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Internationalization of Chinese MNCs in the Swedish Market:
An Empirical Study on the Role of Institutional Structure and Socio-cultural Factors in the Process of Internationalization

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Declaration

MA Programme Euroculture Declaration

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Preface

During the whole process writing this thesis, I have established a broad connection with entrepreneurs in Sweden by extensive fieldwork of visiting companies and meeting business people. I owe a large debt of gratitude to many people who have contributed to this research and writing of this thesis. The topic of this study started to develop when my supervisor Dr. Hang Kei Ho took me as a research intern. In this regard, I would like to express my sincere appreciation for his help in stimulating my research ideas and his efforts guiding me in the composing the work this long. I would also like to thank my supervisor from Groningen University for his constructive comments and suggestions. Furthermore, I would like to send my greatest thanks to the interview respondents for sharing their valuable expertise and making this dissertation possible. Finally, I have to thank Linnéa Anglemark from the English language workshop and my friends who not only reviewed my thesis, but also gave me so much support and encouragement during the process.
Abstract

China and Sweden are two key players that are highly involved with and significantly benefited from globalization. Sino-Foreign direct investment (FDI)\(^1\) and Multinational Corporations’ (MNC) internationalization are major topics in the academic community of international business and management. However, the empirical evidence of how the Chinese MNCs cross-culturally operate in the Swedish market remains fragmented and their internationalization processes are less discussed. By analyzing literature from the areas of internationalization activities, Chinese and Swedish economic system, institutional framework, and cultural values and by supplementing data collected from qualitative interviews with Chinese entrepreneurs in Sweden, this thesis will examine the institutional and societal-culture factors that model Chinese MNCs’ internationalization in Sweden, as well as opportunities and challenges the Swedish market possesses. Interviews with executives of MNCs indicate that human resource issues, market competition, lack of knowledge of the external institutional environment, the skeptical attitude of hosting country towards Chinese enterprises, and ethical difference within work place are the biggest challenges for Chinese MNCs when entering the Swedish market. This thesis offers insights into the differences between the Swedish and Chinese business and social culture, and provides suggestions for Chinese entrepreneurs in becoming more aware of institutional and cultural gaps when entering the Swedish market.

Keywords: MNCs’ Internationalization, Cross-cultural practice, Cultural dimensions, Uppsala Internationalization Process Model, The Network Model of Internationalization, Adaptive process

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\(^1\)Foreign direct investment is a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy... Immediate direct investment relationships arise when a direct investor directly owns equity that entitles it to 10 percent or more of the voting power in the direct investment enterprise. (The IMF’s Balance of Payments Manual, fifth edition (BPM5)). FDI can be divided into two main groups, one is which is to establish a completely new operation in a foreign country, namely Greenfield investment, the other is through acquisitions or merge with a company that is already established in the foreign market. International Monetary Fund, A Summary of Foreign Direct Investment Trends and Statistics. The Statistics Department, Approved by Carol S. Carson October 28, 2003.
Abbreviations

FDI  Foreign direct investment
MNC  Multinational Corporations
PDI  Power distance index
UAI  Uncertainty avoidance index
IDV  Individualism index
SME  Small and medium sized enterprises
WTO  World Trade Organization
ICT  Communication Technology
OECD Organization for Economic Cooperation and Development
CEO  Chief executive officer
M&A  Mergers and Acquisitions
CTM  Chinese traditional medicine
U-model  Uppsala Internationalization Process Model
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1 Introduction

1.1 BACKGROUND

1.1.1 Broader context: Globalization and flow of FDI

Globalization is commonly used as a term for describing the multifaceted process of ever-increasing amount of goods, people, services, and capital, as well as the technological advancement flowing across borders. It is also often referred to as the trend of creating a free and open global market under the efforts of international organizations, such as World Bank and International Monetary Fund. Global society is becoming closely connected and strengthened by various economic activities, among which FDI functions as a primary engine of Globalization. The free flow of FDI has allowed national companies entering each other’s market and increasing their competitiveness in a broader marketplace. It has been observed that FDI has grown at an unprecedented pace for the last two decades and is outpacing the growth of international trade. Multinational corporations, with their considerable economic and cultural influence, play a crucial part in FDI. MNCs’ internationalization has a long tradition of investigation in international trade and cross-border business. MNCs’ business practices can be affected by the environment of investment receiving country in various aspects, since they set out to conduct business activities that extensively involve with the local community’s finance, resource, and labor market etc. In return, MNCs can also exert considerable influence on domestic policy-making process. Researchers from Uppsala University describe the Internationalization of a MNC as a time-consuming and incremental process of interactions between investment’s home and hosting countries.

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2 Yan Xin. Globalization, a study based on the globalization process of Chinese corporations Last accessed https://www.slideshare.net/gueste4a23/literature-review-of-globalization-yanxing-doc
4 Foreign direct investment seen as primary motor of globalization, says WTO Director-General 996 /42 13 February 1996 Last accessed: https://www.wto.org/english/news_e/pres96_e/pr042_e.htm
5 Cultural Acumen for the Global Manager: Lessons from Project GLOBE.: EBSCOhost
7 Ibid.
1.1.2 China- Sweden related FDI

China has traditionally been a popular FDI-receiving country from other developed countries. It is remarked that the inward FDI, in particular, joint ventures and strategic merger and acquisition, has substantially increased Chinese companies’ international experience and capabilities. Currently, China is gaining considerable importance as a source of FDI and benefited extensively from this international connection. According to a survey of the leading Chinese investment projects abroad conducted from 2005 to 2010 by Heritage Foundation, China began to invest overseas intensively from 2007, and by then FDI from China to Sweden had been relatively scarce. From 2007 to 2010, the Chinese FDI worldwide experienced a real leap. The survey shows clearly that this extraordinary growth of the Chinese FDI in Sweden is in line with the movement that had spread all over the world although came later in Sweden’s case.

Sweden was the first country in the western world to establish diplomatic relations with the People’s Republic of China in the 1950s. However, it is relatively late when Chinese enterprises entered in Swedish market, approximately thirty years ago. Chinese investors have remained an active engine of bilateral economic and trade cooperation between China and Sweden. Currently, there are approximately 30 Chinese state-owned companies investing and conducting business in Sweden, with a total volume of 3.6 billion USD’s investment, which created more than 17,000 jobs in Sweden, according to the statistics from the Chinese Chamber of Commerce in Sweden. These figures illustrate Chinese enterprises’ interest and their growing influence in Sweden to a large degree. However, the Chinese embassy expressed their concern of the staggered economic collaboration and the trade value between China and Sweden which has remained at the bottleneck of 14 billion USD in the past few years. The Chinese embassy claimed that the scope and scale of

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14 Li Hongzhong. Remarks at the Inaugural Ceremony of the Chinese Chamber of Commerce in Sweden. 08-12-2016 http://www.chinaembassy.se/eng/sgxw/t1422556.htm
15 Ibid.
Chinese FDI to Sweden do not justify the economic potentials and capacities of the two countries, as well as their geographical economic positions. Business interactions between China and Sweden, according to Chen Yuming, the Chinese Ambassador to Sweden, do not reflect the overall gradual growth of China-Europe trading volume, especially not comparable with the amount of China-Germany, China-Britain or China-Finland bilateral trade and business.\textsuperscript{16}

\textbf{1.1.3 Multinational Corporations’ Internationalization}

Hollensen defines internationalization as “Conduct business activities in many countries of the world, but often limited to a certain region”.\textsuperscript{17} Growing commercial interactions between Sweden and China offer new opportunities as well as new competitive challenges to multinationals from both sides. The transformation from a domestic player to a multinational one is understandably complex and risky.\textsuperscript{18} Researchers from Gothenburg university address that the globalization processes for MNCs are usually tortuous as firms are often required to adapt to varying institutional contexts and develop impetus strategies which can help them gradually gain competence and increase performance.\textsuperscript{19} Thus, institutional and cultural circumstances of both investment receiving and outsourcing countries can affect enterprises’ investing strategies and performance. It is observed that the distinctions between the Chinese and western cultures often generate clashes and misunderstandings which put a great pressure on the cooperation between Chinese and Western business.\textsuperscript{20} Kurt stresses that the cultural, political and economic traditions between China and Sweden are distinct.\textsuperscript{21} For instance, the two nations differ from each other in the mechanism of institutional building, in the development of checks and balances and in the focal point of the culture – family or community based.\textsuperscript{22} Therefore, these differences are likely to cause


\textsuperscript{22} Ibid.
organizational clashes or cultural misunderstandings. Thus, additional knowledge regarding Chinese and Swedish institutional structure, culture, work ethic, etc. is therefore as important as the primary data from interviews to understand Chinese MNCs’ internationalization performance.

1.2 Thesis Statement
The purpose of this study is to further our understanding of the characteristics of Chinese MNCs Internationalization in Sweden, in particular, Chinese MNCs’ cross-cultural adaptability and organizational performance. In addition, the study also aims to explain how business, social, and cultural differences affect the development of Chinese MNCs in the Swedish market. It will promisingly serve as a guidance for the Sino-Swedish bilateral economic and trade dialogue, as well as a reference for Chinese MNCs’ operations in foreign markets. One research question and three sub-questions have been formulated to achieve the aim of the research:

RQ. What are the institutional and social-cultural opportunities and challenges Chinese MNCs face when they enter and carry out business activities in Sweden?

Sub-question 1. How does the varying institutional framework affect Chinese MNCs’ internationalization behavior in Sweden?

Sub-question 2. How does the changing social-cultural factors shape Chinese MNCs’ internationalization performance in Sweden?

Sub-question 3. What implications do the internationalization theories and models have to Chinese MNCs’ internationalization in Sweden?

In order to answers the questions, I will firstly present a critical review of the development of internationalization theories. Secondly, I will conduct a comprehensive investigation of scholarly publications on Chinese and Swedish business characters to demonstrate affective institutional, social, and cultural factors that may have contributed to or hindered Chinese investment’s entry and growth in the Swedish market. Finally, I will collect primary data by interviewing 10 practitioners—key executives of Chinese MNCs operating in Sweden, and business professionals in representative Swedish agencies closely involved with Chinese FDI in Sweden. The primary data supplements information which is collected on each MNC’s internationalization process from secondary sources, such as corporate annually report, newsletters, and documentations. The
participating companies in this research are selected in various sectors such as automobile industry, telecommunication industry, medicine retail and professional services ranging from large multinational corporations to small and medium-sized enterprises (SME).

1.3 Research Significance
The importance of FDI to Sweden is recognized by many scholars and policy-makers. The discussions are almost uniformly consistent in indicating that the cultural difference between Chinese and western culture requires Chinese companies to change the methods they use for the domestic markets to adapt to the business culture of the entering market. However, there is very limited empirical data and information of how Chinese MNCs internationalized in the changing institutional and social-cultural environment available. In addition, Western culture has been traditionally regarded as a homogenous entity, which excludes all the cultural variations among the countries. However, one should notice that generalizing Chinese business cultures in the Western world can be problematic, as the Western culture within itself differs primarily from country to country. Thus, the diversity of western culture determines the necessity of a particular investigation into Chinese companies in Sweden. Last but not the least, the existing studies are mostly descriptive and generally discussed, while the actual opportunities and challenges for the Chinese MNEs in Sweden have not been thoroughly investigated.

This thesis aims to acknowledge the growing significance of Chinese investment and business in the Swedish market, to offer insights into the differences between the Swedish and Chinese business and social culture, and to provide suggestions for Chinese entrepreneurs to become more aware of cultural gaps when entering the Swedish market. This is where my interest in the subject lies. Hence, the current study contributes to the emerging literature on Chinese FDI in Sweden by taking a step towards examining MNCs’ internationalization experience, and discussing in specific the differences between Swedish-Chinese business culture and how does the vary of institutional environment and cultural factors affect Chinese companies in Sweden.

23 Li Hongzhong. Remarks at the Inaugural Ceremony of the Chinese Chamber of Commerce in Sweden. 08-12-2016 http://www.chinaembassy.se/eng/sgxw/t1422556.htm
The Chinese enterprises in Sweden are worth examining for the following three reasons. Firstly, the cultural, political and economic traditions between China and Sweden are distinct, as two nations represent two diverging trajectories of development, for instance, the mechanism of institutional building, the development of checks and balances and whether the orientation of the culture is family or society oriented. Thus, the Chinese investors from a distinct culture remain a strong entity in the Swedish market, which calls for special academic and managerial attention. The second reason to look into this topic is that the number and proportion of Chinese enterprises in Sweden grow steadily. The continuing globalization of the Chinese economy stimulates a growing number of outward direct investment accompanied with the flow of capital and knowledge. Thirdly, the social influences these enterprises have already had on Swedish society, particularly in cosmopolitan cities like Stockholm, has attracted considerable attention.

1.4 THESIS FRAMEWORK
The rest of thesis is structured as follows: the following part will explore Chinese MNC’s internationalization process within a theoretical framework designed for this study. The third chapter focuses on the methodology of the empirical study, which mainly consists of interviews with business practitioners in the Swedish market. In the next chapter, I give an analytical explanation on the core features of the Chinese and Swedish institutional and societal-culture factors in relation to their direct investments. It focuses on how differences in institutional and societal culture factors shape companies’ ways of doing business. Supplementing secondary resources, the thesis illustrates primary data collected by interviews with practitioners—key executives of Chinese enterprises operating in Sweden, and representative agencies involving in Chinese FDI in Sweden. It provides how Chinese MNCs’ executives/top level managers perceive the change of business environment that affects their interactions with Swedish counterparts and their internationalization performances in the Swedish market. The last chapter concludes with a discussion of the existing theory and highlights how this thesis contributes to international society’s understanding of Chinese MNCs’ internationalization process and offers managerial implications.

26 Chen Yuming. Opening Remark in Sweden-China Green Cooperation Conference 2017, May 9th
2 Theoretical Framework
A range of theoretical perspectives are combined to establish a conceptual framework, which enables this study to provide a description of Chinese MNCs’ Internationalization features in the Swedish market. This chapter examines existing literature regarding cultural dimensions in cross-culture management, Uppsala internationalization process model, the network model, and adaptive model. The theoretical framework added credibility and authority to my investigation, as well as constrain the research to a reasonable scope.

2.1 LITERATURE REVIEW
MNCs’ internationalization has been intensively discussed in the academic community of international business and management. A big stream of researchers suggested that investing and receiving country’s economic, political and social environments assert a significant influence on MNCs’ internationalization strategies and performance. Some studies on MNC’s internationalization have argued that investing enterprises often encounter challenges in foreign institutional and market environment, but those can be overcome by learning from local practices. Some other scholars have discussed the way in which Chinese imperfect capital market and institutional framework influence economic activities. However, the majority of the literature examined institutional characteristics through the lens of driving factors behind corporations’ internationalization while few explored how the difference of institutional environment between China and Sweden influence internationalization performance of Chinese MNCs. Congruously, some studies have focused on societal-cultural factors in economic activities.

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30 Ibid.
Steel and Taras argued in their study that despite the spread of globalization and the introduce of multicultural mindset over the world, the impact of local cultures and national values on people is persistent.\textsuperscript{31} They further claimed that economic performance and individual’s behavior are based upon the culture of societies.\textsuperscript{32} In line with studies above, some supplementing studies have been trying to explore how does the Chinese culture work in Chinese business activities abroad by presenting theories of *guanxi* and Chinese way of thinking.\textsuperscript{33} Nevertheless, it is only a one side analysis if it is only the Chinese culture that is taken into consideration when analyzing the culture differences between Sweden and China. Steel and Taras’ study also illustrated that it is imperative to critically understand some of the challenges that MNCs have to face by taking account of both home and hosting market’s business cultures and values. These two researchers are not alone in their beliefs. The research conducted by Trompenaars & Hampden-Turner maintained that culture serves as a basis in which people solve problems.\textsuperscript{34} They further divided the cultural aspect into three levels: the national, corporate and professional level, which filled the gap of the cultural analysis of economic activities. Furthermore, the research has been interpreted by some scholars as a reconciliation of west and east cultural traits.\textsuperscript{35} To understand how do different factors affect people’s way of doing business has always been of great interest to researchers from business schools and companies. Accordingly, Erin Meyer demonstrated in her book that cultural difference has been a well-established issue for multinational businesses. For instance, Latin Americans and Asians have been acknowledged to be extremely strict with hierarchy, while Scandinavians are perceived to be the opposite.\textsuperscript{36} Erin admitted that there is a possibility to overgeneralize the situation; however, the merits of understanding institutional and cultural differences outweigh its downside.\textsuperscript{37}

\begin{flushleft}
\textsuperscript{32} Ibid.
\textsuperscript{34} Ibid.
\textsuperscript{37} Ibid.
\end{flushleft}
2.2 Cultural Dimensions

To understand a culture is at the center of perceiving people/organization’s behavior when conduct business with an entity from a different cultural background. A main stream of researches that address business culture and performance issues in international business can be represented by Hofstede. Hofstede defines culture as “the collective programming of the mind that distinguishes one category of people from another”. By analyzing empirical data from a large MNC, IBM, he came to the conclusion that “organizations are cultural-bounded”. Hofstede states in an academic interview that his study focuses on how do people acquire their “operating system” which includes the shared values, understandings, codes of conduct, and expectations that unconsciously learned and further guide people’s behavior. Culture, therefore, is an imaginary product that difficult to make any predictions, as it involves multi-dimensions. Dimensions of culture are suggested as a way of un-packaging the concept of culture. It is same for organizational culture, only the rules are of different level, which is more pragmatic, and changeable. Hofstede’s studies on cultural dimensions are repetitively quoted as the theoretical basis to understand how people from various cultural backgrounds communicate among different groups and how has this difference in culture influence business practices. Another important publish of Hofstede reinforces the argument for Cultural dimensions is Culture’s Consequences: comparing values, behaviors, institutions, and organizations across nations. The book examines how national culture affects international organizations’ development and operations with statistical studies involving people from 66 different countries. The study proves that to recognize culturally embedded differences in values, and way of doing business is crucial for multinational corporations to transfer business operations across borders successfully. This section selects three dimensions from Hofstede’s work: Power distance, uncertainty avoidance, and individualism or collectivism, which are of most relevance to

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40 Ibid.
41 Geert Hofstede on Culture Interview by Gert Jan Hofstede, 2011. Last assessed 10/10/2011 https://www.youtube.com/watch?v=wdh40kgY0Y
42 Ibid.
43 Ibid.
44 Ibid.
45 Hofstede, Geert. Culture's consequences: comparing values, behaviors, institutions, and organizations across nations 2. ed. Sage, 2001
46 Ibid.
Chinese and Swedish cross-culture business practices.

2.2.1 Power distance
Power distance expresses the way to which different societies deal with inequalities among people differently, such as how is the hierarchical order perceived in power relations. According to Hofstede, inequality in power is unavoidable within organizations and it’s the essence that keep organizations function. A firm’s power distance index in Hofstede’s research is measured by questions of, 1) to what extent, the subordinates afraid to disagree with their higher authorities within; 2) how are the decision making procedures look like. Organizations of lower power distance usually expect equalized distribution of power and demand justification for an unequal distribution of power. Countries with high power distance, in contrary, often distribute power to a restricted group of people who are at the hierarchical top. Thus, a senior manager of an organization that scores high in power distance are endowed with a significant role, and employees are often given specific tasks to accomplish. Therefore, there is little chance for self-initiatives. It is also argued that societies rank high in power distance are more tolerate to superiors’ privileges.

2.2.2 Uncertainty avoidance
Uncertainty avoidance describes the level of stress that the members of a society feel in front of an unknown future. The central issue is how a society deals with unfamiliar situations and loose structures. Concerning how do companies react against uncertainty and unfamiliar situations, Hofstede identified three indicators that take forms of rule orientation, employment stability and stress. The designed questions for measuring the indicators are respectively “how are the break

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48 Hofstede, Geert. Culture's consequences: comparing values, behaviors, institutions, and organizations across nations 2. ed. Sage, 2001: 84
49 Hofstede, Geert. Culture's consequences: comparing values, behaviors, institutions, and organizations across nations 2. ed. Sage, 2001: 79
50 Ibid.
51 Ibid.
52 Ibid.
53 Ibid.
54 Ibid.
55 Ibid.
57 Ibid.
of company’s rules accepted, how long do employees plan to work for the company, and how often do employees feel pressured or unrest at work? He further argues that the uncertainty avoidance index (UAI) in a country shapes how organizations rule because power in organizations is practiced among groups that heavily influenced by their tolerances to uncertainties. People from low UAI societies are observed to be more inclusive of diversity and more flexible when seeking innovations, while the high UAI societies are more comfortable with structural and clarified style. China and Sweden are close on the UAI ranking, respectively 29 out of 100 and 30 out of 100. Shane and his colleagues study UAI in relation to innovation, and come to the conclusion that innovations in higher UAI nations are less common to take place. However, it is found that once innovation is convinced, people in higher UAI societies will be more committed than those in lower ones, as it is too easy to bring about innovations in lower UAI societies, that people do not value or do not put much efforts in the application. It should be reminded that, these are ambiguous statements as practices often depend on particular situations in reality.

2.2.3 Individualism versus collectivism

Individualism and collectivism dimensions are used to measure to what extent individuals are expected to integrate into groups and how this expectation affect people’s behavior in their belonged groups. Hofstede cited Hsu’s argument that there is no equivalent concept of western “personality” in Chinese norms. To speak of a Chinese person, one always need to include societal and cultural surroundings, which give one meanings. Members of a culture of a higher level of individualism are observed to look after themselves and act rationally for their own interests. While, in a collectivistic society, people use to think and work as a group, and it’s common that group members look after each other. The employers always take the candidates’ social cultural environment into consideration when hiring. However, there are a variety of organizational relations in individualist and collectivist oriented societies as disclosed by Hofstede. For instance,
labor unions which are advanced in individualist societies may function as a way to build the connection in a group.\textsuperscript{67}

Hofstede’s researches are proved of ground-breaking and inter-disciplinary significance in many academic discussions. Nonetheless, his work is criticized for studying the perception of culture and behavior in a quantitative approach which fails to gain the concrete information concerning how entities interact with one another after environment changes through qualitative manners.\textsuperscript{68} Another shortcoming raise by the opponents is that Hofstede’s studies on culture encounters are carried out within the home country context instead of investigating how people/organization react in the interaction with hosting nation’s cultures.\textsuperscript{69}

\section*{2.3 \textsc{The Uppsala Internationalization Process Model}}
Internationalization can be referred to as the process of enterprises increasing involvement in international activities.\textsuperscript{70} International business researchers develop different models and theories that explains how MNCs react to changing business environment when operating abroad. One of the widely acknowledged and discussed theories developed by Swedish researchers from Uppsala University contributes to understanding how organizations internationalize as an evolutionary and learning process to reduce uncertainty and handle market differences.\textsuperscript{71}

The Uppsala Internationalization Process Model explains how firms go through several stages and increase their activities in foreign markets.\textsuperscript{72} It is observed that companies usually achieve high performance in the domestic market which form a strong support for their internationalization processes.\textsuperscript{73} One major discussion of the Uppsala Model is that corporations tend to enter culturally and geographically close countries first and with experience accumulating, they move

\begin{footnotesize}
\textsuperscript{67} Ibid.
\textsuperscript{71} Jan-Erik Vahlne, Inge Ivarsson, Jan Johanson. The Tortuous Road to Globalization of Volvo's Heavy Truck Business - Extending the Scope of the Uppsala Model. International Business Review2011, 20:1, s. 1-14
\textsuperscript{73} Ibid
\end{footnotesize}
to culturally and geographically more distant countries. This corresponds with Hofstede’s concept of culture distant. An earlier research argued that Chinese FDI may have the preference of investing in the less distant places or the places where social networks already exist. Previous researchers also suggest that the gap between Chinese firms and their foreign counterparts is larger than many had expected before they carry out businesses activities. The Uppsala model researchers content that there is a positive correlation between market knowledge and commitment decisions. They also point out the positive effects of market engagement on the development of market performance. It is important to notice that a shortage of knowledge and information about investing markets constitute the main obstacle to business operations, but that knowledge is acquirable through operating experiences. Uppsala model researchers classify knowledge into two layers: the general knowledge that can be acquired through secondary resources, and market specific knowledge that can be obtained only through practice in the particular market. Another important conception of the model is that foreign investment decisions and management implementations are made incrementally as a result of market uncertainty, which is characterized by learning through doing as a knowledge acquiring process. The more knowledge an investing enterprise obtains of the market, the lower market risk, and the higher level of adaptability the investing corporation undertakes. The internationalization process is also decided by the corporation’s strategic objectives, since further expansion is likely to cause uncertainty from unfamiliar rules and regulations of the investing market. To sum up, Uppsala model mainly implies that the international operation experience creates business opportunities and promotes internationalization processes.

74 Ibid
75 Sim, A. & Pandian, J.R. Emerging Asian MNEs and Their internationalization strategies—Case study evidence on Taiwanese and Singaporean firms Asia Pacific Journal of Management, 20 (2003), pp. 27–50
76 Ibid
77 Ibid
80 Ibid
81 Ibid
82 Ibid
The mechanism of internationalization: counter-effects of state and change (originally developed by Johanson and Vahlne 2009, p.1412)

Some researchers agree with Uppsala model researchers that the business transaction in practice is more or less of how individuals and groups communicate and learn from each other. \(^{83}\) Institutional theorists address that a firm’s institutional context contain two layers: the macro external institutions of national characteristics and the micro-internal organizational culture and practices of a company. \(^{84}\) Institutional theorists have discovered that differences among international business systems may affect firms’ internationalization performance in particular markets. \(^{85}\) A successful transfer of business requires the investing unit to adjust and learn in the receiving unit. \(^{86}\) However, various criticisms are pointed out of the model. One major concern is that the Uppsala model ignores important factors like how industry sector, management style, and market characteristic, can impact the internationalization process. \(^{87}\) Another shortcoming addresses by Anderson is that the model fails to include contractual entry strategies such as licensing \(^{88}\), and joint ventures adopted by many companies in their internationalization practice when the market knowledge and experience are not sufficient. \(^{89}\) In addition, one highlighted criticism of the Uppsala model is the lack of awareness of how organizations learn, as well as how

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\(^{83}\) House, Robert J. Culture, leadership and organizations: the GLOBE study of 62 societies, Sage 2004

\(^{84}\) Ibid.

\(^{85}\) Furusten, Staffan. From elements in the environment to organizational practice. Institutional Theory and Organizational Change. Edward Elgar 2013


\(^{88}\) Licensing is a process of creating and managing contracts between the owner of a brand and a company or individuals who wants to use the trademark or copyrighted entity. It is used by brand owners in association with products that help a brand enter new business area without a major investment. (Licensing Expo 2017)

their learning affects the internalization behavior in detail. Although the model has all these limitations and criticisms, its concepts still benefit and applied by global business managers implementing business transitions widely.

2.4 THE NETWORK MODEL OF INTERNATIONALIZATION

Johanson and Mattsson developed the network model of internationalization in 1989 based on the International Marketing and Purchasing (IMP) project by Axelsson and Easton. Johanson and Vahlne define network as a systematic web of connections at both individual and organizational level. Johanson and Mattsson maintain that companies tend to establish business activities where cooperating relationships already exist with important domestic or foreign partners. The supporters of the network approach to internationalization state that business internationalize as a consequence of multidimensional exchange through business and social networks. These human capital networks and connections influence investment strategies and modes of entry. Elango and Pattnaik investigates how does cross-organizational connections affect MNCs’ first steps abroad and their expansion patterns in emerging markets. Some scholars observe that many Chinese MNCs seem do not follow the incremental process of business growth with the accumulation of knowledge. To choose a much-accelerated approach, such as Joint venturing or cross-border merger and acquisition (M&A) are becoming increasingly popular. Market entry strategy is one of the central issues that determinates Chinese MNCs’ internationalization performance. It greatly affects an MNC’s performance in acquiring human capital, accessing core technologies

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90 Ibid.
96 Ibid.
99 Ibid.
and obtaining market share in the host market.\textsuperscript{100} For example, strategic alliances facilitate easier access to the technology know-how and provide the possibility of applying the technology to manufacturing industry.\textsuperscript{101} M&A enable a firm to operate, and to have a rapid transition to a new market.\textsuperscript{102} It is believed that by acquiring an existing business, the firm enters a foreign market immediately with existing customers, supply channels and distribute partners.\textsuperscript{103}

It is also maintained that MNCs operating in various institutional environments come across different system of network when they enter a new market.\textsuperscript{104} Some scholars notice that Chinese MNC is a typical case in point, as the domestic country’s economic policy, legal framework, and hierarchical culture moderate their performance in various dimensions.\textsuperscript{105} Thus, examining country-specific institutional factors and organization particular culture elements is crucial to empirically explore how changes of business operating environment shape MNCs’ internationalization performance.

\subsection*{2.5 Adaptive choice model of the internationalization process}
Calof and Beamis describe Internationalization as a process of adapting exchange transactions, which possesses challenges to MNCs.\textsuperscript{106} With more involvement in the investing market, enterprises unavoidably experience the uncertainties and impacts from their operating environments.\textsuperscript{107} When business environments alter, corporations are expected to adjust accordingly to maintain their competencies.\textsuperscript{108} A considerable amount of studies have been done concerning the adaptive challenges faced by MNCs, including cross-culture management,

\begin{thebibliography}{99}
\bibitem{101} Ibid.
\bibitem{102} Ibid.
\bibitem{107} Ibid.
\end{thebibliography}
organizational learning, and strategic choices.\textsuperscript{109}

The adaptive choice model highlights the managerial challenges organizations have to overcome during their internationalization processes. To internationalize suggests that corporations attempt to transfer business activities from domestic to foreign markets. The adaptive choice model researchers assume that these changes will bring many adaptive measures as institutions have their operational environment and orientations changed.\textsuperscript{110} It is discussed that, when domestic corporations transfer to multinational ones, decision makers need to set new strategies and find out how can corporations stay competitive in the new market. The successful management experience in domestic markets, in such circumstances, cannot be moved directly to the distinct market that one is investing in, as there may be different sets of suppliers, customers, and competitors which demands to modify strategic approaches.\textsuperscript{111} Additionally, the theory also suggests that companies should also take human resources into consideration when transfer business abroad. Due to institutional and cultural differences between the domestic and investing market, it is often required to modify selection criteria, compensation system, and training practices, which used to be sufficient for the domestic labor markets.\textsuperscript{112}

The adaptive choice model complements with the Uppsala model and network model by highlighting what the critical challenges are during the process of conducting business activities in a foreign market. Although neither the adaptive choice model nor Uppala model offer solutions for overcoming these challenges, making clear what changes corporations might encounter can help investors to carry out FDI more successfully.\textsuperscript{113}

I integrate several theories to develop a framework that assists me to formalize more concise research questions and identify main themes of challenges from different perspectives to investigate in the interviews. I believe that the combined theoretical framework is helpful for

\textsuperscript{111} Ibid.
\textsuperscript{112} T. Pedersen, B. Petersen. Learning about foreign markets: Are entrant firms exposed to a “Shock Effect”? Journal of International Marketing, 12 (1) (2004), pp. 103–123
\textsuperscript{113} Ibid
explaining how do the changing institutional framework, social-cultural factors shape Chinese MNCs’ internationalization processes.
3 Methodology
In this section, I explain my choice of methodology, and discuss data collection method with time horizon and sample selections presented. Then I describe analytical approach of the empirical findings.

3.1 RESEARCH APPROACH
This thesis is conducted with an inductive approach and qualitative interview research methods. An inductive approach often uses qualitative measures to develop the theory by means of data analysis. It allows researchers understanding context-specific dynamics and the emergence of a phenomenon.\(^{114}\) In addition, inductive approaches usually start with observation and involve the search for patterns from the development of explanations namely theories.\(^{115}\) In this thesis, I define my study topic and the aim of the research firstly based on the fieldwork I have done with Chinese immigrant business people in a research internship. Based on a solid fieldwork foundation, I finalized the research questions and limited the study group in Chinese MNCs, which helped to generate a clearly defined research scope.

Creswell suggests in his book that qualitative research is exploratory, and researchers use the approach to explore and understand a topic that relate to a social or human problem.\(^{116}\) The focus is on making sense out of the data collected through investigating documents, observing behavior and interviewing participants.\(^{117}\) Qualitative researches build the themes by categorizing the concrete information to more abstract units. The researchers often work restrictively with the related literature and the empirical database until a set of finalized themes or patterns are identified.\(^{118}\) Qualitative interviews can provide richness insights and valuable information, when the researcher’s focus is on how and why questions.\(^{119}\) The qualitative interview method aided me

\(^{117}\) Ibid
getting to know the specific issues and challenges Chinese MNCs encounter in the Swedish market, and identifying their diverse experience of conducting business in Sweden. In addition, it helped me to understand that the ways Chinese companies handle and experience institutional differences can be very different. Therefore, I concluded that by using the qualitative research method I would be able to obtain valuable and critical information to my thesis. Also, as a researcher with the Chinese cultural background and an extensive experience exposed to Swedish society, I am in a unique position to interpret the meaning of data and to avoid bias.

3.2 Data Collection
The empirical research was mainly conducted in two steps. Firstly, a general design of the research was developed based on a comprehensive investigation of scholarly publications on Chinese and Swedish economic, institutional and societal culture characteristics, as well as reports concerning Chinese business in Sweden issued by government agencies and International organizations. In addition, targeted companies’ information, such as organizational structure, values, strategies, and transaction processes were studied individually to improve my knowledge of respondents, which allowed me to design research questions accordingly.

The second step was to collect primary data by interviewing. This thesis drew on in-depth interviews to study the experiences of Chinese MNCs in Sweden. I conducted face-to-face interviews in English and Mandarin with a semi-structured guideline. Considering the representativeness of the sample, the interviews were held with the executives from Chinese MNCs operating in Sweden and top-level managers who are or have been actively involved in the operation of a business in the Swedish market. Swedish entrepreneurs and business consultants specialized in different industries and experienced working with Chinese firms were also interviewed. In addition, to generate a set of comprehensive empirical evidence, I approached Chinese enterprises that differ in many ways including sector, firm size, the level of internationalization, and state of ownership.\(^\text{120}\)

Interview questions were designed for this research based on reading existing literature of FDI studies and extensive fieldwork of visiting companies and visiting business people. 2016 China Business Climate Survey Report was used as the main reference for generating interview questions. The questions aimed to guide the respondents to reflect on the difference between the domestic and the foreign market in institutional and social cultural perspectives. The distinctions served as the basis for analyzing empirical findings. The interviews were guided by a list of questions classified into different sections that are outlined in accordance with the respondents’ business background. The interviews explored factors that influence Chinese MNCs’ business transactions in Sweden. Through asking a range of questions interrelated to Chinese companies’ investment experience in the Swedish society, I could identify what practical challenges they went through when carrying out business transitions. This further offered insights into to what extent Chinese MNCs take Sweden as a more difficult/easier place to conduct businesses and to make a profit in. The semi-structured interviews offered flexibility to adjust to the situation and the relevant data obtained as the conversation progressed.

*Figure 2. Samples of Interviews*

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Company Number</th>
<th>Industry Sector</th>
<th>Number of Branches/Ventures</th>
<th>Employees</th>
<th>Yearly Turnover</th>
<th>Experience in International business</th>
<th>Deal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>A</td>
<td>Chinese Ancient Medicine</td>
<td>2 ventures</td>
<td>4</td>
<td>1500,000</td>
<td>yes</td>
<td>2016</td>
</tr>
<tr>
<td>2</td>
<td>B</td>
<td>Bank</td>
<td>35 branches</td>
<td>13</td>
<td>unknown</td>
<td>yes</td>
<td>2012</td>
</tr>
<tr>
<td>3</td>
<td>C</td>
<td>Information and Communication technology</td>
<td>21 R&amp;D institutions</td>
<td>500</td>
<td>49,281</td>
<td>yes</td>
<td>2000</td>
</tr>
<tr>
<td>4</td>
<td>D</td>
<td>Technology Machine</td>
<td>2 ventures</td>
<td>30</td>
<td>unknown</td>
<td>yes</td>
<td>2011</td>
</tr>
<tr>
<td>5</td>
<td>E</td>
<td>Automobile industry</td>
<td>4 joint ventures</td>
<td>2000</td>
<td>251,914 million</td>
<td>yes</td>
<td>2010</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Company Number</th>
<th>Industry Sector</th>
<th>Number of Branches/Ventures</th>
<th>Employees</th>
<th>Yearly Turnover</th>
<th>Experience in International business</th>
<th>Deal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>F</td>
<td>Airline</td>
<td>Serving 173 cities in 39 countries and regions</td>
<td>20-49</td>
<td>Unknown&lt;sup&gt;122&lt;/sup&gt;</td>
<td>yes</td>
<td>1998</td>
</tr>
<tr>
<td>7</td>
<td>G</td>
<td>development finance institution</td>
<td>37 primary and 3 secondary branches on the Chinese mainland, six representative offices offshore</td>
<td>9000</td>
<td>46.6 trillion</td>
<td>yes</td>
<td>2009</td>
</tr>
<tr>
<td>8</td>
<td>H</td>
<td>Business Consultancy</td>
<td>5 partners, 7 associates</td>
<td>22</td>
<td>/</td>
<td>yes</td>
<td>2015</td>
</tr>
<tr>
<td>9</td>
<td>I</td>
<td>Business Development Agency</td>
<td>2 branches</td>
<td>5</td>
<td>/</td>
<td>yes</td>
<td>2012</td>
</tr>
<tr>
<td>10</td>
<td>J</td>
<td>Business Law Firm</td>
<td>5 offices</td>
<td>450</td>
<td>/</td>
<td>yes</td>
<td>2011</td>
</tr>
</tbody>
</table>

3.3 DATA ANALYSIS
All interviews were audiotaped, supplemented with notes taken. The data was firstly organized and examined multiple rounds in order to get a precise understanding and reflect on the overall findings. The collected data then were divided into the small category of themes and coded manually by labeling each category with a keyword. The themes and codes were identified from the literature of theories and the interview questions, but due to the semi-structured nature of the interviews, some factors were much heavier assessed in the interviewees’ answers than other themes. In this way, all gathered data material was divided into each category and analyzed.

3.4 ETHICAL CONSIDERATIONS
Research objectives and purpose of conducting interviews were explained clearly to participants before interviews were carried out. I audio taped the interviews after asking approval from the participants and took notes while taping. Confidentiality is an important concern of mine. Interviewees’ name and related companies will not be revealed in the research. The tape will

<sup>122</sup> The overall turnover for the bank reached 110.057 billion in 2015.
remain confidential and provide a permanent record of the information communicated. The collected data were quoted in agreement with the interviewees. In addition, the final thesis will be shared with the participants who showed their willing to see the result of the study.
4 An Analysis of Chinese FDI in the Swedish market and industries

In the present section, I discuss the main features of Chinese and Swedish institutional, societal-cultural factors that affect companies’ internationalization process and analyze my empirical findings from the interviews. This discussion constitutes the background that supplements the empirical investigation of opportunities and challenges Chinese MNCs experienced in the Swedish market.

4.1 Macro-institutional perspective

4.1.1 Chinese macro-institutional characteristics affect Chinese FDI to Sweden

4.1.1.1 Regulatory Framework

Many business practitioners and researchers have argued that China's foreign direct investment involves a high degree of coordination between government and companies.\(^{123}\) Chinese government initiatives such as export-oriented coastal development strategy or reforms of state-owned enterprises, industrial regulations, and relevant organizational and business stakeholders at the national, organizational, and individual levels are closely interrelated and exert a strong influence on overseas investments.\(^{124}\) The growing volume of outward direct investment by Chinese people and company can be traced back to the launch of China’s “Go Global” policy in 2000 and its admission to the World Trade Organization (WTO) in 2001.\(^{125}\) The effect of the move was remarkably large, and it continued to this day, asserted by many scholars.\(^{126}\) More and more Chinese companies and people start to invest in offshore markets as the government control loosens. The trend of Chinese companies and people “going global”, to some degree, was a response to easier accesses to financing for foreign investment and the loose of institutional controls by the authority.\(^{127}\)

By the time automobile company E\(^{128}\) pursued overseas expansion, the Chinese government


\(^{126}\) Ibid.

\(^{127}\) Ibid.

\(^{128}\) Please refer to figure 2.
encouraged domestics national companies going abroad and promoting China’s automobile industry to an international scale. It is revealed that the Chinese government’ sponsorship and support made the acquisition possible, “Without the backing of the government, our company won’t be able to finance the acquisition.” The respondent from the Medicine company A also mentioned that the Chinese embassy in Sweden has made a big contribution to promoting Chinese ancient medicine going global and made their business come true.

Child and Rodriguez assert that it is crucial for companies to foster closer ties with various government agencies, which often makes it easier to access government subsidies and tax incentives. In addition to the investment incentives and production subsidies, many alternatives like generating platforms and forums that help companies finding potential collaborators and sharing their cross-culture practice experience are available. The Chinese embassy in Sweden initiated the Sweden-China Green Cooperation Conference that supported by a number of leading Chinese companies and agencies in Sweden. The conference has been served as a great platform where entrepreneurs from both sides get to match their businesses. Another government agency, the development financial institution G serves as China’s major medium- to long-term economic and social development facilitator, and is extensively involved in fund management, industry-specific investment and overseas investment. Furthermore, government approval procedures regarding investment projects have been simplified to accelerate invest process. However, China conventionally has an established rule of putting a quota on foreign exchange purchase for a private purpose. On August 3, 2005, the State Administration of Foreign Exchange issued the Circular on Adjusting the Quota of Foreign Exchange Purchase Under the Current Accounts of Domestic Resident Individuals for Private Purposes and Simplifying the Relevant Formalities, which regulates the foreign exchange for purpose of tourism, foreign direct investment, or setting up business with the quota of US $5,000 per year. Some foreign media have observed this regulation and commented that Chinese authorities intend to tighten control of business

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Susan L. Shirk in The Political Logic of Economic Reform in China, University of California, Berkeley and Los Angeles, 1993
interactions between Chinese and overseas companies, which could upset the healthy climate of international trade and investments.\textsuperscript{132} However, the Chinese authority asserts that the measurement, in fact, facilitates genuine trade and investment, and supports the growth of the real economy; in the meantime, it contains illegally moving money abroad to reduce the risks of money laundering.\textsuperscript{133} In addition, Chinese government agencies in business sectors were established early, with policy and commercial banks well-coordinated under the authority’s governance.\textsuperscript{134} Such a framework, to some degree, prevented the development of social institutions and the adherence to market rules that would benefit a fair business. Zheng and Wang further address the fact that, the underdeveloped institutions and lack of internal coherence in policies and institutional practices have largely reduced China’s competency in transparency and prevented its economy from gaining procedural accountability.\textsuperscript{135}

As Chinese state-owned banks play a unique role of in Foreign direct investment, many banks followed Chinese investors to the global market.\textsuperscript{136} The role of a state-owned bank in the global market, as well as its competitive situation, is well summarized by one of its public statements: “Our bank starts to expand our scope of business in response to the increasing demand for business financing consultancy with Chinese companies expanding abroad.”\textsuperscript{137} Recent years have witnessed a growing number of Chinese people as well as their capital came to Sweden and became part of the local community. In the manager’s opinion, Chinese companies’ requirement for business financing service presents new opportunities for their banks. “We offer the traditional banking service. In addition, company’s wholesale operation service remains a significant part of our business as FDI between the two nations grows.”

However, the respondent from Chinese medical company A told the interviewer that financial banking is one of the biggest challenges in their business practices. “The control of cross boarder

\begin{footnotesize}
\begin{itemize}
\item[\textsuperscript{133}] Ibid.
\item[\textsuperscript{134}] Peng, Deng. Outward investment by Chinese MNCs: Motivations and implications. Business Horizons 47/3 May-June 2004 (8-16)
\item[\textsuperscript{136}] Kenny, Zhang. Doing Business in Vancouver — Views from Chinese SOE Executives Centre Fellow, Jack Austin Centre for Asia Pacific Business Studies. Asia Pacific Foundation of Canada 7/29/2014
\item[\textsuperscript{137}] Due to confidential issues, I avoid citation.
\end{itemize}
\end{footnotesize}
transfer has become severely strict since the end of 2016. Today, I can only transfer money to a person under the restriction of US $5000 a year, instead of transferring to my company which used to be not in the coverage of the restriction practice.” The respondent further suggested that the Chinese government should be more consistent in their policy making in order to enhance a stable domestic market and add layers of credibility.

4.1.1.2 Legal framework
In addition to the regulatory characteristics, the underdevelopment of the legal system presents another Chinese feature that affects its international business. Hofstede cited Chang’s description of Chinese characteristic administration as “rule of man” which is in contrast to the western ideology of “rule by law”.[138] In the analysis of uncertainty avoidance and legislation, he questioned whether the proliferation of legislations increase the trust in the legal system. His empirical findings show that confidence in the legal system will neither lead to a society’s tolerance of uncertainty, nor increase its credibility.[139] However, the legal system in China, as observed by many international business people, is not sufficiently clear or transparent which is very likely to pose difficulties to international business practices.[140] Besides, business operations are often subject to the influence of various human factors, which generates obstacles for foreign companies to carry out business activities in accordance with Chinese law and made it even harder to protect their rights when operating in the Chinese market.[141] Sen and Maria hold that with the special power relations between politics and business in China, as well as the legal system within the economic sector which is still in development, local authorities have the tendency to interpret legislations according to their own understanding and utilize the power in favor of themselves.[142] Also, inconsistent regulatory interpretation and unclear government decision making are argued to be discriminatory practices that discourage international business.[143]

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[138] Ibid
[139] Ibid
[140] Caroline Huss Lögdkvist, Stina Lundqvist and Tove Peterson. Sweden – China’s Link to the West, Chinese Entrepreneurial Establishment in Sweden
[141] Ibid
[143] Ibid.
4.1.2 Swedish institutional characteristics affect Foreign direct investment to Sweden

4.1.2.1 Institutional Framework

The Social Democratic Party (SAP) has led Sweden’s government during most of the twentieth century since 1932.\textsuperscript{144} Sweden’s rapid economic growth and social transformation took place under SAP’s governance.\textsuperscript{145} SAP introduced supportive government rules and policies for capital-intensive industries, such as beneficial export tariffs, tax reduction and controlling.\textsuperscript{146} The SAP also introduced one of the world’s most comprehensive welfare systems, centralized wage negotiations, heavy taxation on individual ownership aiming to discourage personal wealth accumulation but encourage institutional ownership.\textsuperscript{147} The overall system promoted the economic dependence on large companies in Sweden. Sweden, in present time, forms its policy in a more open, inclusive and instructive manner than the 20th century. The Swedish government basically has no direct subsidies for individual businesses in the Swedish market.\textsuperscript{148} However, it might be possible to gain access to either a regional investment grant or a regional employment grant, when investing in the northern regions of Sweden.\textsuperscript{149}

A. Organizational legacy

The current Swedish government prefers relatively small ministries, but is sufficiently assisted by agencies, and regional forces that act as balances to state power.\textsuperscript{150} This also respond to Sweden’s low score of PDI as it is opposite to the authority bureaucracy and implicitly structured organizations.\textsuperscript{151} Sweden has a rich body of economic, social and cultural non-governmental associations that fills the space between the state and individuals, which work as a bridge linking the society together.\textsuperscript{152} This institutional legacy leads to a tradition of well-established democracy

\textsuperscript{144}Jeff Wallenfeldt. SAP, Sveriges Socialdemokratiska Arbetar Partiet, Sveriges Socialdemokratiska Arbetarepartiet, Swedish Social Democratic Workers’ Party Last assessed Sep 18, 2014 https://www.britannica.com/topic/Swedish-Social-Democratic-Party. It should be noticed that SAP didn’t rule alone. SAP has been the dominate party in cooperation with several different parties during different periods.

\textsuperscript{145}Andersson, Jenny (2006). Between growth and security: Swedish social democracy from a strong society to a third way. Manchester University Press.

\textsuperscript{146}Ibid.


\textsuperscript{149}Ibid.

\textsuperscript{150}Ibid.

\textsuperscript{151}Ibid.

\textsuperscript{152}Ibid.
and globally competitive industries. Organizations, according to Stewart Clegg, an expert on organizational studies, usually function as the leverage that individuals use to generate productivity, to create and coordinate human contact and relationships, to increase interactions and keep the balance between individual and authorities.\(^{153}\) Applaud to his view, Kurt Lundgren points out that Sweden’s high density of non-governmental institutions and organizations are complementary to the Swedish authority, which explains the openness economic and social climate of Sweden. Kurt also gives the evidence of rich supply of organizations in Sweden, for instance, the union density in 2013 was 67.7%, ranking top of all OECD countries, just before Denmark with a rate of 66.8%.\(^{154}\) These figures show Sweden’s prominent advance compared with the average value of 16.9%.\(^{155}\) The unions and other social groups have played a significant role in balancing employer and employees’ interests. Swedish corporate management usually involves three major parties: shareholders at annual meetings, the board of directors, and chief executive officer (CEO).\(^{156}\) The Swedish business guidelines, such as the Companies Act and Corporate Governance Code encourage all parties actively participate in the corporate’s operation.\(^{157}\)

Swedish corporations are collectively bounded by a collective bargaining agreement. The agreement is legally binding upon the company and the trade union, as well as upon all members of the trade union.\(^{158}\) The strong and highly developed collective agreements present the main features of the Swedish labor relations system. The introduction and implement of the collective agreement have enhanced social equality and progress by utilizing the potentials of a self-regulated economy.\(^{159}\) According to a senior advisor interviewed, the board directors in a Swedish company often have representatives from its employees, because employees are entitled to the rights in decision making. Here a paradoxical result is identified referring to the theory we discuss before. Hofstede claimed that the findings in his quantitative research prove that a more delegating manager is often found in a low PDI country and employees are less enthusiastic about

\(^{153}\) Ibid
\(^{154}\) Ibid.
\(^{155}\) Ibid
\(^{157}\) Ibid
\(^{158}\) The Swedish Model– the Importance of Collective Agreements in Sweden. The Swedish Trade Union Confederation
\(^{159}\) Ibid
participation in decision making. While in high PDI countries, party or union representatives, workers’ councils or collective ownerships are more commonly used to promote employee participation. Thus, Sweden as a low PDI country does not apply to this contradictory.

B. Labor law system

When asked about the confrontation of Chinese management style and Swedish institutional structure within its organization, the respondent No. 3 from company C admitted that there are structural and institutional gaps, in the meantime, he stressed the importance of the adaptation to the Swedish business institutional environment. “Although it took a long time for our company to sign a collective agreement, every practice of our business meets the Swedish conditions.” However, it is brought to The Local, the largest English-language news network in Europe, that Chinese expatriates from company C to Sweden work 80 hours a week, which is in violation of Swedish labor law. An employee who is dispatched from China to Sweden disclosed to the interviewer that his salary is not linked to the Swedish standard, but they receive subsidiary for accommodation and compensation for working abroad. The social discussions correspond to the interviewed consultant’s observation of Chinese companies’ shortage in labor rights protection and benefits, which also explains why Chinese companies are often not as competitive as Swedish companies in hiring skillful workers and talent managers. The rationale behind the controversial transition of company C, in my opinion, lie in their ignorance of hosting environment and tendency to undertake incremental changes which is one of the major characteristic of Uppsala model.

One interviewed consultant states that the benefit of signing a collective agreement is not as widely acknowledged as in the local Swedish companies. It might be unclear for the Chinese business owners what benefits the collective agreements bring, but when the conflicts appear, one will figure how much convenient it is to deal with a representative from the community rather than every member of the group individually. Collective agreements form a balance in the labor market and enhance a stable and long-term relation which promote the protection of social partners’ right, in order to avoid that the majority wealth is divided among a small number of people.

\[160\] Ibid.
\[161\] Ibid.
\[162\] The Swedish Model– the Importance of Collective Agreements in Sweden. The Swedish Trade Union Confederation
The Swedish labor system has been widely accepted as a paradigm balancing various elements that may easily go in contradictory directions in the labor relations, for instance, the harmonization of employees and employers’ relations and the enhancement of business profitability.\(^{163}\) The well-established labor law system provides a healthy and dynamic business environment for enterprises to get involved in globalization and help enterprises meet their social responsibilities.\(^{164}\) For example, under the condition of a business transfer, especially in the form of M&A, the employees of the acquired entity have the rights to decide either to remain with their previous compensation or to update with the buying entity’s offers.\(^{165}\) However, some respondents state their disagreement that the Swedish labor law primarily center on protecting “underprivileged” group (the employees) which has made it very difficult for business owners to survive, especially for the small and medium sized firms.

Nevertheless, the main themes of Swedish labor system are practices of lower power distance, identification of respective rights, and the pursuance for win-win practice.\(^{166}\) In addition, pragmatism has a vigorous and positive presence in the Swedish political culture.\(^{167}\) For instance, the proposal of day care and parental leave illustrate Swedish pragmatism well, as they were proposed with a purpose of solving the problems the majority families met when they had children.\(^{168}\)

Many companies refer to unfamiliarity with Swedish Institutional framework and the low degree of cooperation with local players as the primary challenges in their international business. Examining from the institutional perspective, the respondent from technology machine company explains they have little interaction with the Swedish government, since their business remains at medium size and private level, unlike Geely acquiring Swedish national brand Volvo Cars. She further reveals that Sweden has a sound regulatory framework and a well-developed, market-

\(^{164}\) Ibid.
\(^{165}\) Ibid
\(^{166}\) Ibid
\(^{167}\) Ibid
\(^{168}\) Ibid
oriented operation model. This forges a foreign investment-friendly environment. Thus, they just have to follow the official instructions and integrate into the local market. It’s not more complicated than in other markets, and every expanding company has to do so. Furthermore, starting up a business in Sweden is rated positively regarding the time consuming and procedural simplicity among other European countries.\(^\text{169}\) However, some researchers disagree and point out that it is relatively expensive to obtain the required licenses and permits especially for SMEs.\(^\text{170}\) It is further observed that taxation and the cost of labor add burdens to enterprises in a large degree.

C. Human resource issues
In the empirical findings, the respondent No.1, an executive from Chinese traditional medicine company, was particularly concerned with issues related to human resources and labor issues including:

a) “The skilled Chinese medicine doctors are extremely difficult to find.”

b) It is stated that the employees have a bigger potential than what they are doing now. “The employed workers didn’t fully perform their potential due to the language barriers.” To make them fully play their role is crucial to our businesses’ success in the Swedish market. For example, those who work at the reception are only responsible for cashier duties which are very lightly loaded. My plan is to incorporate the sales and marketing responsibility into their position to make the employees fully play their value.” In addition, Swedish employees never work overtime, which is entirely different from the Chinese staff who are very flexible in terms of working overtime to finish the daily responsibilities, as well as day and night shifts.”

c) “Labor cost here is very high. Our company profit scarcely after paying for employees’ salary.” It is mentioned that “the direct and indirect labor costs in proportion to total operational costs ranks very high compared with our business in other parts of Europe like Germany and Czech Republic.”

Respondent 1’s concerns do not come alone, Respondent 2 from Bank B states that due to the high cost of labor in Sweden, they are lacking employees and managers with international experience who are qualified to work in overseas markets and who are capable of exchanging operation ideas.

\(^{169}\) Speech by H.E. CHEN Yuming, Chinese Ambassador to Sweden at the China-Swedish Entrepreneurs' Roundtable Meeting 2016/09/16. Last assessed http://www.chinaembassy.se/eng/sgxw/t1398034.htm

from international counterparts. However, some respondents who hold the opposite view argued that in Sweden, with the internationally acknowledged educational system and as a hotspot for innovation business, it is much easier to find skilled workers and well-educated people in Sweden. The respondent from Information and Communication Technology (ICT) company C emphasizes in the interview that they hired a lot of highly qualified technical people from established companies like Ericsson. The manager of the bank pointed out that “One of our missions is to learn from their developed management system and their best practices in corporate governance”. He also adds “if the company operates and adapts well, talents will be naturally attracted to our organization.”

4.1.2.2 Business environment
Swedish traditionally has had a relatively open and prosperous economy with a high dependence on International business and trade.\textsuperscript{171} Its imports and exports of goods and services respectively account for 40% and 44% of GDP in 2016, which almost double the average standard of OECD countries.\textsuperscript{172} The large proportion of FDI has benefited Sweden in multidimensional perspectives. Statistics from OECD disclose that foreign-owned companies employed amount to 23% of total private sector employment in 2016.\textsuperscript{173} However, it is pointed out by Chinese business practitioners that the Swedish market is very limited. Business service scale is different from what they have in the Chinese market. The manager of Airline F also states in the interview that marketing competition is intense. There are many well-established airlines in the market; it is even worse when so many International reputational airlines are fighting for a small pie. Although the ease of doing business is recognized as not optimistic, the strategic position of Stockholm in the Nordic market and its easy access to the European Union (EU) which consist of a market of 28 countries partially justify why MNCs choose to expand to Sweden.\textsuperscript{174} Nevertheless, both of the interviewees agree that Sweden as a capitalist society of well-developed economic system provides a good example for China to forester an open and stabilized market.

\textsuperscript{173} ibid.
In a current international review, Sweden is placed at top place in cultivating business-friendly environment, particularly from the perspective of transparency and fairness of its institutions.\textsuperscript{175} Sweden is home to some of the most successful international brands, for instance, Volvo, Electrolux, Ericsson and Sandvik, which cultivates a well-developed innovation and industrial structure for foreign companies. Mikael Damberg, Minister for Enterprise and Innovation, states that Sweden believes in the idea of making business easy.\textsuperscript{176} By putting emphasis on sustainability, valuing skillful workforce and adopting new technologies, Sweden has staged as a global leader in international business for the 21st century.\textsuperscript{177} It is not deniable that Sweden performs outstandingly in several aspects of doing business, however the economic rankings done by the World Bank revealed that Sweden is relatively uneasy in dealing with construction permits, paying taxes and getting credits.\textsuperscript{178}

Telecommunication Company C defines itself as an international company with its headquarter based in Shenzhen. The key strategy of its business is to accommodate inclusively different needs of its customers and offer specific designed service to each customer. In addition, it has a powerful company culture which makes it interesting to see how does the Swedish institutional and cultural environment influences its business entry and growth. In the words of one senior sales manager, who has a 10-year-experience in London market and was recently appointed to the Nordic region based at Stockholm, the company has prior knowledge related to global telecommunication industry and has served widely both in emerging and developed markets. The Swedish technological asset is one of the biggest appeals to the company. To meet every customer’s demand is what they strived to achieve, and the key to their success in the increasingly competitive industry.

Olle Wästberg, who previously ran the Swedish Institute claims that Sweden is a country with a high reputation for its “quality products, low levels of corruption, little bureaucracy, and plenty of

\textsuperscript{177} Ibid
\textsuperscript{178} Economy Rankings. 2017 The World Bank Group http://www.doingbusiness.org/rankings
equality.” With its internationally developed business network, combining human talents, cost-efficient practices, and innovative clusters, Sweden is considered as one of the best options for international start-ups to start their business. That also explains why Chinese firms favor their mode of investment in Sweden of establishing more R&D intensive facilities, to gain the technology know-how and enjoy a higher human talent productivity.

### 4.2 Societal-cultural perspective

#### 4.2.1 Chinese societal-cultural factors influencing FDI to Sweden

4.2.1.1 Guanxi and mianzi

Cultural factors discussed in the present thesis include both traditional Chinese values and practice of the Chinese people. *Guanxi* (personal connections), *renqing* (return favors) and *mianzi* (face) are regarded as the core of Chinese interpersonal and inter-organizational characteristics. A repetitive number of scholars have argued that the well-established *guanxi* and respect for *mianzi* are the most prominent requirements for the successful setup and growth of new businesses in China. *Guanxi* to a social entity is a web of networks demonstrating one’s position or role within social relations. Practicing business under the framework of *guanxi* help Chinese enterprises diminish uncertainty, reduce cooperation costs, and provide a sense of trust. However, Buckley, Clegg, and Hui hold that guanxi-based business practices can be a double-edged sword, especially for companies aiming to establish strategic alliance or cooperation with foreign firms. Chinese investors should be aware that, in the context of a foreign market, where Chinese values are strangers to the locating society, simply relying on *guanxi* can neither build trust nor improve inter-organizational coordination.

Talking about the challenges from societal culture perspective when setting up the joint venture,
Respondent 4 from company D contents that projects and ideas are communicated differently among Swedish and Chinese business people. In the Chinese business environment, personal connection based on guanxi sometimes possesses more importance than the product or business itself. In comparison, according to an earlier research, trust and long-term cooperation for the Swedish business people generally build upon the service or products one can produce, and they prefer the interconnection between the organizational level instead of personally. However, that doesn’t mean that the utilization of network is of little importance. Many empirical studies illustrate that networks give firms access to relevant market knowledge needed. The network model researchers content that highly internationalized companies preferably put a lot of efforts in fostering foreign networks. Establishing network and relationships help MNCs identifying opportunities and possible restrictions for their operations.

4.2.1.2. hierarchical structure
Some previous researchers maintain that hierarchical structure plays a dominant role in Chinese management ideology. The charms of entrepreneurs have an enormous impact on workers, and often a strong leadership is crucial for a strong and unified organization. Employees are usually reluctant to question or oppose ones’ superiors, but prefer to obey the order and follow what they were told to do. Chinese business culture, according to a business consultant interviewed, is perceived as hierarchy oriented, which is characteristic of following the order and respect for authorities, in contrast to Sweden’s self-governance and equality. Thus, the dominating hierarchical organizational and authoritarian management style result to the lack of independence and the spirit of assertiveness in Chinese employees. In a Swedish organization, the CEO is equal

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185 Caroline Huss Lögdkvist, Stina Lundqvist and Tove Peterson. Sweden – China’s Link to the West, Chinese Entrepreneurial Establishment in Sweden (Master thesis, Business Administration, Jönköping International Business School)
187 Ibid.
189 Ibid
190 Ibid
with employees. It is just everyone takes different responsibility.\textsuperscript{192} The respondent who has various experience of helping Swedish companies establish and development business in the international market state that the Swedish non-hierarchical and flat organization correspondingly led to the management approach of listening to everybody before a decision is made. A lot of time and efforts are spent on informing the employees when there is a change in a Swedish company. However, this management in the respondent’s eyes is a bit over, that sometimes takes too much time and results in inefficiency.

Criticism is often heard in the Swedish society at the initial stage when the ICT company C enters the Swedish market. Respondent 8, who is a business consultant pointed out during the interview that transparency is the biggest issue for company C. It is also argued by a respondent specialized in business and legal consultancy that the CEO in a Chinese company usually maintain heavier significance within its organization than that of the Swedish one. She explains further that what does the Swedish society knows of the big company like C is only the name of their CEO. There is no information available concerning how does the company operate, what their plan is and how decisions are made. Respondent No.3 from the ICT company claims that “We have both Chinese and Swedish members in our management team. Thus, it gives us an advantage in learning and adapting to the local practice.” However, a member of the Union of the industry told The Local, the largest English-language news network in Europe, that “There is a pecking order within the organization. The board members are Chinese, the middle managers are mainly Swedish and the majority of workers are Chinese dispatched from China.”\textsuperscript{193}

In addition, earlier researchers suggested that the awareness and comprehension of citizenship are underdeveloped in China than it is in the majority of western societies.\textsuperscript{194} Citizenship competence, according to Hofstede, prevent authorities and superiors to make rush decisions that may harm citizens’ benefits.\textsuperscript{195} Chinese citizens’ consciousness concerning their social responsibilities and

\textsuperscript{192} Caroline Huss Lögdkvist, Stina Lundqvist, Tove Peterson. Sweden-China’s Link to the West Chinese Entrepreneurial Establishment in Sweden Jönköping International Business School, 2008
\textsuperscript{193} Rebecca Martin. 'Bullying' claim prompts probe of Chinese IT firm. Last assessed 9 June 2011 https://www.thelocal.se/20110609/34262
\textsuperscript{194} Ibid
\textsuperscript{195} Ibid
the initiative of taking part in public governance and bear general benefits are relatively low.\textsuperscript{196} This is in accordance with the concept of individualism and collectivism I have discussed earlier in the theory chapter. Zheng and Wang in their study describe a family as the core unit in the Chinese society, which is in consistent with Confucius’ traditionally valued concept of family as the basis of every social activity.\textsuperscript{197} The strong sense of family has resulted in the fact that trust is built among family members and individually rather than within organizational level, and organization’s credibility is heavily decided by its owner/leader’s connection.\textsuperscript{198}

4.2.2 Swedish societal-culture analysis

4.2.2.1. Organizational operations

As a contrast to the Chinese organizational culture, the Swedish organizational cultural characterized by a lower power distance and decentralization which allows participative decision-making among employees and nurturing a sense of responsibility regardless of their role within the organization.\textsuperscript{199} It is argued that lower power distance facilitates communication and openness within the organization, which contributes to a higher efficiency and productivity. Swedish firms usually are non-hierarchical organizations and preferably adopt flat management, with collective decision-making compared with companies in other countries.\textsuperscript{200} A Swedish organization in its daily operations uses less of statistics and reporting, different from American or Russian companies.\textsuperscript{201} However, that doesn't necessarily mean that the Swedish management requires less planning or mapping, on the contrary, Swedish firms are usually generous with time on business plan and meetings, thinking thoroughly of what problems might be encountered during the project.\textsuperscript{202} Therefore, the Swedes already anticipated the possible issues and well prepared when they run into such problems. In addition, the Swedish management style eliminates unnecessary supervisions and function as a facilitator when they need.\textsuperscript{203} By contrast, the Chinese business

\textsuperscript{196} Huagiao Qi and Dingli Shen Chinese traditional world citizenship thoughts and its impact on the cultivation of Chinese world citizenship awareness. Citizenship Studies , 2015 Vol. 19, Nos. 3–4, 267–284
\textsuperscript{197} Ibid.
\textsuperscript{198} Ibid.
\textsuperscript{200} Management by consensus – the Swedish way. Last assessed 21 January, 2009
\textsuperscript{201} https://www.thelocal.se/20090121/17064
\textsuperscript{202} Ibid.
\textsuperscript{203} Ibid.
people, from many Swedish business practitioners’ experience, are more short-term oriented. One interviewed business consultant disclosed that the Chinese investors tend to restrictively focus on the business cost and return when conducting business in Sweden, and they are easily tempted by the market opportunities and therefore change their business plans.

In addition, corporate social responsibility (CSR), sustainability and the environmental protection play important roles in Swedish business culture. EU Commission defined CSR as the ‘responsibility of enterprises for their impacts on society’. Sweden has a long tradition of commitment to social responsibilities in business and industries. The well-developed clean-tech industry in Sweden is a good example of its efforts on improving sustainability. Additionally, Swedish companies have been forerunners in fighting corruption, improving the work environment, enhancing gender equality and protecting the environment.

The manager of Airline F points out that their company works in close collaboration with various organizations in the Swedish society. They actively take the corporate social responsibility into their daily operation, for example, they closely cooperate and communicate with Arlanda airport to improve airport service. Also, they aim to further their cooperation with the local agencies and make more contribution to the local society.

4.2.2.2. Trust building
Another challenge mentioned by many respondents is that most Swedish business people and public are suspicious of Chinese investment, especially in the initial procedure. This finding connects back to what we discussed before: the lack of transparency of Chinese companies. A respondent tells that when a Swedish partner hears the information of a Chinese company’s interests in collaboration, a common react is “Are they serious?”, because the Swedish counterpart has very few information of Chinese companies, and they are lacking the channel to find out who they are, and what is their plan.

204 Embassy of Sweden &Business Sweden. CSR Toolkit for Sino-Swedish Supply Chains
It is also observed that Chinese businesspeople tend to change the agreed agenda half the way during negotiations which easily result in the loss of the precious trust they have gained from the Swedish collaborators in the previous process. Respondent 5 from the automobile industry E also pointed out that the sense of suspicious from the Swedish and western public was huge. Most people in western countries do not believe that the unknown Chinese company can take the well branded Swedish company a long way to success, because “Made in China” are simply regarded as low-quality and has little concern for human rights. It’s important to notice that many of this public are the customer base of the Swedish company. Respondent 1 also adds that compared to other European herbal medicine, for instance, the Traditional German Herbal Medicine brand Hildegard, the Chinese medicine lacks credibility and brand effects among the European costumers. The respondent from company D further recalled that numerous rounds of meetings and negotiations were conducted, and there were a lot of divergence during the process. The key to their successful collaboration was to be genuine and to keep everything straight forward. She told the interviewer that it has been a pleasant journey so far to work with the direct and simple Swedes.

4.2.2.3. Workplace ethic
When asked about the difference between Chinese and Swedish work ethic, the interviewed manager from Airline F answers that Swedish employees are very independent and self-sufficient. When a task is given out, the Swedish employee might need longer time to finish the task, but they ideally achieve alone and act responsibly from the beginning to the end. Chinese employees in contrary are not used to handling freedom and tasks on themselves, but more comfortable with clear responsibility and work distribution of a task. This difference explains the managers’ feel of having more pressure and faster paced when he worked in China, as he had to be involved with every organizational operation. However, it is possible that the Chinese employees also become more independent in their work with their Swedish colleagues’ influence. He further reflected what is significant for their operation in Sweden is to best coordinate different employees’ role to achieve the most efficient mode of its organization.

Many respondents agreed that the Swedish people are open-minded and genuine which ease the

interaction process between Chinese and Swedish business people while doing business. However, one interviewee illustrated that the Swedish businessmen sometimes could be perceived as stubborn. One instance given was that the Swedish collaborator’s insistence regarding the packaging of their product as an “overqualified” service, which consequently requires much more labor and resource cost. Another example is given by the respondent 1 that “there is a difficult for us to bring effective Chinese ancient medicines to the Swedish market, due to the component of some medicines include a small proportion of heavy metal such as copper and platinum. But that is the feature of Chinese traditional medicine and what make the medicine effective.” However, it should be noticed that Sweden, as a member state of the EU, is binding to EU regulations. This is a typical feature that Chinese MNCs have to take into consideration when investing within the EU.

Regarding management challenges in the new environment, the respondent 4 from company D mentioned that it is hard for her to manage in the Swedish market due to the language barrier and working ethic. Chinese employees often have the double standards for themselves in the office. “They never work an extra hour, just like the Swedes don’t, but they use their phones from time to time for private purposes which is not acceptable in the Swedish office.”

4.3 INTERNATIONALIZATION STRATEGIES AND PERFORMANCE

4.3.1 The Application of Network Model of Internationalization

Some interviewed companies’ international activities prove that social and business networks are crucial for the internationalization performance. One respondent from the ICT company C reveals that they are strategically creating a partnership channel, which is to collaborate with companies and agencies that have advantage in brand and marketing in Sweden. Therefore, they sell their solutions and services to more competitive companies who have more chances to win the order. By this way they get a smaller share of the profit which can be the business that have little to do their company. As a result, The ICT company’s business in Sweden is increasing rapidly. The participated airline also realizes the importance of network thus, they attempt to establish a widely interwoven network of collaboration with Swedish organizational customers. It is emphasized by the respondent from the automobile company that they are determined to maintain the connections of acquired partner so that to up-level the company’s market scale and scope. However, some respondents disclose that the network approach sometimes doesn’t function for the Chinese companies in Sweden. The CEO of the participated technology machine company D argues that
Swedish companies in comparison to the Chinese ones, in general, put more emphasis on product development and innovation product quality itself instead of the business networks or personal connections. Nevertheless, she points out that “Many of the Swedish companies are far ahead of us in technology know-how. Our company used to pay a huge amount of money for producing with the Swedish machine every year. By joint venturing with the Swedish company that has the technology, we obtained the advanced knowledge and innovative ideas. Although our company doesn’t have the ‘home advantage’ operating in the Swedish market, I am confident that by fully make use of the advantage of Sweden and engage with the Swedish society closely, our future cooperation with the Swedish partner and our business performance will be very promising.”

The empirical data shows that technology know-how and global recognition are generally what Chinese MNCs in disadvantage and seek to acquire in Sweden. The acquired Company’s brand name was claimed as the main appeal of Company E’s internationalization strategy. The executive decided to purchase the Swedish company after years’ strategic plan and evaluation. Through the acquisition, the company largely reduced the costs of building their reputation and the time needed to expand in the market.

4.3.2 The Application of Uppsala and adaptive model of Internationalization
Respondent 10, specialized in business and legal consultancy, addresses that Chinese companies’ commitment to organizational learning is not as strong as Swedish companies. In her working experience, she has seen how much effort and “tuition fees” the Swedish companies have invested into the Chinese market when they try to learn the societal culture and business environment in China.

Respondent 9 stressed that the Chinese players are often completely inexperienced in collective bargaining and have little experience working with labor unions. The number (invest and return rate) is for sure of sovereign importance. However, the Chinese investors should realize the Swedish politics, labor unions, social organizations, and the press are also important stakeholders of the society, which they need to build relationship and trust with as well. He also mentioned there are plenty of Chinese companies that acquired Swedish companies successfully and cooperated quite well. It is unfortunate that the successful cases are generally running quietly, but those failed cases gained enormous attention from the public. It is observed that the successful
companies tend not to make a lot of changes in the acquired firms, but keep the operation in its routine. Then they take the successful model, technology or products back to China.

4.3.3 The Case of China Trade City project
China Trade City project has been mentioned again and again by respondents as a typically failed example of a relatively large amount of investment in recent years. The process of the project’s setting up and operation reflect the common dilemma faced by Chinese private enterprises in Sweden.

At the beginning of the year 2008, Luo Jinxing, a businessman from Zhejiang went to the city of Karma, Sweden to discuss the acquisition of a local automobile fittings factory. He found that a large amount of the daily necessities purchased by the Swedish consumers are made in China, and the prices are ten times more than the Chinese market. Thus, he came up with the idea of establishing a commodity wholesale market, attracting small and medium sized investors in China to open stores in Sweden. He signed an investment plan with the Kalmar government of opening a commodity wholesale market equipped with accommodation of a hotel. He also promised to upgrade the local airport and other public transportation infrastructure. For Kalmar county, the China Trade City project is undoubtedly a timely investment which is expected as an excellent opportunity to stimulate the local economy. However, a number of problems arose between the Chinese investor and local stakeholders during the construction. The Chinese investor mostly imported labors from China in order to save costs, as well as construction materials. In addition, local trade unions and construction safety supervision agencies had to step in due to Chinese workers’ underpayment and construction safety issues. Issues concerning labor treatment and immigration gradually emerged and gained controversy in the local media. The failure of the Trade City project has resulted in significant economic losses to the Swedish local government, and the overall reputation of Chinese private enterprises were severely damaged. The local society and Swedish business people, in general, treat Chinese investments with more caution.

207 王平. 浙商海外投资需要注意的几个问题 ——以瑞典投资为例的分析 http://doc.qkzz.net/article/76a94edba78-409b-b7eb-d401818c79fc.htm
208 王平 中国民营企业在欧盟直接投资中的多维政治因素分析 —以瑞典中国商贸城和龙门项目为例 国际政治经济评论 2012-08-15
Wang Ping argued that this failed project reveals some challenges and issues that attribute to the failure of the project. Firstly, the management of Chinese enterprises and their financial information are lack transparency.\(^{209}\) Therefore, the hosting entities are more likely to make wrong judgments as it is difficult for them to evaluate investing companies’ capability. Secondly, private enterprises tend to pursue short-term economic interests.\(^{210}\) The lack of commitment to sustainable development such as employee rights and agreement compliance can easily lead to disputes and dissatisfactions from the local society. Lastly, it is mentioned that the Chinese enterprises to Sweden should realize that the Swedish market is quite limited compared with many of other European countries. However, innovation and the technology knowhow are Sweden’s strengths. Thus, turning from the market-driven to technology-driven investment is the fundamental move to change the disadvantage.\(^{211}\) In addition, the unsuccessful investment is possibly resulted from the replication of domestic practice, rather than adapt to the new business landscapes.

Respondent 10 suggested that Chinese entrepreneurs should learn from the experiences of failed companies. Chinese companies need to learn in the adaptation process in the local market and make full utilization of the consultant service that is available to them. It is also highly recommended to do the homework before making investments. At the meantime, the Chinese entrepreneurs shouldn’t lose their merits, such as their flexible, outcome-oriented strategy, resourceful in making connections, long-term vision, and tendency to react quickly when an opportunity arises. It is crucial to recognize the difference and distance between the Swedish and Chinese business of a specific industry. One should keep in mind that the successfully model of doing business back in China is very likely not applicable in Sweden.

5 Conclusion

In this thesis, we investigate the influence of institutional changes and social culture factors on Chinese MNCs’ internationalization. My empirical findings illustrate that human resource issues, market competition, lack of knowledge of the external institutional environment, the skeptical attitude towards Chinese enterprises, and ethic difference within workplace were some of the

\(^{209}\) Ibid.  
\(^{210}\) Ibid.  
\(^{211}\) Ibid.
biggest challenges for Chinese MNEs in Sweden. Furthermore, I argue that the internationalization and FDI related behaviors of Chinese MNCs should follow the guidance of Internationalization theories and models. Firms should be flexible to embrace the foreign market and organizational learning, as well as employ the network strength by establishing collaborations with the local market.

As many researches discussed, the extent to which a foreign company can be open minded to changes and adaptive to new environments determine how successful its internationalization process will turn out.\textsuperscript{212} Also, market entry strategy plays a significant part in an MNC’s internationalization process. The successful models of interviewed MNCs in the empirical research can be identified in two ways, one is to fully adopt the Swedish highly-competitive and leading innovative companies’ framework; the other is to develop a new enterprise culture by taking in both outsourcing and receiving country’s business cultures, to help MNCs achieve more successful business transitions and management development. The empirical findings also indicate that Chinese firms should try to learn from local business players, be sensitive to the institutional and socio-cultural difference, and integrate themselves into the local market as such they can remain their competitiveness in the new environment.

**Research Limitations**
The work has been conducted over 5 months including theoretical studies, literature investigation, company and institution visits, and qualitative interviews with both the Swedish institutions and the Chinese companies. Due to the limitation in available timeframe and the characteristics of interview research method, the conclusion cannot be simply generalized, although it reflects the reality of Chinese FDI in Sweden. In addition, the study is based on a relatively small sample, which may not represent all Chinese MNCs in Sweden. The conclusion of this research is relatively hard to evaluate because of the relatively short history of the emerging Chinese FDI to Sweden. It will add more credibility if I can observe longer records of these enterprises and evaluate their internationalization behavior through a longitudinal study. Suggestions for further research could

also be to conduct more interviews in various areas and business sectors, and analyze them in categories, in order to generate a full picture of Chinese business in Sweden.
## Appendix 1. Samples of Interviews

<table>
<thead>
<tr>
<th>Respondent Number</th>
<th>Company Number</th>
<th>Industry Sector</th>
<th>Number of Branches/Ventures</th>
<th>Employees</th>
<th>Yearly Turnover</th>
<th>Experience in International business</th>
<th>Deal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>A</td>
<td>Chinese Ancient Medicine</td>
<td>2 ventures</td>
<td>4</td>
<td>1500,000</td>
<td>yes</td>
<td>2016</td>
</tr>
<tr>
<td>2</td>
<td>B</td>
<td>Bank</td>
<td>35 branches</td>
<td>13</td>
<td>unknown</td>
<td>yes</td>
<td>2012</td>
</tr>
<tr>
<td>3</td>
<td>C</td>
<td>Information and Communication technology</td>
<td>21 R&amp;D institutions</td>
<td>500</td>
<td>49,281</td>
<td>yes</td>
<td>2000</td>
</tr>
<tr>
<td>4</td>
<td>D</td>
<td>Technology Machine</td>
<td>2 ventures</td>
<td>30</td>
<td>unknown</td>
<td>yes</td>
<td>2011</td>
</tr>
<tr>
<td>5</td>
<td>E</td>
<td>Automobile industry</td>
<td>4 joint ventures</td>
<td>2000</td>
<td>251,914 million</td>
<td>yes</td>
<td>2010</td>
</tr>
<tr>
<td>6</td>
<td>F</td>
<td>Airline</td>
<td>Serving 173 cities in 39 countries and regions</td>
<td>20-49</td>
<td>110.057 billion(all)</td>
<td>yes</td>
<td>1998</td>
</tr>
<tr>
<td>7</td>
<td>G</td>
<td>Development finance institution</td>
<td>37 primary and 3 secondary branches on the Chinese mainland, six representative offices offshore</td>
<td>9000</td>
<td>46.6 trillion</td>
<td>yes</td>
<td>2009</td>
</tr>
<tr>
<td>8</td>
<td>H</td>
<td>Business Consultancy</td>
<td>5 partners, 7 associates</td>
<td>22</td>
<td>/</td>
<td>yes</td>
<td>2015</td>
</tr>
<tr>
<td>9</td>
<td>I</td>
<td>Business Development Agency</td>
<td>2 branches</td>
<td>5</td>
<td>/</td>
<td>yes</td>
<td>2012</td>
</tr>
<tr>
<td>10</td>
<td>J</td>
<td>Business Law Firm</td>
<td>5 offices</td>
<td>450</td>
<td>/</td>
<td>yes</td>
<td>2011</td>
</tr>
</tbody>
</table>

## Appendix 2. Interview Questions

### A. Internationalization Opportunities and Challenges

1. How do you describe Sweden with regard to start your business?
   - dealing with construction permits
   - registering property
getting credit
paying taxes
trading across borders
enforcing contracts

2. How would you describe the role of following factors in your company’s internationalization in Sweden?
Domestic market growth
Profitability potential
Regulatory environment
Competitive pressure
Market Knowledge
Cultural awareness

3. What are the main challenges you face in Sweden?
Shortage of qualified management/workers
Labor costs
Obtaining required licenses
Unclear Laws and Inconsistent Regulatory Interpretation
Trust building

4. Do you feel Chinese businesses are more or less welcome in Sweden than before?

B. Internationalization Strategy and Objective

5. How would you rate your commitment in developing strategies and methods tailored to the Swedish market?

6. What types of entry mode and measures have you taken in Sweden?
Establish partnerships with Swedish organizations or companies
Merger and Acquisition
Establish an R&D center
Redesign organization structures or processes with fully funded
Hire or transfer staff from overseas
7. Which of the following most accurately describe your primary business objectives in Sweden for 2017?
   - Grow in core business (e.g., with partnership building, products & services development, customer)
   - Reduce operating costs and improve efficiency
   - Grow by launching new products or services
   - Grow by targeting new customer segments

C. Human Resources challenges
8. What is your company’s top human resource challenges for 2017 in Sweden?
9. How does compliance with Swedish labor laws, impact your ability to compete with local competitors?

D. Institutional and cultural influence
10. How did the change of government policies, and the bilateral relations affect your business operations over the past two years?
11. How much do you know of Swedish companies’ visions for sustainable business before you start your business? (Occupational safety, Labor conditions, Environmental protection, Internal management)
12. What cultural factors has been most important when you carry out business in Sweden.
13. Do you think there is a difference between China and Sweden in the social structure? If yes, how has this difference affect your organization’s business.
14. To what extent do you maintain the method of doing business in China while carry out business transitions in the Swedish society.
15. From the intercultural perspective, how do you perceive the Swedish organizational structure, business meetings and work ethic? Do you perceive any common characters between China and Sweden? If not, do you identify any differences that may be the barrier between the two cultures?
16. Are there any differences within the workplace, compared to the domestic workplace in China?
17. How do your company work to reduce obstacles when entering Swedish society, as well
as to decrease the intercultural misunderstandings that may occur?

采访提纲
A. 市场环境
1. 您认为瑞典的投资环境质量如何？
   申请施工许可证
   财产注册
   信用贷款
   缴税
   跨境交易
   执行合同
2. 贵公司对今后两年的瑞典市场增长和在瑞发展前景有何展望？
3. 您觉得对贵公司在瑞典业务影响最大的商业挑战是什么？（劳动力成本，制造和运营，客户关系，行业竞争，开发和创新，税收，知识产权侵权）

B. 商业目标与规划
4. 2017年贵公司在瑞典的主要商业目标是什么，为克服困难有哪些规划？
   实现核心业务的增长，如利用现有产品、服务、客户细分
   降低经营成本并提高效率，如人员精简、设施整合
   通过推出新产品或服务实现增长
   通过锁定新的目标客户细分实现增长
5. 瑞典在贵公司近期的全球投资计划中的重要性如何？（首要重要，之一）
6. 为了在瑞典开展创新，贵公司采取了哪些投资或行动？

C. 人力资源挑战
7. 贵公司目前面临的主要人力资源挑战？
   难以吸引经验丰富的高管 / 管理人员
   薪资费用不断上涨
   社会福利成本
   难以裁退，留住员工

8. 贵公司在瑞典的人力资源首要任务是什么
   合适人才的寻找、招聘和入职
   人员职业发展
   根据业务需求进行重组
   管理员工的敬业度
   推动组织上下达成一致
   缩小组织规模和业务范围
   适当地奖励人才
   落实文化变革
D. 文化差异
9. 瑞典劳工法和华为的企业文化、价值观相契合吗？遵守瑞典《劳动法》对贵公司与本土企业的竞争产生了怎样的影响？
10. 当您在瑞典开展业务中，什么文化因素最为重要？
11. 您认为中瑞两国社会结构有什么区别？如果有，这种差异对贵公司的业务有何影响？
12. 在瑞典社会进行业务转型的过程中，贵公司在多大程度上保持在中国的经营管理模式？
13. 从跨文化的角度来看，您会说贵公司比较容易 / 困难适应瑞典市场环境？您觉得贵公司的企业文化与瑞典的商业文化有什么共同的特征吗？两种文化之间的差异在贵公司进入瑞典市场初期带来了哪些障碍？
14. 贵公司如何在进入瑞典社会时减少障碍，并减少可能发生的跨文化误解？
15. 在瑞典开展业务之前，您对瑞典政府的可持续发展愿景了解多少？（职业安全，劳动条件，环境保护，内部管理）
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