & Swartz, 1998)

In this case, we can assert the reliability and the validity of our data as they were gathered directly from the two firms, Volvo and Scania, through their official websites, mail and phone interviews and answers from questionnaires that we made.

2.6 THE RESEARCH PROCESS

First of all, we gathered information concerning the companies through their official websites and then we tried to find some interesting contacts in order to get the adequate information.

Indeed, the head office of Volvo referred us to the responsible person of Volvo in North Africa: Mr Georges Haidar, Market Manager in North Africa and Middle East. Concerning Scania, we first contacted Mr. Nicolsen from Scania’s public relations department that referred us to Mr Kamel Jellit, Responsible of North-Africa MAVIA, their local agent. After contacting them by e-mail and phone, at the head quarter of the companies and directly to Algeria, we formulated questions that were sent by e-mail. We also analyzed other cases studies of establishment processes of companies in emerging countries in order to confirm our findings such as *Ikea’s Establishment Processes in the Chinese Market*, (Le Saulnier de Saint Jouan, 2006 and Mr Abraha Desalegn’s thesis and articles: i.e. References). Moreover, we nurtured our research by secondary data collection, such as articles found on internet.

Finally, concerning the Algerian Market we gathered information from their embassy in Sweden as well as from economic literature and newspapers articles.
3. THEORETICAL FRAMEWORK

In this part we will present the theoretical framework applied to this study. Moreover, this section emphasizes the model chosen in order to carry out our study which is: the establishment process in industrial network.

3.1 BACKGROUND TO THE APPLIED MODEL

Considering the network approach, the establishment process can be facilitated through interactions among different actors operating within a specific network. According to Ford, a network is an organization which is neither a company nor a market but “a structure in between”.

The interaction approach studies three basic types of variables (actors, activities and resources) forming structures that can be described as networks. Indeed, the different variables in this model are closely related to each other and work simultaneously.

![Figure 3.1 Basic structure of industrial networks. Source: Hakansson and Johanson (1987, p154)](image)

These three networks are bound together by forces, in term of which the total network can be analyzed according to these following points (Ford 2001):

- Functional interdependence: How actors, activities and resources are related to each other?
- Power structure: Which actors control the critical activities and the critical resources?
- Knowledge structure: Which actors have the knowledge and experience to manage activities or use the resources?
Intertemporal dependence: What could be the impact of changes on the investment in relationship, knowledge and routine within the total network?

In industrial networks, relationships are described as stable and changing at the same time because of the unstable environment that a company has to deal with. As a result, changes involve adaptations and mutual trust within the relationship. Moreover, several types of adaptations can be performed. These adaptations are directly linked to the way industrial activities are performed and the attitudes and views of the actors (Abrahà & Hyder, 1997). A significant quality of the relationships that develop between business organizations in a network is that they function like bonds (Hallen & Johanson, 1989; Hammarkvist et al., 1982). Finally, the business network approach is innovative and according to the literature is criticized. Indeed, this approach provides different aspects rather than a more general point of view of the industrial network. (Ford 2001, p137).

Degree of internationalisation of the market

The Network Approach implies that the firm’s progress and route towards internationalisation is, to an important extent, dependant on its current network positions. Furthermore, the internationalisation of both the firm and the market influence the development of the internationalisation process of the firm. Thus, one can postulate that a firm’s market assets have a different structure if the firm is highly internationalised than if it is not. A highly internationalised firm has positions in many different countries and can use this position in its domestic has much more limited possibilities it use this position international expansion. But equally important, the market assets of the other firms in the network have a different structure if the network is highly internationalised than if it is not. (Johansson and Associates 1994, p197).

These two factors provide the basis for distinguishing between four internationalisation situations, which Johanson and Mattsson (1988) describe in some detail.
The authors characterize each situation in terms of the extension, penetration and integration aspects of the company’s internationalisation and discuss, for each case, the company’s likely problems and possible actions. The internationalisation dimension is somewhat loosely premised in the discussion. It could be interpreted as entry to a specific new market or as a characterisation of the whole production net. According to the network approach, foreign market entry is best defined as the whole process by which firms enter foreign markets over long time periods and not just the characteristics of the entry decision and modes of entry. The network approach focuses on the character and number of the business relationships developed with the other firms in the country market as well as with the actors that are active in the development of those relationships. Correspondingly, the way in which existing relationships in the domestic and in third markets, as well as those in the entry market, are utilized in the entry process becomes an important issue for research. It can also be assumed that, because of the cumulative nature of network processes, the sequential order of entry activities is important in research terms.

Source: Johanson and Associates (1994)

3.2 THE APPLIED MODEL OF THE ESTABLISHMENT PROCESS

As argued by Johanson and Vahlne (2003), business relationships are emphasized in a first part to develop in a second part a discussion about the mode of foreign market entry and expansion. Business relationships should focus on some considerable actors: customers, suppliers, intermediaries and local authorities. The relationships are interconnected; an evolution on one
relationship can have a positive or negative impact on others. Interdependence among actors is
the best relational situation, but only when there is a mutual relation or commitment and also
mutual exchanges on learning. The model of establishment process developed by Abraha (1994,
1997, 2002 and 2006) give us the opportunity to understand the establishment process of firms
in less structured and developed markets. Therefore, the model of establishment process
(Abraha 2006) is adopted in this study. As mentioned in the model “degree of
internationalisation of the market” in figure 1, the establishment process of a company operates

1. The historical development of the establishment process
2. The identification and the discussion of the focal relationship and its development
3. The supporting relationships is built-up so that the focal relationship will function
   properly
4. The general or the macro-environment within which the establishment process takes
   place

The four variables of the model mentioned above will be discussed hereafter.
3.2.1 The Historical Development of the Establishment Process

The first variable represents the real picture of an establishment process in historical stages. The historical development is a description of all the involved actors, activities performed by these actors and the different problems that took place during the establishment process. As regard of the availability and access to resources, actors and industrial activities, the establishing firm has to make a judgement, to determinate if there is a potential market. The sequential access and availability to: resources, actors and industrial activities are already played. According to Abraha (1994, 2002, 2006) the focus should be made on actors involved, availability of resources and the initiation and development of an establishment process. First, all actors that
participates in the establishment process must be identified, and especially the main or focal customer. Second, the reason and main event that took place during the firm’s establishment process will be discussed.

3.2.2 The Focal Relationship

The focal relationships mentioned in terms of constancy and strengths indicate the interconnection between suppliers and the focal customer (FC). The focal relationship will be discussed historically at the really beginning that is to say at the initiation stage. It also deals with the identification of resources that are exchanged between the establishing firm and its main customers. In the same way, an analysis of the availability and unavailability of those resources in the market must be put in done. A special attention will be put on the resources exchanged between the actors (Abraha, 1994, 2002, 2006). Resource exchanges are categorized under products, services, human and financial resources. In addition, firms should mutually make some adaptations (technical, financial, organizational, logistical, social, and economic) in order to strengthen their relationships. Finally, the various adaptations that appeared in the focal relationship will be analyzed and the different bonds (technical, knowledge, time, economic and legal) that are developed as a result of exchanges of resources and adaptations will be identified.

3.2.3 The Supporting Relationships

This part deals with the other actors supporting and surrounding the focal relationship functions. At the time of entry, the establishing firms often have to develop supporting relationships because they may not exist in the local market. Other actors may also to ensure that the focal relationship functions properly. Evidence suggests that the establishing firms often have to build these supporting relationships (Abraha 1994, 2002, 2006) because a well-developed network of industrial actors’ is unlikely to exist in the local market at the time of entry. Thus, the government institution, agent and complementary supplier are considered to be supporting relationships. Relevant theory defined this relation as the ability of one party to give an answer at the issue or doubt of another party. We will analyze the supporting relationship from four situations: the need of building these relationships, how these relationships were
handled, the impact of those relationships on the focal relationships and prerequisites for establishing and managing these relationships (Abraha, 1994, 2002, 2006).

3.2.4 The General Environment

In this part, issues such as the availability of qualified manpower, financial institutions, government rules, regulations and policies, political factors, infrastructure, conditions and culture are considered. It is observed that, at the different stages of the model, all relationships evolution and development, establishment in a market, executed operations and in another degree the building up of an industrial network depend on the whole environment. For each market the general environment will be examined and all changes that are primordial in each situation will be determined and analyzed.

The establishment model developed by Abraha (1994, 1997, 2002, and 2006) will be applied in this study in order to formulate the research problem, present empirical finding regarding the cases of Volvo and Scania in Algeria and draw conclusions. Finally, in order to organize the collected information we will use the four variables of the establishment process.

4. THE GENERAL ENVIRONMENT OF THE ALGERIAN MARKET

In this part general information about Algerian geography, population, history, culture, politics, economy, legislation and institutions will be presented in order to understand the opportunities and threats of an establishment in the Algerian market and to help us analyse the empirical findings and draw conclusions.

Map of Algeria
General information

Algeria is the largest country in North Africa and the second largest in the continent. It has an area of 2,381,740 km², 11th of the world. Algeria is an Arabic and Islamic country with a strategic geographical situation in the Maghreb, bordering Tunisia in the northeast, Libya in the east, Niger in the southeast, Mali and Mauritania in the southwest, Morocco in the northwest and Mediterranean sea in the north. (http://en.wikipedia.org/wiki/Algeria)

4.1 History and Culture

During its history Algeria was occupied many times by different nations. The history of Algeria highlights a contact between different people, habits and cultures. This country became a crossroad of civilizations since its existence. Berbers are the first inhabitants of Algeria, who still represent a minority. The other civilizations which were present in Algeria during a certain period were: the Phoenicians and the Romans, but the most cultural impact and influence on Algeria were the Arab invasion during the 8th century. In 1492 moors and Jews were expelled
from Spain and settled in Algeria. Between 1518 and 1830 Algeria was a province of Ottoman empire. In fact in 1830 Algeria became a French territory and a French department attached to France. During this period, political and economic powers were mainly held by the minority of white settlers, and the indigenous Moslem minority did not have equal rights. In 1962 Algeria became an independent nation after a war of independence between 1954 and 1962. In addition, it is important to underline the complexity of relations between Algeria and France, i.e., two essential economic counterparties. Due to the independence war, the economic, cultural and politic exchanges are nowadays affected by the difficulty to forget the past. (http://www.arab.de/arabinfo/algehis.htm)

From the 60’s, Algeria became a socialist state: the Democratic Popular Republic of Algeria. However, the country was driven by an authoritarian system, close to the communism, characterized by a strong state intervention, which was threatening the Algerian economic growth. Finally, from the 80’s a period of political and economic liberalization can be observed with the election of the President Chadli Bendjedid, and is continuing under the government of the President Abdelaziz Bouteflika. (Encarta Encyclopaedia)

4.2 Economy and Politics

This typical market was chosen because it symbolises a development, in all points of view. The Algerian market has become more and more attractive for multinational companies. Indeed with 5.8% of economic growth in 2007, and 8% in 2008, Algeria is in an economic boom. Therefore, the country develops its infrastructures and the different economic sectors. Algeria is one of the richest countries of the African continent. In fact it is the second economic power of the African continent (after South Africa), with a growth domestic product of 135 billions dollars in 2007. The Algerian currency is the: Algerian Dinar (DZD), Algeria is an important exporter of natural gas and oil, indeed:

- For the natural gas, it is the 5th producer and the 4th exporter in the world.
- For the petroleum, it is the 13th producer and the 9th exporter in the world.

(http://en.wikipedia.org/wiki/Algeria)
To sum up, Algeria profits from those different natural resources; the country develops a production of Iron for the Southwest and a production of gold, uranium and zinc which are based on the south, with the presence of considerable means of production.
In addition, with those opportunities of productions and positives points, the country became an essential actor of the world market. However, it is important to specify that natural gas and oil are the main sources of incomes for Algeria. The vestiges of thirty years of the communist system are still present on the economy, with the closure of the market, non-liberalization, difficulties with authorities, and difficulties of investments.
Hydrocarbons are really important to maintain the stability of the Algerian economy, but some evolutions are put in place such as reforms for the agriculture sector and the modernization of industries. The economic situation enables Algeria to launch various projects: on the infrastructures, roads (the biggest highway is going to cross Algeria by connecting Morocco and Tunisia), telecommunications, transport: - airports; modernization (Algiers and building of news airports). (http://en.wikipedia.org/wiki/Algeria)

The political situation in Algeria is characterized by a democratic system, indeed it is a republican country based on a constitution. There are also more than 40 political parties, but the most powerful one in the parliament is the FLN (front de liberation national). Due to a communist era in Algeria during 30 years, the FLN was a single party in the political landscape. To conclude, Algeria represents a key issue for the stability and the political activities of the Mediterranean countries: Therefore the link between France and Algeria will be developed in order to create a Mediterranean union on the initiative of the French president Nicolas Sarkozy. (http://en.wikipedia.org/wiki/Algeria)
Population

**Evolution of Algerian population**

The Algerian population was 33,333,216 in 2007. The graphic which represents the evolution of the Algerian population shows a regular increase since 1970 with a population birth rate of 1.22% due to the Algerian way of life and standards (big families). Moreover, the Algerian society is young because of a great nasality rate; most of the Algerian population is between 15 to 64 years old (67.1%) (http://www.nationbynation.com/algeria/Population.html)

5. EMPIRICAL FINDINGS

5.1 Presentation of Volvo and Scania

5.1.1 Facts and figures

Volvo

Volvo is a Swedish company founded in 1924 that produces cars, trucks, buses, motors for marine and industrial use and components for the airline industry. Volvo Group customers are active in more than 180 countries worldwide, mainly in Europe, Asia and North America. (http://www.volvo.com/group/global/en-gb/volvo+group/). Group sales of products and services
are conducted through wholly owned and independent dealers. The global service network handles customer demand for spare parts and other services.

During 2007, the Group’s workforce rose to about 100,000 employees. The majority of employees are based in Sweden, France, Japan, the US, China, Brazil and South Korea. (http://www.volvo.com/group/global/en-gb/volvo+group/).

Scania

Scania is a leading Swedish manufacturer of heavy trucks and buses, industrial and marine engines that was founded in 1891. Since then, they built and delivered more than 1,000,000 trucks and buses for heavy transport work. (http://www.scania.com/about/scaniahistory/).

It is the World’s 3rd largest maker for heavy trucks and heavy bus that have operations in Europe, Latin America, Asia, Africa and Australia. Scania has about 130 wholly-owned companies operating in the international market. It hires more than 28'000 employees worldwide (24000 of them in Europe and 4000 of them in Latin America).

Up to 95% of Scania’s sales are realized abroad and 5% is realized in the domestic market. (http://www.scania.com/ir/Statistics/).

Scania has opened an assembly plant in 2003 in the south of Algeria (Oued-Smar) helped by a partnership with Mavia (Montage et Assemblage des Véhicules Industriels d’Algérie) which is part of the Othmani industrial group, and stop their assembling activity in 2005. (Source: Kamel Jellit, responsible of North Africa, MAVIA).

5.1.2 Global Strategy

When a company penetrates a foreign market it has to elaborate a strong global strategy in order to gain competitive advantages from its competitors. A company usually has the choice between implementing the traditional corporate strategy by producing and selling standardized products and services on the one hand, and adapting its corporate strategy to the new market by customizing the products on the other hand. (Christopher A. Bartlett, Sumantra Ghoshal, 1998).
According to Hollensen (1998), there are four different organisational structures:

- Multidomestic, meaning that adaptations are made according to the culture where it is operating.
- International, meaning that subsidiaries are dominated by the cultural background of the parent company.
- Multinational, meaning that subsidiaries make efforts to adapt to the specific country culture, only if they are forced to do so.
- Transnational/global, meaning that the company adapts to the culture abroad by itself voluntarily, when it is necessary.

In both cases, that is to say for VOLVO and SCANIA, their organisational structures can be qualified as International on the one hand, as companies keep their traditional corporate culture, and on the other hand transnational as they voluntarily adapt their products to the local market.

5.2 The Case of Volvo and Scania in Algeria

5.2.1 The Historical Development of Volvo and Scania Establishment in the Algerian market

The case of Volvo

VOLVO penetrated the Algerian market in August 2002 by appointing an agent: Altruck Company, a subsidiary of the group Hasnaoui and their exclusive distributor in Algeria. The agent represented at the same time their main customer. Two years after, the group had 20% of the truck market in Algeria and the following year their market share grew by 25%. Volvo’s products are produced in Göteborg. Indeed, in accordance with Volvo’s corporate strategy, the company prefers to import its products from Sweden, rather than producing them locally for the moment. Today, the company has at least 200 customers, a majority of private companies and some governmental (the biggest one bought 85 trucks) that purchase its products, that is to say trucks and after-sale services using 60 days credit as deferred payment. Altruck Company sold in 2007 506 trucks, as a result Volvo is now rated as the second European producer in the market. Altruck Company organized recently during three days in the city of Ghardaïa an exhaustive presentation of its new range of products, and particularly promoted its luxury
model: Volvo 6x4 FH 440 cv. (i.e. Appendix 1) Because of the rising demand of Volvo’s products, Altruck Company expects a sale of 700 trucks for the end of 2008.

Altruck Company has one site in the city of Rouiba that includes a head office, a marketing department, a sales department, a training area as well as a repairs-shop. Its objective for 2008 is to open another site in the city of Oran as well as a network of dealers all over the Algerian territory and more precisely in the south of Algeria, in the region of Hassi Messaoud.

One of the key elements of Volvo’s strategy in Algeria is its after sale services. Indeed the company provides a “Van” service: a possibility for truck drivers to contact a 24 hours available phone number in order to get an immediate breakdown service that covers all the territory in case of problems.

Volvo’s competitive advantage is based on the quality of its products. Therefore its objective doesn’t exceed the amount of 700 trucks production per year.

In addition, Volvo has just made a partnership with Cevital the biggest company of the Algerian food industry that is already a distributor for the Hyundai brand. Volvo appointed Cevital as an agent, due to the brand awareness of the Algerian company that will nurture Volvo’s brand image in Algeria and in order to develop its construction equipment branch as a new potential market for the final purpose of deepening its establishment.

The case of Scania

After entering the Tunisian market in 1988 and the success of the brand in this region, Scania took advantage of its experience to develop its market share in North Africa by penetrating the Algerian market in 2001 with the help of an agent. At that time the products were mainly imported from Sweden and Netherlands. It started by acquiring a 12% of the trucks market share in Algeria. Its main customer was a haulage company, Tonic Emballage that represented its largest contract: indeed Tonic Emballage ordered 150 trucks. After an increase by 16% of its sales between 2002 and 2003, Scania decided in 2003 to make a partnership with a local company: MAVIA (Montage et Assemblage de Véhicules Industriels d’Algérie) that is part of the Ohtmani Industrial Group, in order to open an assembly plant in the city of Oued Smar, close to the capital airport, with a capacity of production of 200 trucks per year at the starting, and the objective of doubling the production for the following year. It took the company one year to open its assembly plant because of some difficulties that it faced such as the 40 degree summer heat, language problems and earthquakes.
In 2005, because of the suppression of the tax of importation, Scania decided to stop the assembly plant and import directly the finished products. Indeed, the import of the products was more profitable for Scania, than producing them locally.

Scania has a competitive advantage regarding the characteristics of its products. Indeed, they consume less fuel, they are lighter, and have a long-life motor. The brand also emphasizes the respect of environment. In fact, Scania is a pioneer in the ecologic field as it is the first one to have opened a 100% ecologic production factory in Europe.

In addition, Scania advertises its brand through the traditional tools of communication such as newspapers, radio and television. Indeed, it takes advantage of the fact that the use of newspapers is more developed in Algeria than Tunisia. Moreover, it promotes its new range of products thanks to fairs and the international fair of cars organised in Algeria from 2006.

5.2.2 The focal Relationships

Volvo

The main customer of Volvo in Algeria is Altruck Company. Their relationship started at the time of the appointment of Altruck as its local agent in August 2002. According to our contact, Mr Georges Haidar, the Marketing Manager of Volvo in the Middle East and North Africa, the company developed a well-balanced relationship with its customer based on trust, reliability and commitments. However, they faced some difficulties within their relationship such as, time-consuming buying process, and delays in payments. Those difficulties were not really handled because of huge cultural differences, especially in the way of doing business. “It is difficult to take people word into account, many opportunists, and many promises but less achievement”, (Georges Haidar).

Volvo has a competitive advantage in comparison with new competitors such as Chinese brands, Fandi Motors or Sino Truck, that offer low prices in the market: indeed Volvo focuses not only on the quality of its products but on the quality of its services as well. As an example Volvo provides a 24 hour repair service for its customers in case of break-down in all the territory. Volvo’s customers are mainly private companies, but it also contracted with state-owned companies, such as construction, military and transport companies. Indeed, in order to
succeed in its establishment process in Algeria, Volvo had to develop strong relationships with government bodies that enabled them to answer to the state bids offers. In order to satisfy the local customers, Volvo made some adaptations in the characteristics of its products such as differences regarding the climate for example. Finally, Volvo’s rising demand from customers in Algeria is a direct result of the strong economic growth currently being experienced in the country, powered by changes in the price of oil.

Scania

In accordance with its corporate strategy Scania developed as well strong and close relationships with its main customers Tonic Emballage, providing not only the product itself but the services as well. Contrary to its new Chinese competitors that offer low prices in the Algerian market, Scania guarantees long-life products that respect the environment. Indeed, Scania made ecologic commitments in order to be competitive, by lowering the exhaust fumes of its products and the oil consumption of them. The company succeeded in decreasing them by 20% within two years. It even stopped using painting solvents for the cover of the trucks, replacing them by aqueous substances. Furthermore, Scania offered trainees for truck drivers to teach them how to reduce their oil consumption by 10 to 15% adopting technical behaviours. According to Anders Trapp, analyst of Swedish bank of investment, Enskilda Securities, this brand is a leader and has a competitive advantage comparing to its local competitors in the automotive industry. In fact, the environmental issue has been reflected for this company for many years. Finally, due to the brand awareness, the quality of its products compared to the new competitors, and the demand for high-quality trucks in the Algerian market, the bargaining power of the customers is not very high.

5.2.3 The Supporting Relationships

Volvo

As the labour skills were not strong enough in Algeria, Volvo had to train its agent to its own standards by sending experts from Sweden in order to provide the best services to its customers. As an example, a training area is included in Altruck Company site in the city of Rouiba in order to upgrade the local skills. The company also had to provide the agent advanced
technologies because the local equipments were old fashioned (even some of them are from the seventies). Special trainees were also given to managers in order to cope with cultural differences.

Scania

Scania also had to deal with the lack of the labour skills and advanced technologies by providing them trainees and new equipments in order to increase the productivity of its labour. When Scania opened its assembly plant in Algeria, the company used the Algerian financial services and even took advantage of subsidies offered by the Algerian government. Later, Scania and Volvo were both helped by government legislations, as the importation tax was decreased time by time until the suppression of it in 2005.

5.2.4 The Impact of the General Environment on the Network

In this part we will present the general environment impact on the firms’ establishment and their network development.

The process of expansion of Volvo and Scania in the Algerian market was not an easy task: indeed at the starting companies had to face the restrictive bureaucratic system that represented a barrier in the process of acquisition of the right to import goods to Algeria. Algerian authorities monitor carefully the entry of goods and persons on their territory. Volvo and Scania settled in 2001 and 2002 at a time of liberalization process in Algeria, initiated in order to suppress some old mechanisms after 30 years of communism. Protectionist regulations are still persistent due to the communist era (during the 70’s Houari Boumédiène laws of nationalisation and protection, lining-up to the soviet system). The suppression of the authorisation for every foreign settlement is one example of the liberalization process. Volvo and Scania had to be supported by the Swedish embassy to avoid the bureaucratic barriers.

Algeria signed 25 bilateral treaties (i.e.: appendix 2) with various countries such as: France, United-States and Sweden. Those bilateral treaties insure the equality of treatment among national and foreign investors: “foreign physical and legal person all shall receive fair treatment the same to that awarded to Algerian physical and legal persons with regards to their rights and
obligations in connection with the investment (...) physical and legal persons all receive the
same treatment, subject to the provisions, of the treaties concluded with the countries of which
there are nationals.” Investing in Algeria guide 2008: freedom of investment and equality of

Thanks to the bilateral agreement between Algeria and Sweden signed in February 2003, Scania
and Volvo’s investments were protected and guaranteed.

The weakness of the telecommunication infrastructure was a huge problem for Volvo and
Scania during their settlement; therefore they had to handle this important issue. Indeed there
are only three operators: Algeria telecom (AT) the public operator, and two private operators
Orastcom Algérie (OTA) and El Watania Télécoms Algérie (WTA). Hence, the prices of
communications were very high before the price fixation of the government. (Investing in

The poor quality of the roads in Algeria still represents a huge problem for the transports of
goods. MAVIA, the distributor of Scania in Algeria had to transport components from suppliers
to their assembly plant and because of the weakness of Algerian infrastructure; the delay of
delivery was often extended. However, thanks to the considerable infrastructural fitting-out
opened by the government since 2001, the transportation issue is being reduced little by little,
and will be handled in the future thanks to the construction of a new highway, the largest one of
Africa, that will connect the east region to the west one until the boarders of Morocco and
Tunisia for 1250 km.

Moreover Volvo and Scania had to face geographical differences, such as the climate that could
reach more than 40 degrees and acts of God as earthquakes. Finally, French competitors such as
Renault Trucks were privileged due to a common history: colonialism, which prevented both
Swedish companies from becoming number one in this market.
6. ANALYSIS OF THE EMPIRICAL DATA

In this part, we will analyse the establishment processes of Volvo and Scania in Algeria, by comparing the empirical findings to the theoretical framework of our study.

6.1 THE HISTORICAL DEVELOPMENT OF ESTABLISHMENT PROCESS

6.1.1 Actors

Scania and Volvo operate in Algeria through partnerships and local agents. We can notice similarities between Scania and Volvo concerning their market approach: both firm built relationships, at first with local agents to readily and easily understand the market and second with governments through the Swedish embassy to minimize bureaucratic and administration bottlenecks. Moreover, according to Kotler (2006), a rigorous initiative of international marketing contains several stages. It is necessary to determine at first if the firm wants to be present in a limited or vast number of countries, after that, choose the country of setting-up in analysing the attractiveness of the market, its risks, and the competitive advantage which they could have. Otherwise, companies have to carry out strong market studies from the very beginning, about the concerned market.

Scania and Volvo had to develop long-term relationships with local actors in order to build their network. In the case of Volvo the most important partner is Altruck Company and for SCANIA its local partner is MAVIA (Montage Assemblage de Véhicules industriels). Furthermore, companies have two different strategies, for Volvo Trucks, the corporate strategy is to be “a seller of transports solution” through its distributor, Altruck Company, whereas SCANIA preferred to open an assembly part in the local market and later sell its products through a large number of dealers spread in all the territory.

6.1.2 Initiation of the Establishment Process

After getting established and operated for several years in emerging countries such as in the Eastern Europe, Latin America and North Africa, Volvo and Scania took advantage of their knowledge and experience of those markets to penetrate the Algerian one. Indeed, they entered
in Algeria in 2001 for Scania and 2002 for Volvo, at a time of legislation reforms and liberalization that enabled them to perform a smooth establishment in this new market.

For both companies, Volvo and Scania, the initial stage consisted in importing their products to Algeria whether with the help of a local agent or a partnership. Indeed, Volvo appointed an agent that represented at the same time its main customer (Altruck Company) that was its unique distributor in Algeria, and Scania made a partnership with MAVIA.

Both companies first established around the capital, because of the quality of the infrastructure that was better than the other parts of the country. Indeed the west side of the country, from the Orani region to Algiers is more developed than the east side of it. Today, they are planning to extend their offices in the whole territory.

However, according to our contacts from both companies, the bureaucratic system is very slow and often complex in Algeria, and even sometimes a lack of professional conscious can be noticed. As a result, those facts slowed down the establishment process of Volvo and Scania in Algeria.

In order to handle those problems, Volvo and Scania first let their local agent deal with them and focused on a good relationship with key actors such as Algerian authorities that we will explain later in the focal relationship part.

Finally, according to Mr Georges Haidar, Market Manager in the Middle East and North Africa for Volvo, the banking system of Algeria was a barrier as well: in fact, the access to banking services is very slow and the government is trying to modernize it by improving the secure communications networks and introducing a wide array of modern means of payments in order to make the interbanking operations more fluid.

6.1.3 The availability of resources in the local market

Due to the decrease in the importation tax over the years until its total suppression, Volvo and Scania decided to import the finished products in order to reduce time and costs: the costs of importation and the delay of importation were lower than producing them locally. The Algerian labour was already skilled however Volvo and Scania had to send Swedish experts by providing them trainees in order to upgrade their skill level.

Concerning Scania, when their assembly plant was open, the company had to bring the technological competence and know-how to the local market and provide them advanced technologies and modern equipments as some of their machines dated from the seventies.
6.2 INITIATION AND DEVELOPMENT OF THE FOCAL RELATIONSHIPS

In order to succeed in their establishment process, companies have to develop strong relationship with local actors such as customers, suppliers, authorities and even sometimes competitors. Therefore, in the case of Volvo, the company tried to establish a relationship based on trust and commitments with its local agent: Altruck Company, that represents their customer as well as their distributor. Concerning Scania the same relationship was built with their local partner, Mavia. Both companies understood the importance of a good relationship with the government in order to penetrate the market smoothly.

However, according to Mr George Haidar, Volvo faced problems within their network: indeed they encountered problems of uncertainty and lack of commitments from their customers in some cases such as delay in payment.

Moreover, Volvo and Scania had to adapt their products for some customers in order to satisfy their demand and fulfil a long-lasting commercial relationship. In the case of Scania most adaptations are made for the body building of the trucks.

Due to the brand awareness of Scania and Volvo in the Algerian market, and due to the fact that they both provide long-lasting and high-quality products, the bargaining power of the customers is not very high. Indeed, other emerging countries penetrated the Algerian market with low-prices products but with a lower quality such as Chinese brands: Fandi Motors or Sino Truck. As the quality of the trucks is more important for the Algerian market, Volvo and Scania are not in direct competition with those brands.

However Scania and Volvo are in direct competition with each other, but Scania has a competitive advantage concerning the number of sales offices and after sale services offered in all the territory whereas Volvo is only located in one site and has only one distributor for the moment. Nevertheless, Volvo has a competitive advantage concerning its customers that include state-owned companies such as construction, military and transport companies.

6.3 THE SUPPORTING RELATIONSHIPS

In order to guarantee the commitments contracted with the customers, companies have to search for support from different actors of the network. Scania and Volvo, were supported by the
Algerian government in order to facilitate their trade within the market. Indeed, the government made regulations reforms such as the suppression of the import tax, and improved the bureaucratic process. In addition, bilateral treaties signed in 2003 (e.g. appendix 2) have been implemented between Sweden and Algeria in order to protect international investments. Moreover, both companies were also helped by their agent, to cope with bureaucratic and banking operations issues.

The promotion and advertisement of Scania and Volvo’s products have been strengthened through international fairs organized inside the local market, which enabled them to increase the number of their customers. Indeed Scania noticed an increase by 10% of the number of their customers from the 11th edition of the international cars fair in 2006 that took place in Algiers. As a result both companies were represented in the 12th edition of the fair in 2008 in order to reach their sales objective for the end of the year.

6.4 THE IMPACT OF THE GENERAL ENVIRONMENT ON THE NETWORKS

In order to handle the infrastructure problem, concerning the poor quality of the roads, the Algerian government is proceeding to rectifications with for example the construction of a new highway that will facilitate Volvo and Scania transports across the country. Concerning the telecommunication issue, as only 3 operators cover the territory and result in cooperative competition, the government regulated the system by implementing a law that fixes the price of their services. In addition, telecommunication equipments such as computers, and internet access were poor and less developed in Algeria, therefore Volvo and Scania brought their technical support and knowledge, in order to upgrade them and improve their data sharing especially between the different actors within their network that are international based (Brazil, Sweden, Netherlands…). Indeed, it is important for Volvo and Scania to treat their orders rapidly in order to satisfy their customers.

As we said before, Swedish companies are facing the competition of French firms such as Renault truck, which is the number one in this market, thanks to a common history and old commercial agreements between France and Algeria.
Indeed, if we consider the model developed by Johanson and Associates (1994), we can categorize Scania and Volvo as “International among others” as they are both highly internationalized and both established in a high internationalized market, whereas Renault entered the Algerian market as “the Lonely International”. In fact, the French brand has been trading with Algeria many years before the Swedish one did, as Algeria was a French territory for more than a hundred years.

In order to be competitive, Scania made strategic choices by emphasizing on the respect of the environment within its advertisement: Finally, cultural differences represented barriers for Volvo and Scania in Algeria. Indeed, according to Georges Haidar, Market Manager of Volvo in Middle East and North Africa, Algeria uses old ways of doing business and many opportunists are encountered. In order to handle this problem, Volvo proceeded by steps, and adapted its initial corporate strategy step by step to the local market. Regarding climate and geographical differences, companies had to cope with them, by adapting themselves during a certain period of time, and now are used to them as they have a very good knowledge of the region.

7. CONCLUSIONS

As a conclusion, we will give answers to the main problem of our study that was: How Volvo and Scania establish themselves and develop a position in the Algerian market?

This thesis highlights several steps that follow each other in the process of establishment. In fact, we point out three different levels of integration within the market: the development of the focal relationship, the supporting relationship and the handle of the environmental problems.
The two firms studied in our thesis Scania and Volvo, decided to establish in Algeria for the purpose of extending their market share in North Africa, as Algeria represents one of the most profitable market from a long term point of view, in this geographical area while taking advantage from their experience in Morocco and Tunisia. Both companies understood the opportunities that can be ceased in this market that is changing favourably from an economic and politic point of view. Indeed, as we have seen before, Scania and Volvo established themselves at a period of changes and liberalization in this market, such as the suppression of trade barriers little by little.

Difficulties

Scania and Volvo first faced cultural barriers due to the fact that there are huge differences between Scandinavia and North Africa. Indeed as we said before, differences are noticed in the way of doing business as an example, especially concerning the speed and the reliability of their business. In order to succeed in their establishment, those two firms had to take into account those differences from the very beginning by assessing the differences within the market and making adaptations within their traditional corporate strategy. Indeed, they had to deal with the old fashion local equipments for example that were slowing down their process of establishment by bringing their own facilities and knowledge, even though heavy investments were required.

Opportunities

Moreover, their processes of establishment have been facilitated through their focal and supporting relationships that are related to each other. Indeed local actors, such as their agent and the government, helped them to deal with bureaucratic and legislation problems. As a result, those relationships enabled them to understand better the concerned market and penetrate it smoothly.

To answer one of our sub-question in our problem discussion, Volvo and Scania understood that in order to succeed in their establishment, they had to develop tight and long lasting relationships with main actors such as Algerian customers, which is the focal relationship, government bodies, which is the supporting relationship, as well as suppliers, that is to say their
factories in Sweden and other countries. The objective was to draw a strong network with those actors and exchange with them the maximum of resources. However, they had to make adaptations within their relationships. Head Offices of Volvo and Scania in Sweden bring the know-how and financial help whereas the critical resources that is to say all the information about the evolution of the market is given by the different local actors. Moreover, that information is essential in order to fight against the competition in this high internationalized market.

Concerning the competition in the Algerian market, that represents a real threat, as it is growing by the years, Volvo and Scania competitive advantages are based on the quality of their products and services on the one hand, and their brand awareness and brand image on the other hand by favouring the ecologic issue within their production. Indeed they represent pioneer in the ecologic field in all the automotive industry: Scania is the first one to have opened a 100% ecologic production factory. This strategy enabled both companies to become leaders in the automotive industry around the world. In addition due to the fact that there is a demand for high-quality products, Volvo and Scania are not really threatened by those emerging competitors such as Chinese brands that offer low price products. Nevertheless, Volvo and Scania should be prepared for an eventual entry of competitors from emerging countries with quality products and lower prices due to their lower labour costs.

To conclude, Scania and Volvo have established in Algeria successfully, as they developed strong networks and tight relationships with main actors. Moreover, both companies are more and more involved in the development of their businesses in the Algerian market as they are both planning to enlarge the number of their local dealers and with their participation in local automotive fairs that resulted in an increase in the demand for their products and the growth of their turnover.
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d681bddd56896a671d.161.xml

Interviews

- **Georges Haidar**: VOLVO Marketing manager, Middle East and North Africa answers on the questions via email the 4th May and telephone on the 7th of May.  
  E-mail: georges.haidar@volvo.com  
  Telephone: +46 31 32 22 688

- **Mr. Nicolsen**: SCANIA public relations department, interview by telephone the 17th April.  
  Telephone number: +46 8 553 82677

- **Kamel Jellit**: Responsible of North-Africa MAVIA (Montage Assemblage Véhicule industriel) Groupe OTHMANI Algeria, interview the 10th May by telephone  
  Telephone number: +213 21 81 10 42
APPENDIX 1: Truck pictures

Volvo 6x4 FH 440 cv in Algeria

![Volvo 6x4 FH 440 cv in Algeria](image1.jpg)

Scania P124 GB 6x4 360 cv. in Algeria

![Scania P124 GB 6x4 360 cv. in Algeria](image2.jpg)
APPENDIX 2: BILATERAL TREATIES between Algeria and other countries

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>DATE OF SIGNATURE</th>
<th>DATE OF RATIFICATION</th>
<th>PERIOD OF VALIDITY</th>
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<td>10/07/2000</td>
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<td>11/13/2001</td>
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<td>10/10/2004</td>
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<td>06/11/2000</td>
<td>02/08/2003</td>
<td>10 years</td>
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<td>10/25/1998</td>
<td>04/07/2002</td>
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<td>07/23/2001</td>
<td>10 years</td>
</tr>
<tr>
<td>Niger</td>
<td>03/16/1998</td>
<td>12/27/1998</td>
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<td>Nigeria</td>
<td>01/14/2002</td>
<td>03/03/2003</td>
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</tr>
<tr>
<td>Country</td>
<td>Start Date</td>
<td>End Date</td>
<td>Duration</td>
</tr>
<tr>
<td>------------------------------</td>
<td>--------------</td>
<td>--------------</td>
<td>----------</td>
</tr>
<tr>
<td>Arab countries</td>
<td>10/07/1995</td>
<td>10/07/1995</td>
<td>05 years</td>
</tr>
<tr>
<td>Poland</td>
<td>09/15/2004</td>
<td>05/28/2005</td>
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</tr>
<tr>
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<td>10/24/1996</td>
<td>06/23/1997</td>
<td>10 years</td>
</tr>
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<td>02/20/2000</td>
<td>07/23/2001</td>
<td>10 years</td>
</tr>
<tr>
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<td>09/22/2000</td>
<td>04/07/2002</td>
<td>10 years</td>
</tr>
<tr>
<td>Roumania</td>
<td>06/28/1994</td>
<td>10/22/1994</td>
<td>10 years</td>
</tr>
<tr>
<td>Kingdom of Spain</td>
<td>12/23/1994</td>
<td>03/25/1995</td>
<td>10 years</td>
</tr>
<tr>
<td>Danemark</td>
<td>01/25/1999</td>
<td>12/30/2003</td>
<td>10 years</td>
</tr>
<tr>
<td>Jordan</td>
<td>08/01/1996</td>
<td>04/05/1997</td>
<td>10 years</td>
</tr>
<tr>
<td><strong>Kingdom of Sweden</strong></td>
<td><strong>02/15/2003</strong></td>
<td><strong>12/29/2004</strong></td>
<td><strong>20 years</strong></td>
</tr>
<tr>
<td>Sudan</td>
<td>10/24/2001</td>
<td>03/17/2003</td>
<td>10 years</td>
</tr>
<tr>
<td>Sultanat of Oman</td>
<td>04/09/2000</td>
<td>06/22/2002</td>
<td>10 years</td>
</tr>
<tr>
<td>Syria</td>
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<td>10 years</td>
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<td>Belgium-Luxembourg Economic Union</td>
<td>04/24/1991</td>
<td>10/05/1991</td>
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<td>Arab Maghreb Union</td>
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<td>10 years</td>
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<td>Yemen</td>
<td>11/25/1999</td>
<td>07/23/2001</td>
<td>10 years</td>
</tr>
</tbody>
</table>

**KPMG** professional services firms: Audit services, tax services, and advisory services

*Investing in Algeria guide 2008*

### APPENDIX 3: INTERVIEW QUESTIONS

#### INITIATION OF THE ESTABLISHMENT PROCESS

<table>
<thead>
<tr>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) When did you start to operate in Algeria?</td>
</tr>
<tr>
<td>2) Who took the initiative? (Your company? you? your customer? Or who else?)</td>
</tr>
<tr>
<td>3) In which form did you conduct your initial operations? (By export? An agent? Or a fully owned company?)</td>
</tr>
<tr>
<td>4) Did you have any problem in your operations? (please explain) How did you solve those problems? And what are the results?</td>
</tr>
<tr>
<td>5) Were you satisfied with your agent? If not why?</td>
</tr>
<tr>
<td>6) Who was your main customer during the agent operation?</td>
</tr>
<tr>
<td>7) Did you replace the agent with a fully owned company?</td>
</tr>
</tbody>
</table>

#### CUSTOMERS

<table>
<thead>
<tr>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>1) How did your market share and number of customer changed as a result?</td>
</tr>
<tr>
<td>2) Who are your main competitors?</td>
</tr>
<tr>
<td>3) What are their means of competition (price? Quality? Technology...) Please specify the market share of your competitors and yours.</td>
</tr>
<tr>
<td>4) Who is the market leader?</td>
</tr>
<tr>
<td>5) Who is your main customer?</td>
</tr>
<tr>
<td>6) How many important customers do you have? Please indicate their purchase volume.</td>
</tr>
<tr>
<td>7) Do you have local suppliers? Who are they and what do you buy from them?</td>
</tr>
<tr>
<td>8) What does the main customer buy from you?</td>
</tr>
<tr>
<td>9) How does your relationship with your main customer function? Who dominates? Who is stronger?</td>
</tr>
<tr>
<td>10) Do you have local distributors?</td>
</tr>
<tr>
<td>11) Do you borrow money from the local Algerian market?</td>
</tr>
<tr>
<td>12) Do you sell in credit or in cash your customer?</td>
</tr>
</tbody>
</table>
PRODUCTION/PRODUCTS

1) Do you carry out any local production? Or do you carry out any assembly? Or do you simply sell finished products?

2) Do you buy any material to be used in production from the local market?

3) Do you sell standard products or customer-adapted products in Algeria?

4) What kind of adaptation do you usually make?

5) What’s happening to your market share? Is it increasing or decreasing or remaining?

6) What about your number of customer? Is it increasing, decreasing or remaining constant time to time?

GOVERNMENT AUTHORITIES

1) Who are the main government authorities that you have relationship with Algeria? For what purpose?

2) Do they function properly or do you have any problems in government relationship? If problem, what type of problems and how do you solve them?

3) Do you face any cultural problem in Algeria? Please discuss briefly the problem?

4) Did you solve that problem and how did it affect your operation?

PROBLEMS

1) What are the main problems that you faced in your Algerian operations? How do those problems affect your operations? (Customer relationship or any other problem).

2) How did you solve those problems?

3) Are you satisfied with your Algerian market or not? And why?