Chinese Internationalization in Sweden

A Multiple Case Study of Greenworks Tools and Silex Microsystems

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Abstract

Background: Companies from developed economies have pursued various outward foreign direct investment strategies for as long as there has been trade. Research on the topic has been covering most available aspects of the phenomenon. In recent decades, however, firms from emerging economies have started to find their way to the international market, and the traditional theories of internationalization have appeared to be not as comprehensive as they were thought to be.

Purpose: This thesis will explore the internationalization of Chinese firms into Sweden. It will more specifically look at the internationalization, as well as the differences and the connection with Chinese parent companies.

Method: By using a qualitative method and an abductive approach, the empirical data for this thesis was collected and interpreted. In this multiple case study, semi-structured interviews were performed with three managers at two Chinese companies in Sweden.

Conclusion: Chinese internationalization into Sweden is influenced by both push factors, such as government subsidies, and pull factors, such as market knowledge and technology. However, the observed Chinese firms in Sweden have different connection with their parent companies but the level of involvement is equally limited. The findings in this paper suggests that this is linked to the ownership structure and the mode of entry.
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1. Introduction

In this introductory part, background information, a problem statement and a purpose will be presented in order to provide basic information on the aim of this thesis. Thereafter, the intended contributions, as well as the delimitations of this thesis are presented.

1.1 Background

Internationalization has become part of everyday business practices and information technology has opened up different markets around the world for large multinational enterprises (MNEs). A reduction in tariffs and import substituting industrialization have enabled companies to distribute their goods and services on a global market (Duysters, Jacob, Lemmens & Jintian, 2009). It has also enabled the MNEs to capture external value, such as highly skilled labor and scarce resources (Gubbi, Aulakh, Ray, Sarkar & Chittoor, 2009), as well as geographically bound competitive advantages. However, recent theories have suggested that instead of capturing external value, internationalization strategies are also used in order to cover geographically bound internal disadvantages (Liang, Lu & Wang, 2012).

As the world has become more connected, developing countries have seen a comprehensive inflow of foreign direct investment (FDI) from developed Western companies. The largest receiver of FDI from developed countries is the People’s Republic of China (henceforth ‘China’) (The World Bank, 2016). In 1979, when China implemented a market economy approach, they opened up for receiving significantly more FDI (Sauvant, McAllister & Maschek, 2010). This developed the market and lifted millions out of poverty (Montalvo & Ravallion, 2010) and have thenceforth established China as a large player in world economics, with the second highest GDP in the world (The World Bank, 2016). However, the GDP per capita in China is low, and therefore China is still classified as an emerging market (IMF, 2015). Nonetheless, according to the World Bank, China has received about 170 billion USD of FDI inflow in 2016 alone. Still, China’s share of net outflow has surpassed the net inflow of FDI and amounted to about 217 billion USD in 2016. China’s FDI outflow has its roots in strategies that promote globalization in order to capture technology and resources available outside the domestic borders (Gubbi et al., 2009; Sauvant et al., 2010; Xie & Amine, 2009). Interesting to add is that private firms in China have not been legally allowed...
to invest outside of China since after 2003, so before that, only companies owned by the state were allowed to perform outward foreign direct investment (OFDI) activities (Liang et al., 2012).

Hence, FDI flows are no longer solely moving from developed to developing countries but include more diverse directions of flows. Emerging economy firms (EEFs), expanding to developed economies (DEs), have created the need for new, or at least other, FDI strategies than what have regularly been used. Therefore, a demand has emerged to better understand how EEFs carry out their FDI operations in developed countries and how it is different from current strategies used by companies from developed countries. One major reason for EEFs to expand operations to developed countries and new markets is that most domestic markets for EEFs are represented by middle- and low-income takers as well as poor populations, at least in some countries. Moreover, the potential lack of technology and insufficient climate in terms of institutions are reasons for turning to more developed economies, where institutions are stronger and technology more accessible (Madhok & Keyhani, 2012). In addition to that, competition for Chinese firms in the domestic market has been increasingly difficult due to decreasing profits, resulting from lower tariffs and a barrier of foreign actors investing in competitors (Duysters et al., 2009).

1.2 Problem

Much research has been conducted on how FDI flows from developed to developing countries and the strategies that could or should be implemented. However, the research on FDI from developing to developed countries is not as well established, due to that it is a rather newly discovered phenomenon and most research has been conducted prior to that discovery (Gaur, Kumar & Singh, 2014; Madhok & Keyhani, 2012). Additionally, the strategic targets that EEFs intend to take advantage of in developed countries are different from targets in emerging economies (EEs) that developed economy firms (DEFs) have traditionally pursued (Madhok & Keyhani, 2012). Thus, this adds to the need for more research on the topic of internationalization by EEFs into developed markets.

This paper will focus on Chinese companies internationalizing to developed markets and will explore Chinese firms’ internationalization into Sweden. In 2016 Sweden had 14 111 foreign companies operating in the country. A foreign owned company is defined by having a voting
stock share of more than 50 percent and/or ownership by a foreign national of more than 50 percent. These 14,111 foreign companies employed 633,216 people, of which 79 percent worked in the service sector and 10 percent in the production sector. Companies from China accounted for 85 of these companies, which in turn employed 18,843 people (Statistics Sweden, 2017).

1.3 Purpose

This thesis will explore the internationalization of Chinese firms in Sweden. It will more specifically look at the internationalization, as well as the differences and the connection with Chinese parent companies.

1.4 Research Question

The research question that this thesis will try to answer is: “How do Chinese companies internationalize in Sweden?”.

1.5 Intended Outcome of the Study

The intention for this paper is to be useful for companies in developing countries that are interested in expanding their businesses to Sweden or other developed markets in similar environments.

1.6 Delimitation

As this paper focuses on the internationalization of Chinese firms into Sweden, internationalization into Sweden performed by companies from other countries that were later acquired by Chinese firms, are not relevant for this paper. Hence, only Chinese firms that internationalized directly into Sweden are of interest. First-hand accounts of this process are therefore essential. Furthermore, the paper will focus on EEF’s internationalization into DEs by looking at China and Sweden. However, other internationalization processes will be covered in order to give context and enable comparisons. Differences between DEs, in terms of receiving internationalization from EEFs, will not be covered in this paper, but rather Sweden will be used as a point of reference for DEs in general. Additionally, as mentioned above, for a company to be classified as foreign owned, the voting stock share or the
ownership has to be at least 50 percent owned by a foreign national. Hence, only more resource demanding FDI is relevant for the purpose of this thesis.

1.7 Abbreviations

DE = Developed Economy
DEF = Developed Economy Firm
EE = Emerging Economy
EEF = Emerging Economy Firm
FDI = Foreign Direct Investment
GAE = Global Access Electronics Ltd.
IJV = International Joint Venture
IMF = International Monetary Fund
LOE = Liability of Emergingness
LOF = Liability of Foreignness
M&A = Merger and Acquisitions
MEMS = Microelectromechanical Systems
MNE = Multinational Enterprise
OFDI = Outward Foreign Direct Investment
POE = Privately Owned Enterprise
R&D = Research and Development
RBV = Resource-Based View
SME = Small and Medium-sized Enterprise
SOE = State-Owned Enterprise
2. Frame of Reference

In this section, theories, models, and previous research are presented to provide a frame of reference, relevant for the topic of this thesis. Furthermore, it will provide a more in-depth understanding of the concept of internationalization, strategies of internationalization and how the phenomenon differs between companies in developed and developing countries.

2.1 Internationalization

As great political changes have developed, in terms of geopolitics and liberalization of economies, numerous new markets have become available to companies that are ready to seize the opportunities and expand their operations to these new markets (Pogrebnyakov & Maitland, 2011). Simultaneously, in these conditions, firms can no longer solely rely on their domestic markets as a source for profits or for maintaining a competitive position (Sauvant et al., 2010). Therefore, the consideration of accessing and internalizing resources of strategic importance are two of the main motivations for expanding internationally (Gubbi et al., 2009). Also, small and medium-sized enterprises (SMEs) are, to great extent, affected by the global economic changes, which therefore have provided great opportunities for growth (Dominguez & Mayrhofer, 2017).

The concept of internationalization refers to when firms go abroad and establish operations outside their home markets (Gubbi et al., 2009).

2.2 Theoretical Perspectives on Internationalization

2.2.1 OLI Framework

One of the most commonly accepted approaches to the question of why firms internationalize is the OLI framework, also called the eclectic paradigm, that focuses on three main areas of why firms internationalize. The framework suggests that companies seek to further capitalize on their ownership-specific advantages (O), to gain new advantages from the location (L), and to achieve an advantage from internalization (I) (Liang et al., 2012). The OLI framework has, however, recently been revised, in order to adapt to the changing economic environments of the world. As of now, the framework also includes factors such as business networks, as
well as strategic alliances. These adaptations have made the framework’s distance to the network part of internationalization, as explained by the Uppsala model, significantly reduced (Johanson & Vahlne, 2009).

2.2.2 Prerequisites for Internationalization

Before entering a new market, though, some theories suggest that managers need to acquire immense amounts of data, both in order to atone for a shortage of experience and know-how as well as to make the uncertainty level less substantial. There are mainly two types of knowledge that are important in terms of internationalization: market-specific and general business knowledge. Market-specific knowledge is solely attainable from experience of a particular market, which is the main difference from general business knowledge that can be obtained from any market. SMEs therefore have an apparent disadvantage, due to the size of the firm and the resource constraints that derive from it. Hence, business networks and the flow of reliable, fast information between different members of the network, could provide crucial information that supports strategies over great distances that would otherwise be difficult to engage (Xie & Amine, 2009). Additionally, traditional literature has put a great emphasis on the need to achieve a firm-specific advantage before entering new markets, in order to overcome the LOF (Madhok & Keyhani, 2012). Melitz (2003) is on the same track and argues that firms need to prove themselves in their domestic market, learning their strengths and weaknesses, before going abroad. Due to the costliness and irreversibility of internationalization, knowledge of the firm’s productivity is essential to survive in a global market (Li Sun, 2009).

2.2.3 Entry Modes

Licensing, exports and FDI are the main internationalization entry modes with which companies, often in stages, expand into new countries and markets (Gaur et al., 2014). A common approach to internationalization has been to start with entry modes that include low commitment of resources, such as licensing and exporting, and to later on move to modes with medium commitment of resources, e.g. international joint ventures (IJVs). Lastly, a high commitment of resources is the third step of internationalizing into a new market, where acquisitions or greenfield entries are common choices (Sauvant et al., 2010). To alter a company's internationalization strategy from solely dealing with exports to combining exports with FDI is a massive alteration that implies new challenges (Liang et al., 2012), and
is also costly. Hence, firms with larger amounts of resources at hand are more set up for that process. The resources that aid companies in going from exports to FDI are both firm-specific and institutional, jointly or individually (Gaur et al., 2014).

There are different theories on what entry modes that are most effective, where international joint ventures have been argued by some authors to be the best mode, due to its opportunity for mutual exchange of knowledge between the two parties, as well as the possibility to together discover new knowledge (Sauvant et al., 2010). The choice of acquiring a company in another country, on a new market, enables the firm to access all knowledge and assets of the targeted company, both tangible and intangible assets, such as relationships, know-how, brands, and expertise of the local market (Gubbi et al., 2009; Sauvant et al., 2010). On the other hand, for firms with a stronger presence and advantage on the international stage, acquisitions are more likely to have the intention of increasing efficiency and power. Such effects could be attained through obtaining economies of scale or getting rid of a potential competitor through an acquisition (Madhok & Keyhani, 2012). Acquisitions are however not solely positive. The integration of an acquisition is a costly process that can take long time, which makes it a challenge as well (Duysters et al., 2009). Also, mergers and acquisitions over national borders have, statistically, a high rate of failure (Sauvant et al., 2010). Overall though, both the entry modes of IJVs and acquisitions have increased dramatically in the last decades, which indicates their increased popularity (Johanson & Vahlne, 2009).

2.2.4 Institutional Theory

Pogrebnyakov and Maitland (2011) state that in the institutional theory there are three distinct pillars of institutional distance: the regulative, normative and cognitive pillars. First, the regulative pillar consists of the formal rules and practices within a country, such as laws and policies, that promote certain behavior. Second, the normative pillar consists of the shared values and norms within a society that can create an entry barrier for foreign firms, due to often being problematic for foreign companies to maintain legitimacy in a new market. Also, norms are seldom externalized, nor are they particularly available for outsiders. Third, the cognitive pillar consists of the shared beliefs and perceptions, or culture, which play a large role in the concept of institutional distance due to its role of deciding what is real and meaningful in a society. Institutional distance is the difference between two countries in terms of the three pillars and can be divided into national institutional distance and industry-
specific distance. National institutional distance describes the distance between different societies/markets, whereas industry specific institutional distance describes the concept at lower levels, e.g. within a specific industry. Institutional distance plays a large role in explaining organizational behavior and can, furthermore, be used to substitute the concepts of psychic and cultural distance. This is due to its resemblance to psychic distance, its scientific theory base and the fact that it has been fully tested. Also, the institutional distance theory is a fundamental factor that reflects the major aspects of the internationalization process, which makes it an effective and comprehensive approach. However, the decisions for a firm on how to internationalize may be more affected by firm-specific factors than by those of national regulations, e.g. by the need to become more efficient in managing a subsidiary network (Pogrebnyakov & Maitland, 2011).

Large institutional and cultural distances can lead to greater costs of adjustment (Madhok & Keyhani, 2012). To overcome such distances companies can either be pulled or pushed, which is highly related to the regulative institutional pillar. The push-factor could be when a company is subject to hard domestic regulations, that in some cases could be discriminating. Also, the Chinese government have, through its ‘Go Global’ campaign, encouraged large companies, owned by the state, to internationalize. This has led to even harder competition for smaller POEs that are starving for domestic resources essential for growing. Companies can, however, also be pulled into internationalization, e.g. by more friendly institutions in other markets, less corruption, better protection of property rights and more transparent and open capital markets. Moreover, the normative pillar could be described as a ‘quest for legitimacy’, where the ‘halo effect’ is achieved when new ventures associate themselves with high prestige individuals or establish operations close to similar companies, where Silicon Valley is an excellent example. It has been shown that achieving the halo effect increases the flow of resources towards new ventures. The cognitive pillar could be perceived as the right thing to do, where companies focusing on this pillar gravitate to markets with institutions close to the new ventures. This is done instead of adapting to the new institutions, regardless of internal institutions as described in the normative pillar (Yamakawa et al., 2008).

2.2.5 Uppsala Model

Another model that explains the process of internationalization is the Uppsala model, which describes the relationship between mainly two kinds of variables: change variables, i.e.
current activities and commitment decision; and state variables, i.e. market commitment and market knowledge. The Uppsala model therefore suggests that internationalization is a process that occurs in stages. Initially, firms start their internationalization in countries where the psychic distance is smaller, and there are predominantly similarities in institutional factors. When experience of the new market increases, psychic distance declines, and the amount of equity in the subsidiary is increased. Firms would therefore gradually internationalize towards countries with larger psychic distance, since experience of international venturing is greater. This process originates in the concept of the LOF, where it is suggested that a foreign investor needs to have a firm-specific advantage to overcome the LOF. Important to add, however, is that the Uppsala model only suggests that internationalization will continue for as long as results of performance and the prospects are favorable. Also, it is suggested that the model is more applicable for SMEs, as large companies are relatively more resolved to gather as much information as possible before internationalizing (Johanson & Vahlne, 2009).

Nonetheless, Johanson and Vahlne (2009) have revised their original model from 1977 and added that internationalization requires mutual commitment between companies and their counterparts, due to the great amount of research that have concluded the importance of relationships. Lasting relationships are developed through the social exchange activities that, interactively and in sequences, are performed by the involved companies. On the other hand, to build relationships becomes harder, the larger the psychic distance is, ceteris paribus. In the original Uppsala model, knowledge is emphasized as a significant factor of the internationalization process, but more specifically the kind of knowledge that is learned from experience. The model still suggests that such knowledge is imperative. However, the accumulation of knowledge could also derive from networks and is, thus, not only internally created. Networks can increase the amount of available knowledge drastically through learning via partners, who in their turn have other networks and partners that will increase their knowledge. Hence, a chain of knowledge is created that otherwise would be unreachable for a single firm. Here, the concept of psychic distance is again in effect, impacting learning directly or indirectly, as well as the process of building relationships and trust. Additionally, without well-established networks in a targeted market, the liabilities of foreignness as well as outsidership will have greater impact on the firm when entering the new market. These liabilities make it harder for the firm to get involved in well-functioning networks, which thus make it harder to get established in the market. Also, knowledge achieved from networks
helps the company to have a greater variation of knowledge, both experience- and network-based, which should influence the development of the company positively. Knowledge can, on the other hand, be substituted with trust. If a company lack the required knowledge to enter a market, it can assign the management of the operations to a trusted counterpart in that country. Trust between business partners also enables the parties to detect and exploit opportunities as well as to build knowledge together (Johanson & Vahlne, 2009).

2.2.6 Born Global

While the Uppsala model explains a more traditional way of internationalization, in recent years, the concept ‘born global’ has increased in popularity (Dominguez & Mayrhofer, 2017). The concept suggests that companies that are born global often skip the process of establishing a strong domestic presence or achieving extensive knowledge about the foreign market before internationalizing. Expanding operations abroad is no longer a linear process, but can be performed in new, quick ways that cannot entirely be explained by traditional theories. Companies can pursue competitive advantages from creation, by taking control of resources and assets, as well as getting market shares in more available markets in foreign locations. This enables the company to grow larger, at a higher pace (Dominguez & Mayrhofer, 2017; Oviatt & McDougall, 2005). Even without prior experience of any other market, SMEs can internationalize successfully in a fast and effective way in both emerging and mature economies. They can also use different kinds of entry modes, including resource demanding modes such as IJVs or acquisitions (Dominguez & Mayrhofer, 2017). However, FDI is not required in order to be classified as a born global. Value added is what is relevant, rather than assets owned. What really sets the born globals apart from more traditional companies is that they from origin are international. They often demonstrate this by committing great amounts of resources, such as time, material, financing, and people, in several nations simultaneously. Additionally, for SMEs with a low amount of resources, unique assets with high value could be sufficient to start internationalizing (Oviatt & McDougall, 2005). The Uppsala model can, however, still be applied to more traditional companies in many industries. High tech industries, on the other hand, more often become born globals (Dominguez & Mayrhofer, 2017). As a response to the increased popularity of the born global theory, Johanson and Vahlne (2009) argue that born globals are really born regionals, since they tend not to span the globe in any significant fashion. Also, they state that there is nothing in their model that contradicts that internationalization can be done quickly,
as long as the allocated time for building relationships and gaining experience is sufficient (Johanson & Vahlne, 2009). The ‘LLL’ framework gives an explanation on why new ventures are able to overcome their lack of existing firm-specific advantages, as they are “able to use resource ‘linkage, leverage, and learning’ to close the gap with the incumbents and to win a position in global markets” (Sauvant et al., 2010, p.177; Li Sun, 2009).

2.2.7 Resource-Based View

Furthermore, the resource-based view (RBV) is a commonly used model, applied as a theory for internationalization. The RBV argues that strategies chosen by companies are, or at least should be, based on the resources they currently possess (Mahoney & Pandian, 1992). Resources are often seen as bundles, by the RBV, that are combined and utilized for the purpose of creating value for the company (Gubbi et al., 2009). Assets that are regularly involved in the RBV are organizational capital resources, human capital resources and physical capital resources (Xie & Amine, 2009). Mahoney and Pandian (1992) have similar examples of relevant assets for the RBV, where they name labor, capital, equipment and land, to mention a few. Other resources could be managerial skills, technical know-how, and the strategic ability to maximize human efforts and evaluate the firm’s weaknesses, strengths, and resource position. They also argue that almost anything can be classified as a resource, with a proper motivation (Mahoney & Pandian, 1992). Scientific knowledge, brand names and technology are other resources that are relevant in the RBV (Wang et al., 2012).

Moreover, the fundamentals of the RBV are that firms can capture a competitive advantage by simply having firm-specific resources that are inimitable and valuable as well as hard to transfer or reproduce (Mahoney & Pandian, 1992; Wang et al., 2012; Xie & Amine, 2009). Also, the ultimate growth of a firm, in terms of the RBV, occurs when the balance between exploiting existing resources and developing new ones is in an optimal position (Mahoney & Pandian, 1992). In terms of internationalization, the RBV is relevant as it explains when firms are ready to internationalize, and also it is extended by the ability of firms to learn quickly in new environments, which could be classified as an important resource for a firm that is internationalizing (Gubbi et al., 2009). In addition to that, Wang et al. (2012) states that already possessed resources can be deployed in new markets, which should improve their internal value, as well as help balancing the risks of internationalization. They also argue that
many of the approaches taken by firms for OFDI derive from the RBV, such as exploitation of resources, searching for new assets, and sourcing knowledge (Wang et al., 2012).

2.3 Internationalization Strategies

In order to increase revenue and profits, as well as market share and assets, companies perform outward foreign direct investment (OFDI) (Sauvant et al., 2010). Managers play a key role in the process of OFDI. However, managers are strongly influenced by their individual compensation. Hence, it is important that the company's goals are aligned with the managers', in order to decrease any potential contradictions. It is also argued that managers with high equity and equity payments are more likely to pursue internationalization. This decreases managers’ short-term orientation, due to their stake in the company and that it would be in their interest for the company to engage in a long run growth strategy. Additionally, a strong product market increases OFDI since it creates a stable foundation before venturing abroad. Particularly, increased efficiency in production, resulting in economies of scale in domestic production, is desirable to achieve before conducting OFDI. The institutional environment also affects the amount of OFDI conducted, where companies in countries with strong institutions conduct more OFDI than companies in countries with less developed institutional systems (Liu, Lu & Chizema, 2014). Even though the environment of the targeted nation is of utmost importance, individuals of a firm can have a greater effect on the internationalization strategies than the target countries’ institutional circumstances (Pogrebnyakov & Maitland, 2011).

2.3.1 Differences in Internationalization of DEFs and EEFs

Internationalization is not only performed by certain companies in certain countries but is a more commonly used strategy for all kinds of firms, including SMEs. The reasons for a company to internationalize depend largely on what industry and what country the firm originates from - if the country is a developed or a developing country. Some research suggests that there are substantial differences in the motives for internationalization, with regard to the development of the economy where the firm operates (e.g. Gaur et al. 2014; Li Sun 2009; Madhok & Keyhani, 2012; Ramasamy, Yeung & Laforet, 2012; Xie & Amine, 2009; Yamakawa, Peng & Deeds, 2008). On the other hand, there is research claiming that there are significant similarities as well, and that existing theories are applicable for EEFs (Li Sun 2009; Sauvant et al., 2010).
Like DEFs, EEFs have the same need for accessing new markets, technology, and natural resources, as well as know-how and other intangible assets, such as distribution channels and skilled labor (Sauvant et al., 2010). On the other hand, DEFs do rather internationalize with the intention of decreasing production costs, while companies from developing countries already have low production costs. EEFs are therefore internationalizing to achieve a more competitive position in both their domestic market, as well as in the global market (Li Sun, 2009; Madhok & Keyhani, 2012; Ramasamy et al., 2012). Also, EEFs appear to pursue different paths of internationalizations, in terms of the means, scope and speed of the process (Madhok & Keyhani, 2012). Furthermore, DEFs’ strategies of internationalization differ from those of EEFs in that while DEFs often try to exploit assets, EEFs emphasize seeking and augmenting assets in their internationalization strategies (Gaur et al., 2014). EEFs focus more on seeking and entering new markets for more defensive reasons (Voss, Buckley & Cross, 2010). Another implication is that EEFs tend to internationalize to avoid domestic disadvantages, rather than to achieve advantages from abroad (Liang et al., 2012; Madhok & Keyhani, 2012), which Duysters et al. (2009) agrees with as well, arguing that going abroad is necessary for firms in order to be diversified in their domestic markets. Additionally, when companies from emerging markets establish operations in developed countries, their legitimacy in the domestic market increases. This is because they express an endeavor to achieve high quality products and give the perception of high credibility as providers of resources (Yamakawa et al., 2008). Xie and Amine (2009) further add that for Chinese firms, business networks and contacts are considered more important factors of success than for firms from other countries. This even differ between entrepreneurial and non-entrepreneurial firms within China, where the firms with a more entrepreneurial mind-set have greater use of their networks. Madhok and Keyhani (2012) suggest that since relations are more important in most EEs, EEFs have an advantage of relational competence. That implies that EEFs should be well equipped for managing acquisitions and other international ventures (Madhok & Keyhani, 2012). Furthermore, Li Sun (2009) argues that EEFs are using internationalization patterns that are unique for their situations as well as their challenges and advantages. Li Sun continues that EEFs often are trailing when compared to DEFs, in terms of assets available and technology. On the other hand, some variables affecting what strategies to use for internationalization, such as cultural, institutional, and economic distances, are relevant for both EEFs and DEFs and affect them in similar ways (Li Sun, 2009). Additionally, since the institutional environment is different in EEFs and DEFs,
development and innovation of technology vary. Therefore, also the motive of internationalizing to achieve greater technological advantages differs (Ramasamy et al., 2012). It is, however, not only the speed of the internationalization process by EEFs that has contradicted traditional internationalization theories, but also the aggressiveness of their strategies. EEFs have not only moved in stages to psychically low distanced countries, but have early in their processes targeted developed countries, with both large psychic and physical distances. In addition to that, their focus on acquisitions in the early stages is as well contradicting traditional theory (Madhok & Keyhani, 2012). Psychic distance is defined by Johanson and Vahlne (2009) to be the perceived obstacles that make it harder to understand a foreign market.

2.3.2 Internationalization of EEFs into Developed Economies

As explained above, research suggests that the way companies from developing countries internationalize is similar, but at the same time different from the way DEFs internationalize. Entry modes and strategies for growth in an international context often look similar, but what differ the parties is particularly the reasons for internationalizing in the first place (Madhok & Keyhani, 2012; Sauvant et al., 2010). One of the starting activities for EEFs to go abroad, at least in some industries, such as insurance and telecom, originates from historically having faced very little competition in their domestic markets, especially from foreign actors. As reforms have occurred in institutions and regulations, these industries have opened up for foreign players to enter, which has increased the level of competition in the domestic markets. Hence, the need for internationalization has developed for the domestic players, as a means to survive (Gaur et al., 2014).

Historically, the global market has been dominated by DEFs in most industries, which is still the case in general. In recent decades, though, companies from emerging markets have gained market shares from DE giants and even grown to become dominant and leading players in a global context. Due to EEFs still, in general, being behind their international DE competitors in entering the global market, most EEFs are seen as late- or newcomers. Being a latecomer often equals competitive disadvantages in new markets. Therefore, to acquire an already established company in a new market is a tool for reducing such disadvantages and to obtain strategic assets, as well as to overcome constraints in their domestic environment in terms of institutions and market (Gaur et al., 2014; Gubbi et al., 2009; Liang et al., 2012; Ramasamy
et al., 2012; Sauvant et al., 2010; Yamakawa et al., 2008). Likewise, acquisitions enable EEFs to overcome the ‘liability of emergingness’ (LOE), that originates from the simple fact that the firm is from an emerging market and that the company is a later entrant on the global market, compared to the competing DEFs. Acquisitions enable EEFs to, in a quick, single step, move from the image of being an inferior company to achieve a high-quality image (Gubbi et al., 2009; Madhok & Keyhani, 2012). The LOE can, on the other hand, also be considered an asset for a company. The ‘asset of emergingness’ can become an advantage over DE competitors in developed markets as it is displayed as an “entrepreneurial alertness and learning agility” from the context of the EE (Madhok & Keyhani, 2012, p. 28). However, latecomers are typically focusing on finding strategic assets in other countries and companies, rather than exploiting internal assets before internationalizing (Sauvant et al., 2010).

Initially, EEFs that acquire DEFs focus more on extracting resources and advantages from their targets, rather than transferring internal advantages to them. If the EEF were to take over, it would run the risk of destroying the primary reason for the acquisition, i.e. to upgrade its capabilities and to overcome the LOE (Madhok & Keyhani, 2012). There are however other strategies, more than just acquisitions, that are implemented by EEFs. For example, strategic alliances, both outward and inward, are effective ways of gaining access to strategic assets and developing the business model so that it becomes more effective against global competitors (Li Sun, 2009).

Further, for EEFs, both pull, and push factors are active in affecting the decision to internationalize. Active pull factors abroad are, e.g. to access technological solutions, skills in management, and to access new markets (Sauvant et al., 2010). Domestic push factors are, e.g. the chance to outgrow domestic competitors, and to evade regulatory and legal constraints (Ramasamy et al., 2012; Sauvant et al., 2010). Luo, Xue and Han (2010) add to the argument that governmental encouragement as well as institutional contributions are other push factors for internationalization. The change by EE governments to encourage internationalization, from being active opponents of investing abroad (Voss et al., 2010), is due to an increased knowledge of both the benefits, risks and costs of internationalization, as well as the importance of integrating their economies with the world economy (Luo et al., 2010). Li Sun (2009) presents some other factors that both push and pull EEFs to internationalization. The pull factors presented by Li Sun are: growth of the company,
improvements of internal capabilities, and the ability to attain strategic learning. The main push factor is that the domestic market might be too small and not enough profitable as a single market to compete on, at least not if the company attempts to take market shares from their DE competitors (Li Sun, 2009). Natural resources could be considered a pull factor for internationalization. However, researchers are presenting conflicting results whether or not it is an enough significant factor to be called a pull factor (Ramasamy et al., 2012). Other reasons for latecomer EEFs to internationalize are: global players selling or sharing resources of strategic importance; availability of offshore technology; eagerness to enter key markets abroad; and leadership with an entrepreneurial focus (Sauvant et al., 2010).

As an argument against the strategies of going abroad without firm-specific advantages, Sauvant et al. (2010) suggest that if an EEF does not have such an advantage before internationalizing, it will not be able to compete against its international competitors in a developed market, nor be able to acquire firms in the developed market and integrate them successfully. There is empirical evidence of a relationship between the advantages possessed by EEFs that are firm-specific and the venturing abroad (Yamakawa et al., 2008). Mergers and acquisitions (M&As) made in other countries have a remarkable rate of failure in general. Still, there is an even larger risk that M&As, performed by EEFs in developed markets, fail due to the large cultural distance and the speed of internationalization (Sauvant et al., 2010). All in all, there are great potential benefits from acquiring DEFs for EEFs, but there are also great risks. Both political and organizational skills will need to be developed by the EEFs (Madhok & Keyhani, 2012; Sauvant et al., 2010). Gubbi et al. (2009) put internationalization to developed countries against internationalization to developing countries, and for EEFs, developed countries offer greater promises of rewards as the quality of both resources and institutions are considerably higher.

Moreover, the competitive advantages, possessed by EEFs internationally, tend to be more based on efficiency, rather than large market shares and production quality. This allows them to produce at low costs and thus compete at a price level. Simultaneously, as EEFs compete at the price level, they tend to lack crucial technologic and brand advantages, which are considered more sustainable advantages in the long run (Madhok & Keyhani, 2012). On the other hand, with connection to the importance of and the advantages originating from networks for EEFs, as explained above, another motivation for an EEF to internationalize is when there is an ethnically similar group of customers or competitors in the target country to
focus the investments on (Gaur et al., 2014). EEFs, furthermore, have the opportunity to build their international strategies on their domestic advantages, as they can employ unique talents and resources for developing the strategies (Li Sun, 2009).

Xie and Amine (2009) found that doing international business through exports is by many EEFs considered to be a more ‘comfortable’ alternative, due to being cheaper, more accessible and less threatening compared to other more resource demanding alternatives, such as IJVs and other FDI strategies. Also, the limitation of managerial and financial resources contributes to EEFs not developing their operations to the next steps of the international stages theory, but instead keep internationalizing solely through exports (Xie & Amine, 2009).

2.3.3 Internationalization of Chinese Firms

Internationalization is of great importance for Chinese companies due to the opportunity to access new markets. A survey from the World Bank found that 85 percent of Chinese companies considered internationalization to be of great importance (Sauvant et al., 2010), as the need to access new markets is essential (Voss et al., 2010) due to the fierce competition on the domestic market. About half of the respondents in the World Bank survey mentioned that they invest internationally as a way to gain access to strategic assets (Sauvant et al., 2010), but that is generally more common for state-owned enterprises (SOEs) than privately owned enterprises (POEs) (Ramasamy et al., 2012). Furthermore, the increase of Chinese OFDI has its roots not only in fierce domestic competition but also in the liberalization of laws limiting OFDI (Duysters et al., 2009). Moreover, there is a difference in what internationalization strategies are used by different types of firms. POEs conduct more OFDI than SOEs and internationalize to gain organizational benefits associated with large firms, such as resource availability (Liang et al., 2012). In contrast, SOEs have due to their ownership status, the state’s domestic resources at their disposal (Liang et al., 2012; Ramasamy et al., 2012). SOEs in China therefore, more often, invest in riskier locations as their resources are not as constrained as POEs’ (Ramasamy et al., 2012). Moreover, Chinese firms achieve their internationalization goals by acquiring foreign firms, rather than going with the slower option and internationalizing in stages (Rui & Yip, 2008). Furthermore, as mentioned above, SMEs with an entrepreneurial corporate culture are internationalizing at a higher rate. The main factor for successful internationalization for SMEs are their access to
business networks, both at home and abroad, that provide information and advice when venturing internationally. Furthermore, Chinese companies prefer doing business in countries where they have strong social connections (Xie & Amine, 2009), much due to the reduction in information costs (Voss et al., 2010). On the contrary, a study conducted by Xie and Amine (2009) suggests that asset seeking is not the main reason for going abroad, which contradicts most of the literature available on this subject. According to Wang, Hong, Kafouros and Boateng (2012) there are two main reasons for going abroad: natural resources and the countries’ institutions. Chinese firms often seek markets with weak institutions, not due to the institutions per se, but rather depending on how similar the countries’ institutions are. The primary reason for this is familiarity, which eases the information flow and the lack of trade barriers. China’s institutional framework is suggested to influence internationalization of its firms, but whether it has a positive or negative effect on the internationalization of MNEs is contested. SMEs in China generally perceive the institutions as a barrier to OFDI, while larger SOEs seem to perceive them as more preferable (Voss et al., 2010).

When China opened up their economy in the late 1970s, the government did not focus much on OFDI, which has changed into presently promoting it (Duysters et al., 2009). Luo et al. (2010) point out five mission statements that the Chinese government has introduced: “(1) the creation of incentives for OFDI, (2) streamlining administrative procedures […], (3) easing capital controls, (4) the provision of information and guidance on investment opportunities, and (5) reducing political and investment risks” (Luo et al., 2010, p. 70). Moreover, the Chinese government plays a large role in OFDI where they create connections with countries that Chinese firms are interested in investing in. This connects to point 5 in the mission statement since it limits the risk of conducting OFDI. It also limits the liability of foreignness (LOF) that firms with a less active government could face (Ramasamy et al., 2012). OFDI by Chinese firms further serves as a tool for putting pressure on IJV partners from foreign countries to transfer more technology to the Chinese partners (Sauvant et al., 2010).

Chinese MNEs are well equipped for competing on a global market, as they possess some unique competitive advantages: (1) their ability to overcome barriers of institutions is superior to most other countries’; (2) their products are inventive and are using available technology to reach niche markets; (3) their cost of production is extremely low, in terms of overheads, labor, and manufacturing; (4) their management systems are centralized and
highly influenced by entrepreneurial leaders; (5) their marketing is original and effective (Sauvant et al., 2010); and (6) their governmental support offers great institutional advantages, compared to other EEs (Sauvant et al., 2010; Voss et al., 2010). In the cases of Chinese firms gaining advantages through M&As of DEFs, those new advantages are complemented by the advantages possessed domestically. That implies that Chinese firms should invest in developed countries in order to maximize their advantages (Ramasamy et al., 2012). Nevertheless, due to the massive differences in costs of operating a business in China and a developed country, the internationalization results can be costly for Chinese firms. For example, the Chinese company Haier operates in Camden, USA, where the workers’ wages are 10 times higher than the wages for workers in China. Those costs are in Haier’s case outweighed by the benefits as they get access to local design, distribution, and overcomes the LOF and LOE (Duysters et al., 2009).

2.4 Search Parameters

For this thesis, existing theories and literature have been collected from various search engines and databases. A range of specific search words were used in order to find and collect the most relevant literature for this section. Also, the publication year for the literature used as references in this paper had to be 2008 or later. However, a few exceptions were made with regard to the publication year as no relevant literature was found for some models, published after 2008. In those cases, the search range was widened in order to collect relevant publications for the thesis. More information about the search parameters is found in Table 1 below.

Table 4 – Search Parameters

<table>
<thead>
<tr>
<th>Search Parameters</th>
<th>Google Scholar, Jönköping University Library, Primo</th>
</tr>
</thead>
<tbody>
<tr>
<td>Search Words</td>
<td>Literature books, Peer-reviewed articles, Reports</td>
</tr>
<tr>
<td>Literature Types</td>
<td>2008-2018</td>
</tr>
<tr>
<td>Languages of Publication</td>
<td>English</td>
</tr>
</tbody>
</table>
3. Methodology

This following section presents the design and methods used for this thesis, in terms of scientific philosophy and approach, as well as research method and strategy. It also presents how data was collected and analyzed, and the quality criteria set for the thesis.

3.1 Scientific Philosophy

It is important to lay out the scientific philosophy. The readers have to understand the perspective of the authors to understand how they interpret and read the facts and knowledge gathered for the thesis, since the choice of scientific philosophy will imply certain assumptions. Moreover, there is not a better or worse philosophical approach, but the importance is rather in telling the reader what approach was used to inform about what assumptions that are present in the thesis (Saunders, Lewis & Thornhill, 2009).

3.1.1 Positivism and Interpretivism

Interpretivism is a philosophical concept that explains differences between humans as social actors with differing opinions and observations of the world. It emphasizes the importance of acknowledging that research is conducted on humans and not, e.g. on trucks or machines (Saunders et al., 2009). Furthermore, Weber (2004) argues that the opposite, positivism, is more suitable to use as a method if doing a statistics or context analysis. Interpretivism has its roots in two concepts: phenomenology and symbolic interactionism. Phenomenology is a concept that explains how humans make sense of the world. Symbolic interactionism refers to the fact that humans have a symbiotic relationship with the world around and that others’ actions affect us, just as one’s own actions affect other people (Saunders et al., 2009).

In contrast, positivism is more appropriate for natural sciences and adopt law-like generalizations about a certain subject, since it requires hard facts for refuting or accepting a proposed, clearly defined hypothesis. This approach is not as convenient for a thesis in social sciences due to the lack of law-like generalizations in investigating humans. Furthermore, positivism requires a value-free approach, which is hard to achieve when conducting an interview since the values from the interviewer will shine through the question asked. This is significantly different from if one observes, for example, how many trucks or machines a
company have (Saunders et al., 2009). However, there are no universal theories in social sciences, such as business management, as exist in natural sciences, e.g. Newton's first law of motion (Reichertz, 2014).

Interpretivism is investigating the managerial concepts in which people are the main focus and where concise generalizations are hard to make. Also, interpretivism is the most common scientific philosophy for management related topics (Saunders et al., 2009). With this information, interpretivism was selected as scientific philosophy, as it was most fitting for the purpose of this thesis.

3.2 The Scientific Approach

3.2.1 Deductive, Inductive, and Abductive Approach

There are three distinct scientific approaches: deductive, inductive and abductive approach. The deductive approach requires that the researcher first formulates a hypothesis and then collects empirical data to test if the hypothesis holds or not (Saunders et al., 2009). On the other hand, the inductive approach does the opposite since it first requires the collection of empirical findings, which are then used to formulate the theories based on what information was gathered from the empirical findings. When researching a phenomenon that theories have not previously explored, the inductive approach is especially suitable. The abductive approach, however, is more applicable for complex problems with no clear-cut answers. It does not start without knowledge, but it rather makes it possible to put aside previous knowledge to avoid preconceptions about the subject when conducting the interviews (Saunders et al., 2009). It enables the researchers to be flexible and to combine elements from the deductive and inductive approaches (Reichertz, 2014). The scientific approach chosen for this paper is the abductive approach.

3.3 Research Strategy

3.3.1 Case Study

A case study strategy is used to get a deep understanding of a complex phenomenon where there are no previously set boundaries. Answers gathered from a case study are relevant for answering questions such as why, how and what. A case study is the opposite of an
experimental study where the study depends on a highly structured context. These questions cover a broader area than a survey format would allow. Therefore, a case study is more suitable for an explanatory or exploratory research (Saunders et al., 2009). To perform an interview for collecting information is suitable for a case study because of the broad and extensive knowledge needed to get useful answers related to the case. Moreover, to ensure that the answers and one's perception of the answers match, triangulation can be used. Triangulation involves several ways of collecting data from one case. A single case study is often performed when the case is extreme or differs from conventional cases, whereas a multiple case study is used to find a pattern or to compare differences between different cases. A multiple case study also lets the researcher generalize about a phenomenon. Moreover, there are two different types of case studies: holistic and embedded. The holistic is used if the aim is to investigate an organization as a whole, whereas the embedded approach is used to investigate different sub-groups within an organization. A well-executed case study lets researchers challenge existing theories and advance current understandings within the subject (Saunders et al., 2009). According to Yin (2009), evidence collected from a multiple case study is more compelling due to information being gathered from more than one source. Moreover, there are two ways to decide what cases to gather information from. Either, cases can be selected that are assumed to yield similar results or cases that are assumed to yield contrasting results. The chosen selection process for the multiple case study presented in this paper is a selection of cases that would yield similar results, as the paper focuses on the same two countries in both cases and their internationalization into Sweden. Therefore, the cases yielded similar results due to the nature of the research question. Furthermore, a multiple case study is highly time consuming. The quality might suffer if enough time is not dedicated to each individual case. However, despite the fact that a multiple case study is more time consuming, the results yielded are stronger and more comprehensive (Yin, 2009). This thesis uses a multiple case study since internationalization is a broad and complex phenomenon. Due to the time constraints of the thesis writing, the cases studied were limited to two cases, in order to maintain a high level of quality.
3.4 Research Method and Design

3.4.1 Quantitative and Qualitative Method

The quantitative method has its base in numbers that have to be analyzed, e.g. in graphs or tables. However, the approach is subject to some limitations, due to the fact that researchers have been trying to adopt natural science approaches to social sciences. This has been done despite clear differences between the two fields, e.g. the focus on natural objects versus social and cultural phenomena as well as the different aspects being measured (Prasad & Prasad, 2002). However, the qualitative method covers all the non-numerical data and everything from open-ended questions to short answers in a survey. Therefore, a qualitative method is more suited for investigating concepts that have their meaning in words rather than numbers (Saunders et al., 2009). Based on this information, a qualitative data collection is suitable for collecting data in this thesis since the phenomenon is hard to interpret in numbers, but more suitable for explanations in words.

Empirical data for this thesis was gathered from interviews, performed to get a better understanding of the subject and to have the possibility of elaborating and asking follow-up questions. The interviews were semi-structured, in order to have some questions prepared but still keep the flexibility if new information was acquired. Thus, qualitative data is better in order to understand a complex phenomenon, such as internationalization.

3.4.2 Case Selection

The selection criteria for finding the companies was that they had to be Chinese firms with operations in Sweden and that personnel had to be located in Sweden. As a tool to locate firms with a Chinese ownership of more than 51 percent, the researchers used the database Amadeus. However, the companies selected had to have undergone an internationalization process into Sweden directly, and not for example buying an Italian firm with already established operations in Sweden. After considering the results in the database, two companies were settled upon: Greenworks Tools AB and Silex Microsystems AB. Getting in touch with the companies was both performed by email correspondence and by telephone.

However, the paper applied strict selection criteria for the managers being interviewed; only managers with extensive knowledge about the subject and their companies were selected for
the interviews. Moreover, the managers had to have thorough experience with their companies and had to hold positions in the upper management segment, with the possibility to make decisions with significant effects on the Swedish branch. In order to get in touch with the most suitable managers at the companies, help was acquired from other individuals at the companies. To get in touch with the managers, emails were sent to the managers at Greenworks and the manager at Silex was contacted by phone. During the first contact, the managers had to confirm that they matched the selection criteria. By presenting the paper and the purpose of the interview, as well as the paper, the managers had to confirm their suitability. Also, this was done in order to prepare the managers for what type of questions that would be asked and the complexity of the questions. After the suitability had been confirmed and the paper had been explained, time and date for the interviews were agreed upon.

3.5 Data Collection

3.5.1 Case 1: Greenworks Tools

For the first case in this thesis, Greenworks Tools was chosen. The information regarding the company was collected partly from their official webpage, but mostly from two interviews with managers at the company. Primarily background information was collected from the webpage. Ralf Pankalla, Director of Product Management and After Sales EMEA, was the first interviewee at Greenworks Tools. As second interviewee, Jesper Larsson, head of the European R&D operations, was selected. Larsson has been with Greenworks Tools since the establishment of the office in Jönköping and Pankalla joined shortly thereafter. Furthermore, both had an history at Husqvarna which made it possible to explore differences between the corporate culture of a Swedish owned company and a Chinese owned company.

3.5.2 Case 2: Silex Microsystems

For the second case, Silex Microsystems was selected. Most background information was collected from the company's official webpage and with help from their customer support. The interview, however, was conducted with the company’s Senior Vice President, Sales & Business Development, Tomas Bauer. Bauer has been employed by Silex for fourteen years and have held his current position for twelve years. This experience within the company
made it possible to analyze the differences that took place after the acquisition of Silex in 2015, with high reliability.

3.5.3 The Interviews

The interviews were in a semi-structured format, in order to keep the interviews open if new information was gathered from the interviewees and enabled flexibility in the interviews. It was possible to, from the interviews, collect empirical data for the paper in the form of first-hand accounts on how internationalization can be conducted (Saunders et al., 2009). Furthermore, a semi-structured interview is convenient when exploring complex phenomena (Louise Barriball & While, 1994). However, the information gathered from the interviews needed to be processed in order to capture value from the answers (Saunders et al., 2009).

Furthermore, in order to gather information relevant to the research question, the interviews were conducted with managers in possession of extensive knowledge in the area of internationalization. The preferred interview method was face-to-face interviews but that was only possible for the second interview at Greenworks. However, due to time constraints of the interviewees, it was not possible for the first interview with Greenworks or for the interview with Silex. Therefore, telephone interviews were conducted in those two cases, to get natural answers and to have the possibility to ask follow-up questions on interesting answers. Telephone interviews, in contrast to email interviews, enables fast follow-up questions which are not possible in email interviews, since they do not occur in real time. Therefore, email interviews could possibly take weeks to complete if one were to ask follow-up questions. Moreover, email interviews are not communicating social cues as efficiently as oral conversations. However, there are disadvantages in using telephone interviews for data collection as well. One is the lack of visual cues, another is that it may be harder to formulate questions over the phone than it would in a face-to-face interview (Saunders et al., 2009).

In order to collect as much information as possible, the interviews were recorded. By recording, information is less likely to be lost. Furthermore, it makes it possible to capture full quotes without any loss of meaning. This would not be possible if one were to write down the interview in real time since writing takes significantly longer than speaking. It is, however, a challenge to take notes in real time while conducting a telephone interview. The questions in the interviews were open-ended questions, as the nature of the research question...
and the concept of internationalization is a broad and hard defined concept with many different processes. Also, the format of semi-structured interviews is more suitable with open-ended questions (Saunders et al., 2009). By attempting to have as open questions as possible, the researchers tried to avoid corrupting the interview with their own words and instead allowed the interviewees to use their own words and ideas to explain the complex phenomenon of internationalization (Louise Barriball & While, 1994). Furthermore, in the beginning of each interview, the purpose of the paper was explained in order to ensure that the interviewee knew what was expected. Interview guides were created by the authors (see Appendix) and the questions asked at the interviews derived from the purpose of this thesis. The questions included three areas: internationalization, differences and the connection with the Chinese parent company. Moreover, all the interviews were conducted in Swedish and hence transcribed in Swedish. Only the quotes presented in the paper have been translated into English.

The interviewees were all offered full confidentiality in order for them to be certain that the paper would treat the information in a professional way and allow for the paper to receive higher quality answers. However, the interviewees declined this offer. Both the telephone-interviews were conducted in a private setting at the authors’ homes, while the face-to-face interview with Jesper Larsson at Greenworks was conducted at Greenworks’ site in Jönköping.

Table 5 – Presentation of the Companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Entry Mode</th>
<th>Ownership structure</th>
<th>Industry</th>
<th>Interview Date</th>
<th>Interview Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silex Microsystems AB (Global Access Electronics Ltd.)</td>
<td>Acquisition</td>
<td>GAE owns 98%, CEO owns 2%</td>
<td>MEMS</td>
<td>2018-05-03</td>
<td>Telephone</td>
</tr>
</tbody>
</table>

3.6 Quality Criteria

Yin (2009) lays out four conditions in ensuring quality in the case study selection process. These are: (1) construct validity, which can be done by using several sources in order to explore a certain phenomenon; (2) internal validity, which can be created by exploring
different explanations for a phenomenon (Yin, 2009) and build explanations that in case studies are the answers for the research question (Mills, 2010); (3) external validity, which can be achieved by reproducing the information gathered from another case where a theory states that the outcomes should be the same, and by doing this, validity for external observers could be created; and (4) reliability, which can be achieved by explaining and storing information regarding how the case study was performed, by which another researcher should be able to replicate the results presented in the paper (Yin, 2009).

These conditions have been applied to this paper. Construct validity of the research is achieved by a multiple case study being conducted and information has thus been collected from different sources. The paper achieved internal validity by looking at multiple cases, and therefore got different perspectives and reasons for how the internationalization process was conducted and what strategies were used. Furthermore, by comparing the information collected in the multiple case study to existing theories, it was possible to see similarities in what strategies were used and what factors contributed to the internationalization. This creates external validity (Yin, 2009). In order to create reliability for the paper, the empirical information collected was transcribed so other researchers can verify whether the results presented in the paper are accurate.

3.7 Data Analysis

There are five distinct categories of data analysis: cross case analysis, time series analysis, logic models, explanation building and pattern matching. A cross case analysis can be used if the empirical data was collected from at least two cases (Yin, 2009). Moreover, a cross case analysis enables a comparison of differences and similarities (Miles, Huberman & Saldaña, 1994).

The paper will analyze the data using the cross-case analysis method. A cross case analysis makes it possible to enhance understanding within a phenomenon and is done by looking for patterns and differences (Miles et al., 1994). Furthermore, by examining more than one case, the paper’s claims get increased credibility (Yin, 2009). The findings are presented in table 3 with three headings to the two different cases: internationalization, differences and connection with the Chinese parent company. By aggregating the results and presenting them in a table, it makes it easy to follow the analysis since the differences and patterns are more
clearly presented. The case methodology used in the paper is abductive where theories are applied to the cases. This approach helped to understand what data should be collected (Yin, 2009).
4. Empirical Findings

This section presents the empirical findings that were collected from the performed interviews with the two case companies and will be presented partly through direct quotes from the interviewees and partly by the authors’ own words. However, all data presented reflect the contents of the interviews and are not interpretations of the authors. The companies will be presented separately, starting with Greenworks Tools AB, followed by Silex Microsystems AB.

4.1 Case 1: Greenworks Tools

In 2007, Greenworks Tools (henceforth ‘Greenworks’) was founded in Changzou, China, by Globe Tools group, its parent company. The company produces electronic gardening equipment and has since the start in 2007 developed machines with and without cords and are leading in the production of battery powered gardening tools (Greenworks Tools, 2018b). Greenworks defines itself as a company that is innovative and that offers a perfect choice for young, conscientious people who love gardening and need smarter, more environmentally friendly solutions. Globe Tools group controls the whole supply chain of Greenworks production, which gives them control of every detail (Greenworks Tools, 2018a).

4.1.1 Internationalization

Greenworks has its global headquarters in Changzou, China (Greenworks Tools, 2018a). There is a regional headquarters in Mooresville, USA, as well, that is responsible for the North American market (Greenworks Tools, 2018b). Successful operations there have resulted in that Globe Tools group has become the largest actor, in terms of battery-powered tools, in North America. From America, Greenworks attempted to introduce their American products on the European market, but without success. Therefore, they decided that the European market needed their own products (R. Pankalla, personal communication, April 12, 2018) and thus, in February 2017 Greenworks opened a regional headquarters located in Malmö, Sweden, that serves both the European market, the market in the Middle East, and the Asian market (Greenworks Tools, 2018b). In addition to the headquarters in Malmö, Greenworks also opened a center for research and development in Jönköping during 2017 to create products that would be customized for the European market (R. Pankalla, personal communication, April 12, 2018).
We have built this development center here [in Jönköping] and we have gone from zero persons, which we were in Sweden when I got employed, to 60 in total, where 30 are located in Malmö at our European headquarters. (J. Larsson)

The decision to internationalize from China in the first place was due to the market in China, where Greenworks was not able to conduct business (R. Pankalla, personal communication, April 12, 2018). Larsson mentioned that even though there are many people living in China, the purchasing power is still very low and therefore Greenworks had to establish operations somewhere else, where the purchasing power was greater. However, Larsson is certain that during the coming decades, the purchasing power will increase in both China and India, and hence, the market for Greenworks’ products will shift towards China and India as well (J. Larsson, personal communication, May 3, 2018).

Even though the future large market is in Asia, you can just look at 1,3 billion Chinese and as many in India, their purchasing power is still quite low. [...] If you look at a single product selection, if we look at only hedge shears for example, to cut hedges with, there are still plenty of hedges in China, but most of them are cut by hand. And of course, that might not be the case forever, but that is still where they are. (J. Larsson)

Hence, due to the low purchasing power in China, Greenworks had to focus its operations somewhere else. The first choice was to expand to North America and after a few years Europe was targeted as well. All in all, Greenworks wanted to establish operations in the Western world, in developed countries with higher purchasing power. One of the strongest benefits of the Chinese is that they are very willing to grow and are ready to work hard to achieve growth. Despite this eagerness to expand, the knowledge about how to operate in the Western world is very limited and the distance to the market is too great. Therefore, to acquire knowledge about how the markets work was essential. Hence, most of the strategic decisions are made in the respective markets, as the knowledge and skills of operating in the markets are located there. In addition to the knowledge about the market, technological knowledge and skills were targeted in the internationalization process (J. Larsson, personal communication, May 3, 2018).
They are too far away from the Western market to understand how to handle it. So, in that sense I can say that the thing I think Chinese companies are good at, it is that they, they want, they have the will to get somewhere, both as individuals and as organizations. And they are ready to work hard, but they do not really know what it takes. [...] So, my experience is that very much of the strategic prominent position ends up here. (J. Larsson)

Pankalla laid out that the three main reasons for choosing to internationalize to Sweden were (1) the prevalence of a good labor force, (2) highly skilled labor, especially in the Jönköping region, and (3) the fact that Swedes have a reputation of being international and have an advantage when it comes to working over national borders. Additionally, the corporate taxes were mentioned as another reason for the selection of Sweden (R. Pankalla, personal communication, April 12, 2018). Larsson further mentioned that with help and advice from an external party, the main reason for selecting Sweden was the relative simplicity of running a business in Sweden. He also named that there is a general respect for Swedish engineering and that Swedes are considered very professional (J. Larsson, personal communication, May 3, 2018).

The corporate taxes are rather reasonable in Sweden. It was considered to be the most cost-efficient setup to do it here in Sweden. (R. Pankalla)

Then why did it become Sweden? Well, it is relatively easy to run a company in Sweden, compared to how it is in Germany. (J. Larsson)

An additional reason, of less magnitude, was the case of Geely’s successful acquisition of Volvo, which has been an inspiration for Chinese firms that have got proof of that investments in Sweden can be very successful if executed correctly (R. Pankalla, personal communication, April 12, 2018).

Larsson further explained why the certain cities, Malmö and Jönköping, were chosen for establishing operations in. In the case of Malmö, Greenworks wanted to be in a large city, but did not ideally want to locate in Stockholm. Therefore, due to that Malmö is the third largest city in Sweden and the proximity to Copenhagen and Kastrup, it was a preferable choice for the European headquarters. As for Jönköping, Larsson explained that Sweden has several
areas where certain knowledge is more common, such as the vehicle industry in Gothenburg, the defense industry in Linköping and then the ‘end products’ in Jönköping (J. Larsson, personal communication, May 3, 2018). Pankalla further adds that Husqvarna, a market leader in gardening equipment, has created a great knowledge of the industry that is remarkably greater in Jönköping compared to other places (R. Pankalla, personal communication, April 12, 2018).

When it comes to the tools for outdoor use that we are working with, Husqvarna is very big here in this region. So, there is a, there are good personnel to recruit. (R. Pankalla)

Before entering Sweden, however, operations were established in Cologne, Germany in 2014. By then, the office in Cologne did not have the same responsibility for the European market as the office in Malmö has today. As the decision was made to locate the European headquarters in Sweden instead, the Cologne office was reorganized and downsized. One reason for not maintaining the operations in Germany were the not so advantageous laws and regulations for running a company in Germany (J. Larsson, personal communication, May 3, 2018).

If you start with the main reason to why we did not choose Germany, or continued with Germany, because it would have been natural since it was there we had started hiring people, it was actually because of corporate regulations and tax laws in Germany that Stihl, a German company, warned us to use Germany as a base. (J. Larsson)

Initially, Greenworks had sold its products in Sweden through Jula and another sales agent, where two salespersons were responsible for the products at Jula’s warehouses and reported directly to the office in Cologne. The cooperation with the second sales agent was cancelled relatively soon due to that it was too small to represent a brand, the size of Greenworks (R. Pankalla, personal communication, April 12, 2018).
4.1.2 Differences

Since Greenworks is a greenfield investment and always has been Chinese, the offices in Sweden cannot show for any differences on how the ownership would have changed their operations. However, there are several differences between Chinese and European firms. One difference is the corporate culture, where in China there is one leader with all the power. If that leader makes a decision it is fully accepted. On the contrary, managerial decisions are more democratic in Europe. Due to the streamlined processes in China, where the decisions are not criticized in the same way as in Europe, there is an incredible speed in the decision making (R. Pankalla, personal communication, April 12, 2018). Larsson agreed that leadership is something different in Chinese companies, that the boss is the one making the decisions. However, he also explained that this only affects Greenworks in Sweden in the larger decisions. Moreover, for employees in China, an order from a boss can be seen as ‘free card’ as it, in those cases, is possible to trace any bad results back to the boss (J. Larsson, personal communication, May 3, 2018). Another difference, according to Pankalla, is that Chinese companies are ready to allocate a greater amount of resources for expansion and investments, compared to European firms that are more passive in their strategies (R. Pankalla, personal communication, April 12, 2018).

With the Chinese, if a boss tells a Chinese something, it will be done, it just gets executed. The dictatorial again. Meanwhile we in Europe, we question very, very much” (R. Pankalla)

It is the determination. That it is much greater and that they are going for it. That it is okay to invest money in new tools, invest money in development. They invest, so to speak, to earn a profit. While I can feel that in Europe, we are very much just letting it grow. (R. Pankalla)

Sweden is more structure, definitely. But in Sweden it also takes much, much more time. This company is marching, with a wide margin, twice as fast, and perhaps 3 times faster in everything that is happening. (J. Larsson)

A disadvantage in this fast and closed decision-making process is that all individuals affected by the decisions might not be involved in the decision making. This could lead to mistrust if
the decisions are not well received by the organization as a whole. Moreover, information needs to be communicated differently to Chinese managers compared to managers in Sweden. When opposing a decision, it has to be clearly explained what the problem is, in order to avoid misconceptions (R. Pankalla, personal communication, April 12, 2018). Pankalla and Larsson have somewhat different opinions on what a conflict is. Hence, as Pankalla said that the differences in culture and the lack of understanding of each other's cultures have given reason for many conflicts, Larsson suggested that there have not been any conflicts at all. However, Larsson’s definition of a conflict is that it is a dispute that cannot be solved (J. Larsson, personal communication, May 3, 2018; R. Pankalla, personal communication, April 12, 2018).

‘No, I think that is a bad decision there, because of…’ We motivate why we would like to do things differently. [...] What we have noticed is that the Chinese value more and more that we are critical as individuals. (R. Pankalla)

For Greenworks, there have been some skepticism from customers and competitors, due to its Chinese ownership. Pankalla said that it is mainly the quality of the products that is questioned, as they are made in China (R. Pankalla, personal communication, April 12, 2018). Larsson, however, mentioned that his experience was that it is easy, from a Swedish perspective, to question Chinese firms and whether they are serious or if it really is a long-term investment that is being made. He said Swedes do not really trust Chinese firms. On the other hand, among the retailers, Larsson has experienced that there is an awareness of the growth of Greenworks and that some even are afraid that if they do not start working with Greenworks now, they will have a great disadvantage against their competitors in only a few years (J. Larsson, personal communication, May 3, 2018).

If you look at the market, if you talk to our clients out there [...], that are starting to sell our products now, they are rather afraid to not work with us. Because they see that we are moving incredibly fast forward and have a massive growth rate, and if they stand outside of this, they risk being left behind in only a few years. (J. Larsson)
4.1.3 Connection with the Chinese Parent Company

Greenworks in Sweden operates with large independence since the Chinese parent wants Europeans to handle the European market as they know what is demanded and the actors that operate in it. This freedom allows the Swedish branch of the company to operate in its own way, which is more suitable for the European market. Everyday decisions are made without involvement from the parent company, while larger decisions are made together. Video conferences are commonly used for communicating between the offices. Employees in Sweden visit China regularly and managers from China come to Sweden on a regular basis as well. Even the owner visits the Swedish offices every now and then. At some points, the Swedish part of the organization has experienced that it has been kept in an information shadow and that it is not as involved as it should in all strategic decisions. However, Greenworks in Sweden is still responsible for many of the strategic directions that the organization is moving in, especially with regard to the European market (J. Larsson, personal communication, May 3, 2018).

We are in China really much. Tremendously much. I am there about once a month. The others, once per quarter of a year. And then we have a very operative boss that is here a lot, as recently as last Friday, our founder. (J. Larsson)

Pankalla said that they receive a lot of support from the parent company in China and feel that they put trust in the Swedish organization. Additionally, since Greenworks was founded by Globe Tools group and always has been a part of the same organization, the information flow is organic and with no existing previous differences in corporate culture, goals and visions. On the other hand, the parties need to learn how the other party works and that is a process that will make it easier over time. For Greenworks in China, social evenings are organized in order to get to know the Swedish and European culture better, and in Sweden similar events are organized as well (R. Pankalla, personal communication, April 12, 2018).

A strength with Greenworks and an important factor for its success is the focus on insourcing. As many companies today work with a large base of subcontractors, Greenworks is controlling as good as all steps of its supply chain and is therefore able to keep all knowledge within the company. There is a simplicity in creating products that are more fit for the European market, when the factory that manufactures the products is within the same
organization. Therefore, the European R&D center in Jönköping can control what products are being sold in Europe to a higher extent than if it would contract another factory for manufacturing its products. Hence, the connection with China is not only in reporting results to the headquarters, but also in specifying its products for the manufacturing site, connected to the headquarters (J. Larsson, personal communication, May 3, 2018).

4.2 Case 2: Silex Microsystems

Silex Microsystems (henceforth ‘Silex’) was founded in September 2000, as a hiving-off from the company Acreo. Edvard Kälvesten together with five other, highly educated colleagues from Acreo decided to start this new company. The company was to focus on microelectromechanical systems (MEMS), for mainly the medical industry, and locate their operations in the Ångström laboratory, connected to Uppsala University (Silex Microsystems, 2000). By June 2003, Silex decided that the operations were to be moved to a leased facility in Järfälla (Silex Microsystems, 2003). It was announced in July 2015 that the Chinese investment company Global Access Electronics Ltd. (GAE) bought 98 percent of the shares in Silex. GAE then became the only owner of the company, other than Edvard Kälvesten, who also is the CEO (Silex Microsystems, 2015).

Currently, Silex is the largest pure-play MEMS foundry in the world and produces technology for several markets and devices, including communications and telecom; medical and life sciences; industrial and automotive; and consumer markets. The headquarters is still located in Järfälla, Sweden, but the company has expanded its operations to Europe, North America and Asia as well (Silex Microsystems, 2018). Additionally, Silex is building a factory in China, just as the one in Järfälla, and is responsible for the establishment of that factory (T. Bauer, personal communication, May 3, 2018).

4.2.1 Internationalization

Silex was acquired by GAE in 2015, a Hong Kong based holding firm that is owned by a Chinese fund. The fund is called CGP Tech Fund and is financed by both private and government capital. GAE is focusing its international acquisitions on successful companies in the technology industry. The process of acquiring Silex was straight with no clear changes in the current corporate structure. Sweden was not targeted as much as Silex itself, due to the successful operations in the MEMS industry and the knowledge available in human capital.
The strive for high technology sectors in China, where the government wanted to acquire a high-tech firm within the field of MEMS, initiated the global search for a company with capabilities like Silex (T. Bauer, personal communication, May 3, 2018).

[The investors] were after a distinctive company within the sector we operate in. One can say like this, as mentioned in the beginning, sensors and internet of things is a focus area of Chinese technology investments. (T. Bauer)

Furthermore, by listing a company on the Shanghai stock exchange, the value is often fourfold the value in Western stock exchange markets. Hence, acquiring companies and listing them in China is often a profitable deal for Chinese investors. Earlier, Chinese FDI in the MEMS industry was mostly funded by government subsidies. However, presently both government subsidies and private capital are used to increase the profitability of international investments (T. Bauer, personal communication, May 3, 2018).

I think that the Chinese have done like this, they have reconsidered somewhat and said that we, well, they have tried to involve private capital in their investments to get more impetus in them, so to speak. So instead of only giving a lot of money to a lazy organization that is just used to getting money, they have instead connected this money to private investments, to achieve some more power, capitalism in these investments. (T. Bauer)

4.2.2 Differences

Due to that GAE’s ownership is purely financial, there have been no changes in how Silex’s operations are run. Therefore, barely no interactions between the companies are made and Silex has not first-handedly experienced any cultural differences between the parent company and itself. Furthermore, Silex maintain full control over its strategic decisions and its operations. Also, large resources have been invested in the company and it therefore has the possibility to run its operations in the way that the managers know is best for their company. It can do it to an even higher degree now than earlier as this had not been possible with the previous owners, who interfered too much in the operations and strategic decisions. Bauer also said that they are encouraged to invest in their Swedish business activities and that more
than 50 million dollars are currently being invested in upgrading the headquarters in Järfälla (T. Bauer, personal communication, May 3, 2018).

These are investors that are very prepared to keep investing in Sweden. Right now, we are investing about $50 million [...] in equipment in Sweden. (T. Bauer)

Previous owners have been more difficult, because they have been close. Perhaps more interested in what we are doing, and too interested, and have perhaps had too many opinions that might not provide the best guidance if you don’t really know what we actually want to do. (T. Bauer)

Bauer also expressed that some of the company’s clients got concerned when Silex was sold to GAE, due to its Chinese government funding. Silex is working with some American clients, which produce classified military components, that were considerably concerned about this shift in ownership. However, to deal with this issue and to maintain and secure the clients’ trust, Silex had to ensure that certain projects were only to be handled in Sweden, with no open portals to China and the twin factory being built there. Overall though, Bauer had expected more clients to be worried about the Chinese ownership, but his experience was that the clients instead found it positive with such strong owners, with a higher interest in investing in the company (T. Bauer, personal communication, May 3, 2018).

There is some anxiety, of course, since we are working with state of the art technology. Some military technology, for American clients [...] They want to secure that there, for example, are no open portals between the China factory and the Sweden factory where, for example, blueprints and such could leak to China. [...] But, this far, I believe that it has been less than I expected. Rather, clients see the pros with strong owners. That we can expand, build new factories with access to capital that is not available in Sweden. (T. Bauer)

In addition to that, Bauer explained that since Silex was acquired by GAE, its financial development has been really good and that Silex has presented strong financial results. However, he did not see any direct connection between these strong results and the change in ownership. The clients that are working with Silex are very long-term oriented and thus, the results would have been the same either way. On the other hand, due to the freedom of being
able to focus on what Silex actually wants to focus on rather than operating as the previous owners instructed, Bauer concluded that, in that sense, the change in ownership has enabled the company to work more long-term in the right strategic directions. That, in turn, has enabled an improvement of the financial results (T. Bauer, personal communication, May 3, 2018).

4.2.3 Connection with China

Silex has very limited contact with the parent company in China. Since the acquisition of Silex, the Chinese owner has not gotten involved in everyday business and the communication is mainly limited to sending financial reports for different fiscal periods.

They are, as mentioned, financial owners. Our CFO sends financial reports to them and they look at it and are satisfied, and then they let us do our own race exactly as we want. As long as we earn money and it goes well they have extremely limited involvement. […] Other than just checking up on us to simply see that things are going alright. (T. Bauer)

However, the chairman of the board is a representant from CGP Tech Fund and another board member is a Chinese expert in the area of MEMS. Hence, larger decisions regarding the company’s business model and strategies are, to at least some extent, made in accordance with the parent company and with some influence of the Chinese ownership (T. Bauer, personal communication, May 3, 2018).

Additionally, Silex is now moving into China as well and a factory is being built there, as a twin to the factory in Sweden. The ownership allocation between Silex, GAE and CGP is not clear, but it will increase the connection between Silex in Sweden and China. Even though Silex is, as mentioned above, responsible for the establishment of the factory that will be its twin factory, the factory in China will produce value in several ways. Other than just expanding the capacity of Silex in terms of production and allow Silex to enter a growing market, it will increase knowledge and competence in China as well (T. Bauer, personal communication, May 3, 2018).
We consider China to be a really important strategic market. And, over time, when we see that the Chinese politics also put a lot of focus on being a strong player in the manufacturing of [MEMS and internet of things], it becomes very natural for us to think the thought that we have to be in China in order for us to become the global leader we have the ambition to be. (T. Bauer)

Table 6 – Summary of Results

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<th>Internationalization</th>
<th>Differences</th>
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<td>Pull Factors</td>
<td>Push Factors</td>
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<td>Case 1</td>
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<td>Not applicable due to greenfield investment</td>
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<tr>
<td>Case 2</td>
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5. Analysis

This chapter will apply the empirical findings to the theoretical framework presented in the frame of reference and compare the findings of the two different cases. Further, the data will be systematically analyzed in terms of internationalization, differences, and connection with the parent companies, as presented in the previous section.

5.1 Internationalization

5.1.1 Pull Factors in Sweden

Sweden has a highly skilled workforce that attracts companies from China. As explained in the OLI framework, firms internationalize to capture value from certain locations (Liang et al., 2012). This is the case for Greenworks that stated its main reason for establishing operations in Sweden to be the highly skilled labor that understood the European market. The notion of internationalization for highly skilled labor is also a reason for Global Access Electronics Ltd. (GAE) to select the Swedish company Silex. Also, the corporate taxes in Sweden are relatively low, which creates an additional competitive advantage from the location. Furthermore, the search for strategic resources can also be explained by the resource-based view, where companies internationalize to capitalize on human resources (Xie & Amine, 2009). This can be connected to both Greenworks and GAE since by establishing operations in Europe, the companies were able to capture human capital, which has created competitive advantages. Another pull factor is the access to technical expertise (Sauvant et al., 2010). In Greenworks’ case, the establishment in Jönköping is a clear example of this, as the R&D center is located near Husqvarna to create external economies of scale, in terms of knowledge spillover and labor pooling. In Silex’s case, it was the desire to improve the Chinese position in the MEMS field and to capture human capital with knowledge about MEMS that were the pull factors. Therefore, since the best option of accessing the desired knowledge was by acquiring Silex, which is located in Sweden, GAE was pulled into internationalizing to Sweden.

In addition to that, theories suggest that networks play a large role in successful internationalization and that Chinese firms prefer to internationalize into countries where they have business networks (Xie & Amine, 2009). Furthermore, networks are argued to
contribute to an increased knowledge about the targeted market, which in turn should lower the LOF and create a higher possibility of achieving greater returns (Johanson & Vahlne, 2009). However, this was not the case for Greenworks as it did not have any well-established business networks before entering Sweden. The networks that existed were limited to two retailers on the Swedish market. GAE also lacked a previously established network in Sweden, which, however, did not play a significant role in the decision of moving into Sweden. This is because the internationalization was mainly driven by acquiring a MEMS company in a developed country and not by targeting Sweden specifically. All in all, this shows a clear difference between Greenworks and Silex, where in Greenworks’ case, the location was a key factor that influenced the process of internationalization, while in Silex’s case the location was of less significance. It also contradicts theories that emphasize the importance of networks in Chinese internationalization.

5.1.2 Push Factors in China

There are also domestic push factors in China that forced the companies in both cases to internationalize. Some of these push factors are the chance to outgrow domestic competitors and to avoid government regulations (Ramasamy et al., 2012; Sauvant et al., 2010). In the case of Greenworks, access to new markets was essential due to the lack of a domestic market for the goods that were manufactured. Moreover, the domestic labor force did not have the expertise that was required to grow in a desired rate, so the knowledge deficit at home made the company look for personnel outside of China. Furthermore, governmental support to internationalize actively contributes as a domestic push factor (Luo et al., 2010) where Chinese companies are encouraged to invest abroad (Voss et al., 2010). This was a contributing factor to the acquisition of Silex as GAE is funded partly by government capital and was hence highly encouraged to invest internationally and to acquire a MEMS manufacturer from a developed country.

5.1.3 Process of Internationalization

The internationalization in Greenworks’ case was through the opening of a greenfield company, in contrast to Silex where the internationalization was done by the acquisition of an already existing company. Neither of the companies did establish a strong presence in their domestic markets before internationalizing. This can be used as an argument for the born global concept, which states that instead of first establishing a presence in the domestic
market, firms tend to focus on other international markets (Dominguez & Mayrhofer, 2017; Oviatt & McDougall, 2005). This, in a sense, contradicts the traditional Uppsala model which states that companies first establish themselves in their home markets and as knowledge increases, the amount of capital invested increases. However, Johanson and Vahlne argue that the concept of born global does not make the Uppsala model obsolete and that their process of internationalization is still applicable for born globals (Johanson & Vahlne, 2009). Nonetheless, to be successful, a large amount of capital needs to be invested into markets that companies may not have sufficient information about, in order to conduct business successfully. That makes born globals’ operations riskier than other companies’, as they might not have generated enough capital to back their investments (Oviatt & McDougall, 2005). However, by listing an acquisition of a DEF on the Shanghai Stock Exchange the value will be higher and therefore, more capital will be available. The concept of born global is, nonetheless, still more applicable to the cases in this thesis as they both have experienced rapid expansion to the international market at an early stage in their operations.

5.2 Differences

5.2.1 Before and After Chinese Ownership

Due to that Greenworks entered Sweden as a greenfield investment and has only been Chinese owned during its existence in Sweden, it cannot be analyzed in this section. In the case of Silex, however, there was an acquisition of an already established Swedish firm by a Chinese company. There are, nevertheless, no clear effects on the organization resulting from the acquisition, due to the ownership being solely financial. There was thereby no intention to change existing procedures in the high-tech firm that Silex is, nor did GAE have sufficient knowledge to do it. However, the acquisition did lead to a large influx of capital for Silex, which has resulted in a new factory being built in China. Madhok and Keyhani (2012) argue that acquisitions made by EEFs in DEs are generally performed in order to gain access to new knowledge and not to transfer internal knowledge to the target. Therefore, when EEFs internationalize into DEs, the targeted country’s advantages are more important than transferring internal processes and knowledge (Madhok & Keyhani, 2012). This can be seen in these cases as both companies did not experience any strategic directives on how to alter the operations in Sweden.
Moreover, one difference expressed by Silex was that the liability of foreignness increased after the acquisition, since some customers expressed a fear that their technology could leak or be transferred to the Chinese factory. These fears were based on the Swedish firm becoming Chinese, and especially that it was partly funded by the Chinese government. Moreover, Greenworks also expressed experience of the LOF as some skepticism was raised regarding the seriousness of Chinese companies in Sweden and the perception of products made in China being of less quality. In order to overcome the LOF, firms need to create firm-specific advantages before internationalizing (Madhok & Keyhani, 2012). However, the retailers that are selling Greenworks’ products considered it necessary to cooperate with Greenworks as they noticed the growth rate and aggressiveness of the company. There was a fear that if they could not get a deal with Greenworks, they would lose important market shares to the competitors. Hence, for Greenworks, the LOF was not experienced towards the retailers, due to their firm-specific advantages of growth and quality.

5.2.2 Between China & Sweden

In the case of Greenworks, some major differences between Sweden and China were presented, such as the corporate culture and the decision-making process. As mentioned above, Chinese companies are more ‘dictatorial’, with a single leader making the final decisions. In Sweden, and in most other developed countries, the decision-making process is more democratic. This difference allows Chinese firms to make larger decisions faster and to implement strategic changes before their DE competitors. Additionally, authority is much more respected in China, compared to Sweden. If a Chinese manager makes a decision in a matter, it is not criticized or questioned, it is just executed, while in Sweden, decisions from high leaders can be questioned by basically anyone within the organization. Furthermore, the willingness to invest is a major difference between the corporate cultures in the countries. In Chinese companies, investments are made quicker and the managers are more active in their decisions, while in Sweden and Europe overall, companies are more passive. European firms also let the market direct the firms forward, rather than making active decisions on how to control the development of the companies. This observation is not the same for Silex as the financial owner has limited connection with Silex and its influence is very small. However, one difference laid out by Silex is how much a company is valued on the Shanghai Stock Exchange. A company is valued remarkably higher in China compared to if the company would be listed on a Western exchange market. This increased value contributes to a higher...
capital potential if the company is listed in China and therefore increases the expansion potential for the company. Moreover, the ownership situation makes cultural differences within the company hard to observe and Bauer could therefore not comment on this.

5.3 Connection with the Chinese Parent Company

Due to the nature of Greenworks, being a greenfield investment owned wholly by its parent company, the connection with the Chinese parent company is total. Travels back and forth from China is a standard procedure and another common form of communication is video conferences with the parent company in China. However, Larssen explained that meetings do not occur as often with Globe Tools group as they would if it was a Swedish firm. This was attributed to the differences in culture and that Sweden has a ‘meeting culture’. Moreover, the company experienced that the support from China is high, as well as the trust in the Swedish subsidiary. One example raised was that the founder and owner of Globe Tools group often expresses large respect for the Swedish co-workers and always leaves the Swedish offices with a smile on his face. At the same time, the Swedish subsidiary experienced that they have a very large degree of freedom in their strategic decisions and the product development, as the idea is to let the Europeans be responsible for the European market. Thus, Greenworks in Jönköping and Malmö are allowed to run their operations without any perceived interference from the parent company. In Silex’s case the financial ownership limits the communication regarding everyday operations. Nonetheless, the chairman of Silex’s board is a representant of CGP and, thereby, some control over the decisions made at Silex is achieved. However, the CFO of Silex also sends financial reports to GAE to make it possible to control how the company performs and if the results are according to GAE’s expectations.
6. Conclusion, Discussion and Contributions

In this final section, a conclusion is presented and then the results are discussed. Also, contributions of this thesis to theory and practice are presented, as well as limitations of the study and suggestions for future research.

6.1 Conclusion

The aim of this paper was to explore the internationalization of Chinese firms in Sweden. More specifically, it was to look at the internationalization, as well as the differences and the connection with the Chinese parent companies. Therefore, the following research question was asked initially: “How do Chinese companies internationalize in Sweden?”. This paper has looked at theoretical findings for historical reference and context, compared them to the gathered empirical findings and examined the findings. Additionally, a multiple case study was performed on Greenworks Tools AB and Silex Microsystems AB to collect the empirical data.

As shown in the findings of this paper, both push and pull factors actively contribute to the internationalization of Chinese firms into Sweden. Government subsidies and the low purchasing power in China appear to be the main push factors. However, market knowledge and technical expertise, as well as gaining access to the European market seem to be the main pull factors in Sweden. With regard to how the companies in Sweden experienced differences between the Swedish and Chinese parties of the organizations and how the ownership would have altered operations and strategies, the findings were quite ambiguous. Also, linked to this is the connection and involvement of the Chinese parent companies in their respective subsidiary in Sweden. While Greenworks is a wholly owned greenfield investment, Silex became Chinese as an acquisition by purely financial owners. Hence, the connection to the parent company is not as evident for Silex as it is for Greenworks. Nonetheless, both firms’ experience was that their parent companies have low levels of involvement in their operations and strategic decisions. However, due to the connection with the Chinese firms, the companies in Sweden have very different experiences of the cultural differences between Sweden and China. Greenworks has experienced large cultural differences while Silex has barely no such experiences.
Hence, the answer for the research question is that there is no universal way of internationalizing into Sweden by Chinese firms and therefore, no clear answer can be provided on that. There seems to be similar motives for choosing to internationalize into Sweden, but there are, however, different strategies used to establish operations in Sweden. Also, the way Chinese firms run their operations in Sweden appears to vary, depending on the underlying motives for internationalizing and the industry in which they operate.

6.2 Discussion

Prior to the execution of this study, assumptions were made about the reasons for Chinese internationalization into Sweden, and similarities were expected between the explored cases. However, even though some of the expected similarities were confirmed, there were larger differences than anticipated, in terms of establishing operations in Sweden. Since the observed differences are linked to the ownership structure of the firms, a possible conclusion is that these differences will hold true for other firms with similar ownership structures. However, even though Chinese firms appear to internationalize into Sweden for the same reasons, and previously held assumptions were that internationalization primarily targeted countries rather than companies, the case of Silex proved different. Nonetheless, an examined reason for internationalizing to Sweden had to do with corporate regulations and taxes, which was not found in the existing theories presented in this paper. Therefore, it was not expected to be of significance for internationalizing to Sweden. On the other hand, one argument that was presented in the frame of reference was the power of business networks. The cases observed in this thesis did not reflect that networks had any substantial effect on the decision to internationalize to Sweden. The power of business networks was expected to be of greater significance, however, this was not the case. Lastly, an unexpected reason for Chinese firms’ internationalization in developed markets was the aspect of company valuation. It was shown that companies listed on Chinese stock exchange markets are valued higher than in other stock markets. Hence, it is possible for Chinese companies to acquire DEFs and list them on their domestic stock market and hence increase the value of the acquired company.
6.3 Contributions

6.3.1 Contributions to Theory
This paper has contributed to the theoretical perspective by showing the applicability of existing theories on Chinese companies’ internationalization into Sweden and the strategies that were used once established on the Swedish market. By showing that the theories have relevance and bearing in real cases, future researchers can use the same theories regarding internationalization in their own research covering this topic.

6.3.2 Contributions to Practice
The paper can be of relevance for Chinese firms that are looking at Sweden as a potential new market, since it shows how companies previously have operated, background reasons for their internationalization, and their level of involvement in Swedish subsidiaries. Moreover, by laying out reasons for why Chinese firms internationalize into Sweden and what strategies are being used, Swedish companies can get a better understanding of how to effectively counter the new competition and implement strategies that would increase their competitive advantages.

6.4 Limitations of the Study
Empirical data was collected through three semi-structured interviews in order to get as broad answers as possible to the complex phenomenon explored in this thesis. However, there are limitations with this method as the study could have benefited from the collection of data from a larger amount of companies. Due to time constraints and a limited number of Chinese subsidiaries in Sweden, this was very difficult. This limitation could have been accounted for by doing a quantitative study. The answers would, however, not have been as elaborated and therefore not as relevant for answering the research question. Moreover, by conducting semi-structured interviews, the validity is dependent on the authors and the interviewees. The interviews were structured in a way that made it possible to cover the three main areas of the thesis equally and then transcribed to increase the validity. Furthermore, the paper covers the phenomenon of culture which is hard to handle because of several reasons, such as the Chinese culture being old and large due to the population in China. Moreover, the concept is a subjective matter and the interviewees may have had other personal definitions than the
interviewers. Lastly, the perspective of differences in corporate culture is investigated from a Swedish point of view and the differences laid out in the paper may not reflect the views held by Chinese managers. This can be connected to all the information about China gathered from the interviews as the interviewees are Swedish and therefore potentially biased in their observations regarding China. Moreover, the models presented in this paper are possibly influenced by Western culture and written in a Western context. Therefore, all models may not be entirely applicable for Chinese firms or EEFs.

6.5 Future Research

Based on the limitations of this thesis, the first suggestion for future research is to research a larger portion of developed markets in order to see whether the results gathered in Sweden differs from other developed markets. The authors suggest that such research could either be done by using a quantitative method due to the large number of Chinese firms in all developed markets or by performing a multiple case study on Chinese firms that are represented in several developed markets. Moreover, a closely related topic that would be interesting to research is how Chinese companies internationalize into emerging markets to see if there are any clear differences or similarities between the results presented in this paper and the internationalization strategies and process used for entering emerging markets. Furthermore, since this paper has focused on a combination of Chinese firms with both private and government funding, it would be interesting to research specifically how SOEs or POEs internationalize, in order to get a more complete picture of Chinese internationalization. In addition, to do similar research like in this paper but on firms from other emerging economies, could be interesting as it would enable a comparison between different emerging economies. Also, it would make it possible to see if the internationalization of Chinese firms is unique or if similar strategies are existing in other emerging economies as well. However, the limited research on how Chinese companies internationalize and the increasing reality of Chinese firms establishing operations internationally, implies that both private and public actors would benefit from further research on the topic. For private actors, future research could be important as companies would need to better understand the new competition entering the developed markets. For the public actors, however, to investigate if current understandings and theories are still applicable to Chinese and other emerging economy firms, would improve the existing knowledge in the field.
References


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Appendix – Interview Guides

Greenworks Tools

1. Vem är du? Who are you?
2. Vilken position har du i Greenworks Tools (GWT)? What is your role in GWT?
   a. Har du varit med från början 2017? Have you been with the company from the beginning in 2017?
   b. Vad har du för ansvarsområden? What are your areas of responsibility?
3. Vad gör GWT? What does GWT do?
4. Stämmer det att GWT grundades i Kina 2007? Is it correct that GWT was founded in China 2007?
5. Har GWT alltid varit kinesiskt? Has GWT always been Chinese?
6. Hur gick det till när GWT valde att investera i Sverige? What did the process look like when GWT chose to invest in Sweden?
7. Varför valde GWT att investera i Sverige? Why did GWT choose to invest in Sweden?
   a. Export? Did they start with exporting to Sweden?
   b. Agent? Did they operate through a sales agent?
   c. Nyetablering? Was it a greenfield investment?
8. Vilka alternativa strategier fanns vid investeringen i Sverige? What alternative strategies were there when investing in Sweden?
9. Vilket mål och syfte hade GWT med investeringen i Sverige? What goals and purpose did GWT have with the investments in Sweden?
10. Fanns det specifika faktorer i Kina som påverkade internationaliseringen av GWT? Were there any specific factors in China that influenced the internationalization of GWT?
11. Varför valde GWT att etablera sitt Europakontor i Sverige? Fanns det speciella anledningar? Why did GWT choose to establish their European HQ in Sweden? Were there any special reasons?
12. Varför valde GWT att etablera sin forskningsenhet i Jönköping, Sverige? Why did GWT choose to establish its R&D operations in Jönköping, Sweden?
13. Ralf berättade om Kölnkontoret. När grundades det och vad har de för uppgift?
14. Enligt er hemsida tog det ca 9 år innan GWT finns i Nordamerika och bara några månader till innan ni hade ett regionalt kontor i Sverige. Hur kom det sig att ni var så snabba med att internationalisera? *According to your webpage, it took about 9 years before GWT was established in North America, and just an additional couple of months before you established a regional office in Sweden. What made GWT internationalize so quickly?*

15. Innan etableringen i Sverige, fanns det något nätverk i Sverige? *Before the establishment in Sweden, did you have a network Sweden?*

16. Hur ser kommunikationen ut mellan GWT i Sverige och moderbolaget i Kina? *How does the communication work between GWT in Sweden and in China?*
   a. Har den förändrats med tiden? Hur? *Have that changed over time? How?*

17. Hur involverade är moderbolaget i Kina i ert beslutsfattande? *How involved are the parent company in China in your decision-making process?*
   a. Hur påverkar det er? *How does that affect you?*
   b. Ur ditt perspektiv, hur skiljer sig detta från andra bolag i Sverige, med liknande förutsättningar? *From your perspective, how does this differ from other companies in Sweden, with similar conditions?*

18. Hur påverkar den kulturella skillnaden mellan Sverige och Kina GWTs verksamhet i Sverige? *How do the cultural differences between Sweden and China affect GWT’s operations in Sweden?*
   a. Har det tagit lång tid för GWT i Kina att förstå kulturen i Sverige och anpassa verksamheten därefter? *Has the process of understanding the culture in Sweden and adapting the operations thereafter been long?*
   b. Har skillnaderna givit orsak till konflikter mellan GWT i Sverige och i Kina? *Have the differences caused any conflicts between GWT in Sweden and in China?*

19. Upplever ni att faktumet att ni är kinesiska och relativt nya på marknaden hindrar er utveckling och prestation? *Do you experience the fact that you are Chinese and relatively new to the market as a barrier to your development and achievement?*
   a. Hur påverkar det er? *How does this affect you?*
   b. Hur arbetar ni för att komma förbi dessa hinder? *How do you work to overcome these barriers?*
   c. Vad har gjort att ni inte hindrats av detta? *What have you done to limit the barriers?*
20. Som du ser på det, hur skiljer sig GWT från andra svenska bolag, ur perspektivet av företagskulturen? *As you see it, how does WGT differ from other Swedish companies, in terms of corporate culture?*


22. Har GWT i Sverige upplevt att GWT i Kina försökt implementera strategier som har stridit mot svenska normer? *Has GWT in Sweden experienced that GWT in China has tried to implement strategies that have contradicted Swedish norms/law?*

23. Hur har GWTs ekonomiska utveckling i Sverige sett ut? *How has GWT’s economic development in Sweden been?*
   a. Med detta i åtanke, ser ni investeringen i Sverige som framgångsrik, ur en ekonomisk synpunkt? *With this in mind, do you consider the investment in Sweden as successful, from an economic point of view?*

24. Överlag, skulle du säga att investeringen i Sverige har varit framgångsrik för GWT? *Overall, would you say that the investment in Sweden has been successful for GWT?*
   a. För dig personligen? *For you personally?*
   b. För era anställda? *For your employees?*

Silex Microsystems AB

1. Du är alltså Tomas Bauer, Senior Vice President, Sales & Business Development på Silex Microsystems AB? *So, you are Tomas Bauer, Senior Vice President, Sales & Business Development at Silex Microsystems AB?*

2. Stämmer det att Silex ägs av Global Access (GA)? *Is it correct that Silex is owned By Global Access (GA)?*

3. Hur ser GAs historia ut? *What is GA’s history?*


5. Varför valde GA att investera i Sverige? *Why did GA choose to invest in Sweden?*

6. Vilka alternativa strategier fanns vid investeringen i Sverige? *What alternative strategies were there when investing in Sweden?*

7. Vad var GAs mål och syfte med att köpa Silex? *What was GA’s target and purpose with buying Silex?*
8. Fanns det specifika faktorer i Kina som påverkade internationaliseringen av GA?
   Were there any specific factors in China that affected the internationalization of GA?
9. Innan etableringen i Sverige, fanns det något kontaktnät? Before the establishment in Sweden, were there any business networks?
10. Hur ser kommunikationen ut mellan Silex och GA? How does the communication look like between Silex and GA?
11. Hur involverade är GA i ert beslutsfattande? How involved are GA in your decision-making?
12. Hur påverkar den kulturella skillnaden mellan Sverige och Kina Silex verksamhet i Sverige? How does the cultural differences between Sweden and China affect Silex’s operations in Sweden?
13. Upplever ni att faktumet att ni är kinesiska hindrar er utveckling och försäljning? Do you experience that the fact that you are Chinese is a limitation for your development and your sales?
14. Som du ser på det, hur skiljer sig Silex från andra svenska bolag, ur perspektivet av företagskulturen? As you see it, how does Silex differentiate itself from other Swedish firms, in terms of corporate culture?
15. Har Silex företagskultur förändrats sedan uppköpet? Has Silex’s corporate culture changed since the acquisition?
16. Har Silex mål och syfte förändrats sen uppköpet? Has Silex’s goals and purpose changed since the acquisition?
17. Har ni i Sverige upplevt att GA i Kina försökt implementera förändringar som har gått emot svenska normer? Have you experienced that GA in China has tried to implement changes that would contradict Swedish norms?
18. Hur har Silex ekonomiska utveckling sett ut sen ni blev uppköpta? How has Silex’s economic development been since the acquisition?
19. Överlag, skulle du säga att investeringen i Sverige har varit framgångsrik för Silex? Overall, would you say that the investment in Sweden has been successful for Silex?