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Internationalization of Chinese Multinational Enterprises in Small Open Economies: A Comparative Case Study of Geely and Huawei

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Abstract

This thesis examines a specific subset of foreign direct investments going from the Global South to the Global North, namely foreign direct investments from China to small open economies. This has been done in the form of a qualitative case study of the internationalization journeys made by the two large Chinese multinational enterprises Geely and Huawei. Both of these companies started in China in the 1980s, grew large, and established a presence in Sweden during two different crises within their respective industries, Geely in the automotive industry in the early 2010s and Huawei in the information and communications industry in the early 2000s. Information about this has been gathered from secondary sources and then analyzed using two different theoretical frameworks, namely The Ownership, Location and Internalization Framework and The Linkage, Leverage, and Learning Framework.

The findings in this paper indicate that both companies made use of well-established companies within their respective industries to advance their own R&D capabilities and gain access to new technology. Geely did so by acquiring the struggling but technologically advanced Volvo Cars outright, and Huawei by starting a new wholly owned subsidiary which absorbed a highly skilled workforce from Ericsson as it was undertaking massive layoffs.

The paper reaches the conclusions that large Chinese multinational enterprises use internationalization strategies which allow for a high degree of control to gain access to strategically important resources when establishing themselves in small open economies, and that market entry challenges from such establishments can be successfully handled by operating in conjunction with an already established local company.

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1. Introduction

1.1 Problem discussion

China is the largest and most significant of the developing economies, which is reflected in its amount of outgoing foreign direct investment (OFDI). According to the 2020 World Investment Report published by the United Nations Conference on Trade and Development (UNCTAD) China has during the period 2016-2019 spent between 117-196 billion USD each year on OFDI, which corresponds to roughly one third of all yearly OFDI stemming from developing economies (UNCTAD, 2020).

It seems reasonable to assume that the relative significance and extent of south-north FDI will increase in the coming years and decades because of the growing economic importance of developing and emerging economies. This trend of Asian resurgence regarding economic importance is sometimes referred to as a global shift of the economic center of gravity from the west to the east (Dicken, 2015, p. 28). It is however a bit unclear whether the amount of OFDI going from China in particular to developed economies will increase or decrease in the coming decades. On the one hand China partakes heavily in projects focused on trade and investments with the outside world such as the Belt and Road Initiative (BRI) and the Regional Comprehensive Economic Partnership (RCEP). But China has on the other hand in its 14th five-year plan spanning 2021-2025 implemented the so-called *Dual Circulation strategy*, which puts a larger emphasis on its domestic market instead of foreign ones. However, considering the country's historically large OFDI flows in sheer numbers as well as the magnitude of China's population, economy and growth rate, it is likely to be an important actor worthy of study nonetheless.

There has been a relatively high amount of research conducted regarding multinational enterprises (MNEs) from developed economies internationalizing into developing economies, such as the studies of Dunning (1980), Williams (2015) and Zhou (2002). This type of foreign direct investment (FDI) is also referred to as north-south FDI. In comparison to the research done a north-south FDI, there has been less research regarding MNEs from developing economies internationalizing into developed economies, a phenomenon also referred to as south-north FDI. Some notable examples of this type of research include the studies of Buckley et al. (2009), Bera and Gupta (2009) and Yakob et al. (2018). Much of the research conducted a FDI and economic relations regarding both north-south and south-north

perspectives tend to have a quantitative focus, such as the studies of Hoang and Goujon (2018) and Ledyaeva (2009). Given these circumstances it would therefore seem as if there is somewhat of a research-gap regarding this type of internationalization, especially from a *qualitative* perspective, which would be of interest to explore.

This thesis takes aim at a specific type of south-north internationalization which may become more commonplace in the future. The type of internationalization in question is the type that pertains to how MNEs from China, the largest and most significant developing economy, deal with internationalization in regard to small open economies. This type of internationalization has been deemed interesting because of the vast differences between China and most small open economies in terms of size, institutions, development and more.

The cases of Huawei's and Geely's internationalization in Sweden have been chosen as targets of analysis for this study in order to learn the motivations and approaches of Chinese corporations that establish themselves in small open economies such as Sweden. This is in part due to the fact that they are both large Chinese corporations which have internationalized into many different markets, both developed and developing, in many different parts of the world. As such it seems likely that they can be studied to gain insights about the type of internationalization this thesis seeks to examine, since their wide array of experiences can be used to analyze patterns and highlight differences between their internationalization processes. Another reason as to why these companies have been chosen is because their establishment in Sweden has garnered much attention from both researchers and members of the press alike, both within Sweden and abroad. The perhaps most important reason however as to why these cases are interesting to conduct research about is because their market development strategy seems to widely differ even though they share the same institutional and national origin, which is believed to be beneficial to the analysis and comparison of the cases.

The reason as to why Sweden is in focus is because it is the setting where the chosen cases have taken place, and it is also believed to be a good example of a typical small open economy, which will hopefully render this research more usable for other studies conducted about small open economies. There are perhaps other countries which would be even better suited to use as examples of the typical small open economy, but Sweden is considered to be emblematic to a high degree because of factors such as the small size of its population and

global economic impact, as well as its high rate of exports which constitute about half of its GDP (WITS, n.d.).

1.2 Research question

How do large Chinese MNEs use internationalization strategies when establishing themselves in small open economies?
How can market entry challenges from such establishments be handled by large Chinese MNEs?

2. Methodology

This thesis is a qualitative case study based on secondary sources which has utilized elements of both theory triangulation and data triangulation. A quantitative approach has been purposefully excluded from this study in the hope of gathering better insights since it is believed that such an approach would most likely not yield desired results. The chosen qualitative approach, which examines past events in order to draw conclusions by using analysis, is believed to constitute the best way to fulfill the purpose of the study and answer the research questions regarding the internationalization of large Chinese MNEs in small open economies. There is a good amount of high-quality data related to these past events readily available which would be insurmountably difficult to acquire by other means, such as conducting interviews. The studied events took place years ago and spanned across several decades and different countries, and it is therefore believed that the best way to access the data required to achieve the goals of the study is through the recollections available within secondary sources such as articles in business media published at the time. It is believed that no other approach would feasibly be able to produce the data required to answer the research questions and fulfill the purpose of the study.

The chosen method incorporates the use of data triangulation to examine information from different sources and perspectives in order to corroborate and nuance the events which have been studied in this paper. It is believed that using triangulation can be a useful way to ameliorate the error and bias which can be present in any source by comparing the sources to

one another and discover important connections. Another benefit of the chosen approach is that it provides a way to piece together sought-out information which would otherwise not be available since the sources do not state all of the desired information explicitly and comprehensibly. The thesis also incorporates theory triangulation and uses two different theoretical frameworks to generate a more comprehensive understanding when analyzing information. This approach helps with revealing differences and similarities between the internationalization of the two companies when it comes to strategy, challenges, outcomes and patterns, and it can also highlight contextual factors that have influenced their internationalization journeys.

The selection of sources for this paper has primarily been driven by the criterion that they should provide information that is useful for answering the research questions. Other criteria such as that the sources need to be valid, reputable and unbiased have of course also been taken into consideration. In order to utilize data triangulation, the relevant sources have also needed to cover the same time periods, events and milestones in order to corroborate and nuance the information that could be gathered from them. An example of this is the covering of the establishment of Huawei in the southern part of Sweden, where the same event is described in two different sources from two different authors, one written in a local paper and the other in a trade journal. The book Business Research Methods by Alan Bryman and Emma Bell (2011) identifies a variety of types of documents which are useful as sources of data in qualitative studies. The authors categorize these documents as personal documents, public documents, organizational documents, mass media outputs, visual documents and virtual documents. More detailed discussions of how these types of documents have been used during the course of this paper is described in the following chapters.

2.1 Organizational documents

This type of documents consist of a diverse range of materials which are generated by organizations. These materials can be public as is often the case with annual reports, company newsletters, advertisements and the like, but they can also not be public as is often the case with minutes of meetings, memos, company regulations etc. (Bryman & Bell, 2011, pp. 550–552).

When documents of this sort have been used in this paper they have always been public. This

is mostly because the public nature of the information has made it much easier to obtain, but it also has the benefit of making it easier for readers of the paper to inspect and assess the information. The organizational documents which have been used as sources in this paper consist of annual reports and other information which the studied companies have put out themselves, such as “about” pages. Using information about a company which was generated by the company itself as a source is problematic given the obvious risk of bias. These sources have therefore been used somewhat sparingly and only in cases where there would be little incentive for the companies to misconstrue the used information in any meaningful way. Annual reports however have the advantage from a credibility perspective that they need to convey an accurate picture to investors, and they are also regulated by laws and standards to ensure that the information provided is accurate, which increases their authority as sources. To further enhance the validity of these sources it is also always made clear that the information in question comes directly from the companies themselves.

2.2 Mass media outputs

This type of documents consist of newspaper articles, television programs, films and other mass media (Bryman & Bell, 2011, p. 552).

This type of documents has been used to a great extent in this paper and it arguably constitutes the majority of the information used as sources. The sources of this type which have been used in this paper are mostly made up of articles written in large national Swedish newspapers, including some articles produced by public service organizations, and articles from smaller papers with a strong focus on relevant industries, such as information communication technologies (ICT) for instance. These sources have been able to provide much useful information with a high degree of quality. Some of these articles were however written a long time ago, which is less ideal given that they may not be as up to date, but these older sources mostly describe events that took place at the time they were written. They were in other word current for the event they recount, but newer and more current sources have been used when possible. Another issue with using these sources is that the media organizations which produce them can have a certain bias which can affect the information they put out. To manage this issue, the sources have been compared with one another when possible to make sure that the information provided by does not substantially deviate. These sources are also rich in interviews and direct quotes, which tend to be incorporated in articles

as unconstrued as possible.

2.3 Virtual documents

This type of documents have a wide definition as materials that appear on the internet (Bryman & Bell, 2011, pp. 557-558).
The greatest issue with using sources from the internet is that it is home to a lot of blatantly fake information and that it can be difficult to determine its validity. This has however not really been an issue while writing this paper as all of the sources used which could be put in this category are mass media outputs which have their origin in well-established media houses and other types of documents which are better placed in other categories

2.4 Public documents

This type of documents consist of materials which are generated by the public sector. Apart from statistical information, which is more quantitative in nature, the public sector also produces a great deal of information in the form of bills and court rulings as well as official reports on a myriad of subjects which can all be of use for business research (Bryman & Bell, 2011, pp. 548–550).
This type of documents has been used quite sparingly in this paper because while most of these sources did offer some helpful background information, they did not help all too much with providing information which was useful in answering the research question. One example of this is a report by The Swedish Defense Research Agency (FOI Memo 6903) about acquisitions made in Sweden by Chinese companies. This report gives an overview of Chinese acquisitions in Sweden, and its conclusion that there is a trend which suggests that Chinese companies make acquisitions in Sweden in order to get access to cutting edge knowledge in strategic areas are in line with the conclusions reached in this paper. But despite this, it turned out that the report did not provide all that much information relevant to the cases, even though it briefly mentions Geely's acquisition of VCC, and therefore no information which could be of use to answer the research question in this paper. So while the report did examine a related topic, it was in the end not used as a source in this paper. One of the researchers who contributed to the report is however cited in a newspaper article which did end up as a useful source.

The following is an overview of the empirical sources used divided into the categories discussed above.

Table 1

Overview of empirical sources used, categorized

	Organizational documents	Mass media outputs	Public documents
Number of sources used	6	23	3

Another very useful source of information which does not fall under any of the above-mentioned categories are scientific studies. These prior studies have been of great use in writing this paper as they have contained plenty of useful information, but they have also been a source of inspiration regarding the questions that needed to be raised and which specific topics that needed to be examined further. These sources have often studied similar topics and at times consisted of case studies of the same companies which have been examined in this paper, although none of them have contained the sort of analysis which have been utilized in this paper. These sources have great advantages such as the fact that they are produced by experienced researchers within the field of international business studies and that they are peer revied. The studies used are also rich in sources which have been examined similarly as the documents mentioned above, and these sources themselves have at time been used on their own in this paper to broaden the picture when applicable. Some of the studies have been based on interviews as well as secondary sources, and when applicable other contemporary related articles have been sought out and reviewed, and cited in this paper, in order to corroborate information and create a fuller picture.

Bell et al (2011) pp 544–545 refer four criteria suggested by John Scott that can be used to assess the quality of documents used in qualitative studies:

Authenticity Is the evidence genuine and of unquestionable origin?

Credibility Is the evidence free from error and distortion?)

Representativeness Is the evidence typical of its kind, and, if not, is the extent of its untypicality known?

Meaning Is the evidence clear and comprehensible?

All of these questions have been kept in mind during the course of writing this paper, and it is believed that all of the sources used fulfill these criteria to a satisfactory degree.

Overall, the sources used consist of a mix of organizational documents, mass media outputs and previous studies. The sources mostly point in the same general direction, but there have occasionally been minor differences with details, such as specific dates, in the sources, but these issues have not been major and could be rectified by cross referencing. In general it can be said that the newspaper articles have not always been as exact with the minor details compared to prior studies.

2.5 Application of the theoretical frameworks

The two theoretical frameworks which have been used to analyze the empirics in this paper are The Eclectic Paradigm (OLI-Framework) and The Linkage, Leverage and Learning framework (LLL-framework). The OLI framework is the older of the two and is argued to be more applicable to large, well-established and typically western companies which seek to internationalize in order to exploit existing resources. The LLL-framework on the other hand is newer and is argued to be built on the OLI-framework to instead be more applicable to eastern latecomer firms which seek to internationalize in order to gain access to resources which cannot be attained otherwise. The logic of this paper is therefore that utilizing both of the frameworks together constitutes the best way to explain the behavior of the companies and gather insights to answer the research questions since both of the studied companies could at the time they internationalized in Sweden be described to varying degrees as eastern latecomers, yet also as large and well established. A more in-depth discussion of these frameworks is provided in the succeeding chapter.

Analysis of the empirics has been conducted in chapter 5 of this paper by using one theoretical framework at the time to analyze each of the case companies separately, and the findings from using both frameworks have then been further analyzed and compared in chapter 6 of the paper in order to reach conclusions and find answers to the research questions. The OLI-framework has been utilized in the analysis to identify the ownership, location and internalization advantages related to the internationalization journeys of each company individually. The LLL-framework has been utilized similarly to identify how each company individually used linking, leverage and learning strategies during their

internationalization journeys. The findings from analyzing both companies using both frameworks have then been compiled in table 3 in order to make it easier to examine both similarities and differences with the internationalization journeys of the companies. The findings have been used to discern the extent to which the case companies have adhered to the patterns and reasonings of the theoretical frameworks while internationalizing in Sweden and elsewhere. Factors which have affected the behavior of the companies in relation to the frameworks, such as industry-wide crises, have also been taken into account during analysis.

2.6 Ethical considerations

The ethical considerations taken into account during the creation of this paper have been affected by the fact that it is a qualitative case study based on publicly available secondary sources, which has limited the need for considerations for things such as anonymity and company confidentiality. Instead things such as the accurate representation of source material has been considered, and effort has been made to avoid misinterpretation and selective use of sources which only support a preconceived narrative. Plagiarism has been avoided and effort has also been made to give credit to the original authors and sources of information. The paper has strived to be transparent about the limitations of the secondary sources and any potential biases in the information they provide. The goal of the paper has been to provide an honest and truthful account, and to avoid sensationalism, exaggeration or bias and instead present information clearly and objectively to ensure that the context and limitations of the research can be understood.

3. Theoretical frameworks

3.1 The Eclectic Paradigm/OLI-Framework

The Eclectic paradigm began to take shape as an analytical framework through the research of John H. Dunning during the 1970's (Dunning, 2001). The theory is also referred to as the OLI-framework because it seeks to explain companies' internationalization behaviors, as well as determinants of FDI, based on three sets of interdependent variables concerning ownership, location and internalization. Dunning (2000) argues that each of these three

variables also have its own associated sub-paradigm which help to explain the internationalization behaviors of companies.

The ownership variable within this framework refers to the relative advantages stemming from a company possessing certain resources, these advantages can in turn be divided into three categories. One of the categories concerns advantages relating to possession and exploitation of monopoly power, which are described by Dunning (2000) as advantages that are *"[…] presumed to stem from, or create, some kind of barrier to entry to final product markets by firms not possessing them.*" (Dunning, 2000, p.168). Another category is advantages relating to possession of scarce, unique and sustainable resources, which are described by Dunning (2000) as advantages that are *"[…] presumed to stem from, or create, some kind of barrier to entry to factor, or intermediate, product markets by firms not possessing them*" (Dunning, 2000, p.168). The third category is advantages which Dunning (2000) refers to as "*Those relating to the competencies of the managers of firms to identify, evaluate and harness resources and capabilities from throughout the world, and to coordinate these with the existing resources and capabilities under their jurisdiction in a way which best advances the long term interests of the firm.*" (Dunning, 2000, p.169).
Dunning (2000) argues that the relative significance of the three categories of ownership advantages has changed since the theory's inception in the 1970's. These changes are argued to have been brought about by wealth creating activities becoming more knowledge intensive as well as markets becoming more liberalized. In Dunning (2000) this is explained the following way "*In the 1970s, the unique competitive advantages of firms primarily reflected their ability to internally produce and organize proprietary assets, and match these to existing market needs. At the turn of the millenium, the emphasis is more on their capabilities to access and organize knowledge intensive assets from throughout the world; and to integrate these, not only with their existing competitive advantages, but with those of other firms engaging in complementary value added activities.*" (Dunning, 2000, p.169).
The associated sub-paradigm of ownership advantages asserts the greater the competitive advantages of the investing companies relative to those of other companies the greater their ability to partake in or expand foreign production, particularly in regard to companies already established in the targeted market (Dunning 2000).

The location variable within this framework refers to the relative advantages stemming from placing certain economic activity at certain locations. The placement of economic activity

can be explained by locational variables such as exchange rates, political risks, cultural differences as well as the regulations and policies of supra-national entities. It is argued by Dunning (2000) that the explanatory variables regarding location advantages "[…] *differ according to the motives for fdi, its sectoral composition, the home and host countries of the investing firms, and a variety of firm specific considerations.*" (Dunning, 2000, p.175), and it is further suggested that "*[…] the nature and composition of a country or region's comparative advantage, which has been traditionally based on its possession of a unique set of immobile natural resources and capabilities, is now more geared to its ability to offer a distinctive and non-imitatible set of location bound created assets, including the presence of indigenous firms with which foreign MNEs might form alliances to complement their own core competencies.*" (Dunning, 2000, p.178). The associated sub-paradigm of location advantages asserts that firms will choose to enhance or use their ownership advantages by engaging in FDI to a greater extent when immobile resources favor a presence in a foreign location in place of a domestic location (Dunning 2000).

The internalization variable within this framework refers to the manner in which an enterprise will exploit its ownership and location advantages in a target market. Internalization is the process of a firm performing activities internally that could otherwise be outsourced or left to the market, which can be achieved through various modes of entry such as joint ventures, acquisitions or greenfield investments. Dunning (2000) argues that orthodox internalization theory offers a rather simple answer as to why companies choose to engage in FDI instead of trading products across borders, which is that "*as long as the transaction and coordination costs of using external arm's length markets in the exchange of intermediate products, information, technology, marketing techniques, etc. exceed those incurred by internal hierarchies, then it will pay a firm to engage in fdi, rather than conclude a licensing or another market related agreement with a foreign producer*" (Dunning, 2000, p.179). It is argued however that while this viewpoint certainly has value in explaining the behavior of companies, it does not offer a full picture. Internalization can be explained by other reasons that are not strictly transaction related, and firms will often engage in FDI in order to lower the unit costs of production, gain new resources, gain access to new capabilities, gain access to new markets or to counter the strategies of adversaries (Dunning 2000).

3.2 The Linkage, Leverage and Learning Framework

The linkage, leverage and learning (LLL) framework first emerged in the book Dragon Multinational, authored by John A. Mathews in 2002. In his retrospections of the framework Mathews (2006, 2017) argues that it was devised as a means of explaining the distinctive internationalization strategies of latecomer firms from the Asia-Pacific, a region which was largely considered to be part of the periphery of the world economy back in 2002. The essence of this framework is that this type of corporation typically does not build its international empire entirely from its own resources and acquired capabilities, but rather by repeatedly linking with existing players and leveraging resources such as technologies, assets and market positions from them.

Within this framework linkage refers to making use of and connecting with companies that are rich in technology or already active in target markets in order to take advantage of the interlinked nature of the global economy. Linkage can be achieved in multiple ways via pathways such as joint ventures, supply chain contracts and technology licensing agreements. These pathways can be used by companies with a shortage of strategic resources in order to make up the deficit by linking with existing strategically appropriate players.

Within this framework leverage refers to gaining access to previously unattained technologies and/or market positions as resources, which can be incorporated through so-called “resource leverage” strategies.

Within this framework learning refers to repeated application of linkage and leverage as a way to build the dynamic capabilities and global reach of an internationalizing company, which will give the company the capabilities needed to withstand the competitive challenges imposed by established firms.

Mathews (2017) argues that there are number of ways which the LLL-framework differs from the more traditional Eclectic paradigm, also referred to as the OLI-framework. One overarching difference which the author points out is that the OLI-framework is based more on microeconomic reasoning, whereas the LLL-framework is based more on strategic reasoning. Matthews (2006) acknowledges that the OLI-framework has been elaborated into different iterations by researchers, including by Dunning himself, over the decades which align better with the internationalization experiences of the above-mentioned latecomer firms. In the article it is argued however that the OLI perspective, modified or otherwise, is less applicable to newcomers and more so to incumbent firms which have created their

international empires and are seeking to derive maximum advantage from them because the framework leans into the resource-based view and explains the existence of MNEs with possession of superior resources. It is further argued that it is therefore appropriate to retain the OLI-framework in order to explain internationalization in the case of incumbents, and to go beyond the framework in the case of newcomers. It is useful to keep in mind the following passage from Matthews (2006) when regarding how the frameworks differ: *"The considerations that apply to international expansion in the pursuit of resources (and customers) not otherwise available, are quite different from those that apply to expansion which is designed to exploit existing resources."* (Matthews, 2006, p. 18).

Mathews (2017) explains that the LLL-framework offers latecomers a catch-up strategy to close the gap between themselves and more advanced companies. The latecomers need to focus on accelerated internationalization since they cannot afford the luxury of a slow and relaxed internationalization, such as the incremental approach described by the Uppsala model of internationalization. The author stresses that the LLL-framework is as most applicable to eastern latecomer firms in the earlier stages of their internationalization when they are still catching up to already established firms. Once the latecomers have become more established in the targeted markets however they tend to move away from the LLL-framework to instead adhere to the OLI-framework to a greater degree.

4. Empirics

4.1 Geely´s internationalization journey

4.1.1 About Geely

Zhejiang Geely Holding Group (ZGH) is the name of the parent company that owns the Geely brand as well as many others, including Volvo Cars also known as Volvo Car Corporation (VCC), and China Euro Vehicle Technology (CEVT). According to information from their own website, the company was started by Li Shufu in 1986 in the city of Taizhou in the Zhejiang province on the Chinese east coast. The company began as a manufacturer of refrigerators and refrigerator parts, and then moved on to producing motorcycles in 1994. It took until 1997 for the company to launch the subsidiary Geely Auto, which became the first private Chinese carmaker to be authorized to sell cars by Chinese authorities when China

entered the World Trade Organization (WTO) in 2001. The company acquired VCC from Ford in 2010, and then moved on to together with Volvo establish the subsidiary CEVT in Gothenburg in 2013 (ZGH, n.d.). ZGH currently controls 82 percent of the capital and votes in VCC as well as about 8 percent of the capital and about 16 percent of the votes in the Volvo Group via the subsidiary Geely Sweden Holdings AB according to figures from its 2021 annual report (Geely Sweden Holdings AB, 2022).

4.1.2 About Volvo Cars

Volvo was initially started as a project within Svenska Kullagerfabriken (SKF), a ball bearing manufacturer located in Gothenburg on the Swedish west coast. The project was headed by Assar Gabrielsson and Gustav Larsson, who later became the primary owners of the Volvo company when it was incorporated in 1915. It would take some years however before the first Volvo car rolled off the production line in 1927 (Pederson, 2005). Volvo Cars had been a part of the Swedish Volvo Group parent company up until 1999 when it was sold to the US based Ford Motor Company. The company was then sold to the Chinese based ZGH in 2010, but the brand Volvo however is owned by Volvo Trademark Holding AB, which is jointly owned by Volvo Cars and the Volvo Group (Volvo Cars n.d.). About half of the brand is therefore ultimately controlled by Geely considering the stakes held in the companies by ZGH as mentioned above.

4.1.3 About China Euro Vehicle Technology Group

CEVT is a research center which develops automotive technologies for both Volvo Cars and ZGH as a whole. CEVT was founded in 2013 as a wholly owned subsidiary of ZGH with company headquarters located in Gothenburg, in proximity to its sister company Volvo Cars. An offshoot of CEVT was also established in 2014 in Hangzhou on the Chinese east coast, the same city where ZGH has its headquarters (Yakob et al., 2018).

4.1.4 Geely’s initial internationalization

According to Chen et al. (2015) Geely's internationalization journey began in the early 2000's when the company established offices abroad and started exporting cars in the markets of Central and South America, the Middle East, Africa and Southeast Asia. By 2010 Geely had developed a network of more than 500 retail distributors in 45 countries and had production facilities in both Russia and Indonesia. Geely also made some notable foreign investments during this period, such as a deal struck in 2006 with Manganese Bronze Holdings, the manufacturer of the iconic black taxis in London. This deal made Geely the largest shareholder of the car manufacturer and also led to some production being moved to Geely in China as well as the establishment of a joint venture. Another notable investment was made in 2009 when Geely acquired the Australian transmission developer Drive Train Systems International (Chen et al. 2015).

4.1.5 Geely's internationalization in Sweden

Geely had gained some substantial experience from their prior foreign investments, which mostly occurred on markets in the global south, but these pale in comparison to when they internationalized into Sweden. Geely's arrival in Sweden was made through a brownfield investment in which they acquired Volvo Cars from the US based Ford Motor Company in 2010 for about 1,5 billion USD, which at the time was the largest cross-border acquisition undertaken by a privately owned Chinese company (Chen et al., 2015).

To better understand the acquiring of Volvo Cars from Ford by Geely in 2010 however it can be beneficial to first examine the acquiring of Volvo Cars from the Volvo Group by Ford in 1999.

According to Gifford et.al. (2015), VCC had been sold to Ford in 1999 for 6.5 billion USD as the Volvo Group kept diversifying and acquiring a greater and greater focus on commercial vehicles. Among all other options, the choice to sell to Ford in particular was explained by the CEO of the Volvo Group in January 1999 in an interview with CNN as a result of Ford constituting "the best ally, the best partner and the best owner of the Volvo car business" (CNNMoney, 1999, as cited in Gifford et al., 2015, p. 236). The authors point out that key resources acquired by Ford were the brand, the engineering and the technological resources, but since the brand Volvo was still in use by both VCC and other parts of the Volvo group it could not simply be handed over in the deal. To deal with this issue Volvo Trademark

Holding AB was established, and all of the trademarks in question were then transferred to the company which was co-owned by Volvo group and VCC/Ford. The trademarks were then in turn licensed to the different parts of the Volvo group as well as to VCC. Another issue that had to be dealt with was all the intellectual property (IP) used by VCC which was owned centrally within the Volvo Group. This was solved by reviewing all of the IP and transferring the IP most related to passenger cars to Ford, whereas the IP most related to other businesses remained within the Volvo group and then licensed to Ford if they were also used in passenger cars. The IP acquired by Ford was subsequently taken over by one of Ford's subsidiaries, Ford Global Technologies, which owned the technological IP of all of Ford's businesses. The authors point out that the technological integration between the companies was palpable within a few years and in 2010 almost all Volvo cars were built on Ford platforms, like the C1 platform used for the smaller car models and the EUCD platform used for the larger car models (Gifford et al., 2015).

Both Chen et al. (2015) as well as Gifford et.al. (2015) claim that Geely purchased VCC from Ford in 2010 for about 1,5 billion USD, which is around 5 billion USD less than what Ford had paid for the same company about a decade earlier. One of the primary reasons behind the acquisition argued by both sources was that Geely was presented with a rare opportunity in the wake of the global recession following the financial crisis in 2007–2008. The economic downturn had hit harder in the west than in the east, particularly in the United States, and had led to a sharp decline in the demand for cars. The crisis impacted many American car companies hard, and Ford started the divestment process of VCC around 2008 announcing Geely as the preferred buyer in October 2009 (Chen et al., 2015; Gifford et al., 2015).

Gifford et.al. (2015) claim that it was argued by the founder and chairman of Geely, Li Shufu, that the acquisition would bring benefits to both Geely and VCC, which was reported on in both China Daily and The Independent at the time. Much like with the acquisition made by Ford about a decade earlier, Geely would by acquiring VCC also receive key resources such as the brand, the engineering and the technological resources. But VCC would in turn receive access to Geely's low-cost manufacturing capabilities as well as the Chinese auto market, which had recently surpassed the United States as the world's largest new car market. As Chen (2015) argue there were concerns regarding branding because Volvo was a well-known brand perceived as a maker of high-quality cars, whereas Geely was a relatively unknown brand perceived as a maker of low-quality cars. Being associated with Geely could

potentially lead to issues like the Volvo brand being tarnished and thus perceived as a maker of poor-quality cars. These concerns were addressed by Li Shufu who was quoted in an article with The Independent at the time where he said "this famous Swedish brand will remain true to its core values of safety, quality, environmental care and modern Scandinavian design" (Arnott, 2010, as cited in Gifford et al., 2015 p. 238). Stefan Jacoby, who became the CEO of VCC in connection to the acquisition, also addressed the concerns and is quoted in the same article as saying *"our employees, suppliers, dealers – and above all our customers – can be confident Volvo will preserve its special status as industry leader in vehicle safety and innovation"* (Arnott, 2010, as cited in Gifford et al., 2015, p. 238)
(Fanfang, 2010; Chen et al., 2015; Gifford et al., 2015).

According to Gifford et.al. (2015) there were issues with the IP during Geely's acquisition of VCC which were reminiscent of the issues faced during Ford's acquisition of VCC a decade earlier. The acquisition had the potential of creating a new major competitor for Ford on the Chinese market, one which could also use Ford technologies extensively since the Volvo cars at the time were built on Ford platforms. This presented an obvious issue for Ford, and great effort was therefore made to make sure that the deal would protect Ford's competitive position while also allowing VCC to conduct its business. The solution reached was similar to how the issue had been handled during the previous acquisition. Most of the relevant technologies and IP, which at the time was owned by Ford Global Technologies, was categorized and then matched with suitable provisions such as ownership transfers or licensing. All of the IP that had been developed by VCC before they were purchased by Ford was to be transferred back to VCC and come with the purchase when they were acquired by Geely. The IP that had been developed after Ford had acquired VCC however was to be kept with Ford, while VCC would receive different types of licenses for the technologies that were used by its businesses at the time of the purchase. The IP that VCC had independently developed while being owned by Ford was to be transferred to VCC and then licensed back for use by Ford, while still being included with the purchase in the acquisition by Geely. One could think that there would be similar difficulties with the Volvo brand and trademarks, but this issue was actually dealt with without much difficulty due to how it had been handled during the previous acquisition. This is because the brand and all relevant Volvo trademarks were now owned by the previously formed joint venture Volvo Trademark Holding AB, which in turn is owned in half by VCC and in half by The Volvo Group. As such the fifty percent stake in Volvo Trademark Holding AB held by VCC could be included in the

purchase with ease and the status quo which the brand had faced during its time with Ford could remain (Gifford et al., 2015).

One of the main challenges faced by VCC, and by extension Geely, at the time according to Gifford et al (2015) was that VCC was not profitable, and that it was expected that almost a billion USD would have to be spent in order to turn the company profitable. The problem was expressed by Li Shufu as too large R&D costs in relation to too low sales volumes. The yearly sales reached about 400 000 cars in the early 2000s but only 300 000 cars in 2009 in large part due to the crisis, and there was a goal set to reach 800 000 cars sold by 2020. This goal was not reached according to numbers reported in a press release made by Volvo in January 2021 which stated that the number of cars sold globally in 2020 reached around 662 000. The numbers are in part explained as a result of the COVID-19 pandemic, but other press releases regarding adjacent years report similar numbers, never reaching much higher than 700 000 (Volvo Cars, 2020, 2021, 2022). It is argued by the authors that the automotive sector demands extensive expertise across a wide range of intricate technologies in different areas. Companies within the industry therefore need to devote significant resources to R&D and engage in collaborations with other firms. This industrial landscape exemplifies economies of scale, where substantial R&D investments require substantial sales to reduce total average costs per unit. As such there was an appealing opportunity presented with the purchase to create synergy and eventually even use the same architectures and technologies in both Volvo and Geely cars, and this opportunity would become realized within a few years of the acquisition through the establishment of CEVT (Gifford et al., 2015).

Yakob et al. (2018) argue that CEVT is the cornerstone which enables the cooperation between Volvo and Geely. CEVT was established in 2013 in Gothenburg, close to the VCC headquarters and much of their Swedish manufacturing and operations. It is argued that one important aspect regarding the choice of location is the proximity to important industrial players like major parts of the Volvo group, Ericsson, Chalmers University and Gothenburg University along with their associated industry-related innovation capabilities. Another aspect that is highlighted is the Swedish business culture which allows for a flatter organizational structure believed to encourage cooperation and faster decision making. It is also mentioned that it is common practice to use a significant number of external technology consultants in the automotive industry, and that Swedish consultants are often considered more cost-effective compared to consultants in other countries when considering the experience per

hourly consultant cost ratio. A vital part of the cooperation between VCC and Geely is according to the authors based on the development of the state-of-the-art modular vehicle platform called Compact Modular Architecture (CMA). This platform enables the development, production, and assembly of top-quality vehicles for both Geely and VCC (Yakob et al., 2018).

4.1.6 Geely's internationalization in Malaysia

In 2017, about seven years after acquiring VCC, Geely made another large cross-border acquisition of an auto company according to multiple sources in publications like Reuters, Nikkei Asia and The Associated Press. Two articles in Nikkei Asia by CK Tan describe how Geely acquired a 49.9 percent stake in a Malaysian car company called Proton as well as a 51 percent stake in a sports car company called Lotus based in the UK. Both of the stakes were acquired in a single deal from a Malaysian conglomerate called DRB-Hicom which is active in different lines of business like cars, property development and more (Tan, 2017). Articles in The Associated Press and Reuters mention that Proton was started in the early eighties by the Malaysian government as a sort of national car manufacturer, and that the company then went on to acquire Lotus in 1996. Proton was successful in the Malaysian market during its first decade of operations where its market share peaked at about 75 percent in the mid-nineties, but sales and market share of the company would go on to decline severely during the coming decades. The company was privatized in 2012 but continued to struggle, and by the time Proton was acquired by Geely their domestic market share had sunk to about a mere 15 percent. The articles cite industry experts which argue that the decline was due to factors such as the low quality of the cars produced by Proton and increasing foreign competition, mainly from Japanese car brands. It is also argued that Geely has little to gain with the acquisition when it comes to technology or research capabilities, but more so when it comes to market position and production capabilities. By acquiring Proton Geely would not only gain access to the valuable ASEAN market, but it could also help with establishing a presence in other right-hand-drive markets apart from Malaysia like India and Australia (Macdonald and Ng, 2017; Latiff and Shirouzu, 2017).

4.2 Huawei's internationalization journey

4.2.1 About Huawei

Huawei is a company which is active within a wide section of different information and communications technologies (ICT). The company was founded by Ren Zhengfei in 1987 in the city of Shenzhen in the Guangdong province on the southern coast of China, bordering Hong Kong (Tian & Wu, 2015). Huawei struggled to gain customers at first and initially focused on the Chinese countryside before moving on to larger cities, and the company would soon move on to international markets after securing their position in their home market. The company has grown rapidly after its somewhat struggling start, and in 2012 it overtook Ericsson as the world's largest telecoms-equipment-maker (The Economist, 2012). Huawei has strengthened its global position since then and is still the world's biggest telecom equipment vendor in 2023, with almost twice the market share of Ericsson (Le Maistre, 2023).

A rather unique aspect about Huawei is its ownership structure, which is arranged in such a way that only about 1 percent of its shares are controlled by its founder Ren Zhengfei, with the remainder of the stocks controlled by the union at Huawei. The union in turn manages a system which enables the workers of Huawei to exert control over the company by electing representatives to a commission, which in turn is involved in the company's management and elects the board of directors. There are some however who question the company's political independence and the extent of control which the employees of Huawei exert because of how the Chinese institutional system is set up. Chinese law only allows for up to 50 shareholders to be registered for limited liability companies and up to 200 shareholders for non-listed companies, which makes it impossible for the hundreds of thousands of employees to be listed as individual shareholders. The union at Huawei has therefore been given control of almost all of the shares in order to circumvent this issue. All Chinese unions however ultimately report to the All-China Federation of Trade Unions (ACFTU), China's national trade union center, which is under the control of the Communist Party of China (CPC). Huawei claims however that they are not controlled by the CPC since the seven-member committee which manages the trade union is elected by its own members, and not appointed by the administratively superior Shenzhen Federation of Trade Unions which reports up to ACFTU (Li, 2019). This ownership situation gives credence to the idea that Huawei is to a degree an extension of the Chinese government, which has led to political consequences for

Huawei's operations in Sweden and other western countries like Britain and the United States.

4.2.2 Huawei's initial internationalization

According to the studies by Fang Lee Cooke (2012) and Boutellier et al. (2008) the way in which Huawei's internationalization journey began is reminiscent of the typical path taken by many other MNEs from emerging economies. Huawei began its journey by growing large in its home market and then branching out to other developing economies to evade competition with more well-established players, while at the same time building up the expertise needed to successfully enter developed economies. Huawei first internationalized into Russia and its neighboring states in 1996 during a period of financial and political uncertainty when other MNEs exited the region. They then went on to enter the Latin American market in 1997, the African market in 1998 and the Indian market in 1999 before establishing themselves in western Europe in 2001 (Cooke, 2012; Boutellier et al., 2008).

4.2.3 Huawei's internationalization in the United Sates

Huawei entered the US around the same time as they established themselves in Europe according to the studies of both Nathaniel Ahrens and Boutellier et al. Ahrens claims that Huawei entered the US market by setting up an office in Plano, a suburb of Dallas, Texas in 2001 but that it would take up to three years before they managed to get a single American customer (Ahrens, 2013). Boutellier et al. points out legal and branding issues as factors that led to Huawei's troubles with establishing a presence in the US. The name "Huawei" proved to be hard to pronounce to many Americans, and the company therefore opted to call its American subsidiary "Futurewei" when it was established in the heart of the so-called Telecom Corridor. The authors claim that these branding issues hampered the subsidiary's ability to benefit from the increasing global brand value and name recognition of its parent company (Boutellier et al., 2008). The slow start in the US is corroborated in an article from 2020 in The South China Morning Post by Zen Soo and Sarah Dai. The authors point out legal and political issues as some of the biggest obstacles to Huawei's success in the US. An example of the legal issues are the lawsuits levied in the early aughts by the already well-

established American competitors Cisco and Motorola, which accused Huawei of plagiarism and IP theft as they were beginning to get a foothold in the US market. Another example mentioned in the article which is more political in nature, is a report commissioned by the US Air Force around the same time which stated that Huawei had "deep ties with the Chinese military" and that it received support from the government. Similar accusations kept being levied at Huawei in the years following as the perceived issue of American national security kept intensifying. The coup de grâce to Huawei's US operations came in 2019 when the issue culminated in the company being put on a trade blacklist, which de facto barred them from doing business with American companies (Soo & Dai, 2020).

4.2.4 Huawei's internationalization in Sweden

Sweden was one of the first markets in Europe into which Huawei internationalized, alongside with the German and UK markets according to Cooke (2012). The internationalization in Sweden was initially done by establishing a research and development (R&D) center there in 2001. Huawei's presence in Sweden was also expanded to include sales operations a few years later in 2003. These internationalization efforts roughly coincided with establishments in other western European markets such as France, Italy and the Netherlands which took place in 2003, 2004, and 2005 respectively (Cooke, 2012).

Table 2

Key economic and R&D figures about Huawei, 1999-2006.

	1999	2000	2001	2002	2003	2004	2005	2006
Sales	$1.93bn	$2.29bn	$2.13bn	$2.67bn	$3.83bn	$5.58bn	$8.20bn	$11.0bn
Int'l Sales	$53mn	$128mn	$328mn	$552mn	$1.05bn	$2.29bn	$4.76bn	$7.48bn
Int'l %	3%	6%	15%	21%	27%	41%	58%	68%
Staff	13,000	16,000	n/a	22,000	24,000	35,000	44,000	61,000
R&D Staff	5,200	7,200	n/a	10,100	11,500	16,800	21,120	29,280
R&D Invest't	n/a	$180mn	$342mn	$355mn	$398mn	$480mn	$820mn	$1.1bn

Note. From Managing Global Innovation by Boutellier et al. (2008), Table IV.7.1., p. 511

Huawei was in a very expansive phase in the early aughts when they internationalized in Sweden, as can be seen in the data from Boutellier et al. (2008) available in table 2. The numbers presented in the figure indicate that during the period of 1999 to 2006 Huawei

quintupled both their R&D staff and total staff as well as their sales, and their share of international sales went from a few negligible percent to comprising over two thirds of total sales. In Boutellier et al. (2008) it is mentioned that the company had branch offices in 26 European countries and over 100 branch offices worldwide by the end of 2006. An underlying factor highlighted by the authors which aided this rapid expansion is that Huawei was benefiting from the telecom crisis of the early 2000s to some extent. The crisis meant that foreign rivals such as Ericsson, Lucent and Nortel were distracted as they went through massive restructurings during this period which enabled Huawei to seize an opportunity (Boutellier et al., 2008).

The 2001 establishment of a Swedish R&D-center was according to a report made by a subdivision of the Stockholm Regional Council placed in Kista, on the outskirts of Stockholm located on the Swedish east coast, in order to gain advantages from the ICT industry that was already well established there. The report also claims that proximity to the competing ICT giant Ericsson in particular played an important role in Huawei's choice of location, as this allowed for Huawei to benefit from spillover effects by for instance recruiting former Ericsson employees. The establishment was done in the form of a greenfield investment by forming a new company registered in Sweden under the name Huawei Technologies Sweden AB (RUFS, 2011).

The content in question of the report is corroborated in a 2021 article by Birgitta Forsberg in the Swedish newspaper Svenska Dagbladet (SvD). The article features an interview with Urban Fagerstedt who previously worked as the head of Ericsson's mobile communications network development but was fired during a restructuring in 2005 after working for the company for 26 years. In early 2007 he was hired by Huawei as the head of research and development in Sweden and took part in a recruitment drive geared towards the then plentiful former Ericsson employees who had been let go as a part of the same restructuring as him. In the interview Fagerstedt claims that one of the goals of the recruitment drive, and the purpose of establishing operations in Kista, was to enable the transfer of knowledge by teaming up inexperienced Chinese engineers with more experienced engineers mostly from Ericsson but to some extent also from Nokia. The article goes on to mention that Huawei utilized similar strategies when establishing themselves elsewhere in Sweden, since it was often done in close proximity to the competitor Ericsson in places like Gothenburg on the west coast and in Lund in the south. Kenneth Fredriksen, the former chief executive officer (CEO) of Huawei

Sweden, was also interviewed for the article and explained that the research conducted in Kista is oriented towards radio technologies whereas the research conducted in Lund is oriented towards mobile phones because that is the type of research Ericsson used to do there earlier. He went on to describe how Huawei employees are sent from China to work 6 to 24 months in Sweden on a project basis, but that there is also a rotational policy for managers which means that they hold a position for 2 to 4 years at a time before being rotated to another. The idea of the arrangement is to enable and induce the spread of knowledge within the company globally (Forsberg, 2021).

Huawei's establishment in Gothenburg was however not only incentivized by the presence of Ericsson according to an article in *ComputerSweden* by Karin Myrén. The article features yet another interview with Urban Fagerstedt in which he mentions that in 2009 Huawei had difficulties finding engineers with experience in radio technology in Stockholm where they were already well-established, especially in the field of digital signal processing and baseband development. The company believed that they would instead be able to find the desired competency in Gothenburg because of the presence of Ericsson, but also because of the presence of Saab Microwave Systems which conducted research in radar technologies in Gothenburg. The poaching of Ericsson employees is explicitly mentioned as a cornerstone of Huawei's competence building strategies, and Ericsson's contemporary layoffs of hundreds of employees in the region is also mentioned as an opportunity for Huawei to implement their strategies (Myrén, 2009).

The opening of a research and development center in Gothenburg is corroborated in another 2009 article in *ComputerSweden* by Joakim Arstad Djurberg. The article mentions that Huawei aimed at hiring about 50 people at a time when the Stockholm office had about 200 employees, and that the focus of the operations would be within the fields of base stations, IP-based networks and microwave technology. Both Gothenburg University and the rich presence of businesses within telecommunications are cited as reasons as to why Gothenburg became a natural choice for the company's expansion (Djurberg, 2009).

Shortly after expanding in Gothenburg, Huawei went on to establish themselves in Lund in according to articles written by both Niclas Ericson and Adam Edström respectively. The company started up operations oriented toward the development of mobile phones in Lund in 2010, with somewhat fewer employees than in Gothenburg. The establishment in Lund is reminiscent of the establishments in both Gothenburg and Kista in the sense that Lund was

also home to large scale Ericsson operations which was in the process of being scaled back. Ericsson conducted operations oriented toward mobile phones in Lund through Sony Ericsson and was in the process of letting 450 people go in the area. This abundance of newly available engineers with highly sought after experience is mentioned in the articles as an important reason for Huawei's establishment in Lund (Ericson 2010; Edström 2010).

The approach of Swedish government agencies towards Huawei in the early aughts are described in Boutellier et al. (2008) as quite welcoming and flexible in making things happen. This sentiment is corroborated in a 2013 article in *Ny Teknik* by Helen Ahlbom which features an interview with Gordon Luo, the then head of Huawei's operations in the Nordics. The article mentions that Huawei had recently secured a large deal with one of the largest wireless service providers in Sweden which entailed both upgrading and operating their network for five years. The article then goes on to mention that both Huawei and another Chinese telecom company named ZTE have faced harsh regulatory backlash in countries like the US and Australia, but not in Sweden. Luo's comment on the matter is that decisions in Sweden are based on facts and not protectionism, and that Huawei is confident that Sweden has a friendly business climate unaffected by politics (Ahlbom, 2013). This political attitude towards Huawei in particular as well as other Chinese companies would however come to grow more hostile in the coming decades.

One tangible example of how the political attitude in Sweden has changed is a law (*Lagen om elektronisk kommunikation, 2003:389*) which underwent major changes in late 2019, which was written about in an article in the public service network Sveriges Television (SVT) by Linus Brohult. The changes to the law means that both the Swedish Security Service and The Swedish Armed Forces have a say in how the wireless service providers in Sweden conduct their business, including which equipment suppliers they are allowed to use. The law went into effect just as Sweden was about to roll out its 5G-network and start to auction out new 5G licenses in the beginning of 2020. The article mentions that the purpose of the law is to address potential security concerns regarding foreign telecom equipment which in theory could be used to conduct espionage in Sweden and to sabotage critical infrastructure. The article also mentions that while the official line from the Swedish government did not openly address any specific nation or supplier there were strong indications that the law was passed in order to stop Huawei specifically from partaking in the buildup of Sweden's 5G infrastructure. According to the article there were plenty of security concerns with Huawei

raised by a researcher at The Swedish Defense Research Agency who, among other things, pointed out that there is a law in China which can be used to force Chinese companies to assist Chinese intelligence services. The author of the article also reached out to several Swedish wireless service providers which on the other hand all claimed that they did not see any security concerns with using Huawei as a supplier (Brohult, 2019). The law did lead to a court ruling which meant that Huawei became banned from partaking in the construction of Sweden's 5G-network, which it remains to this day according to a 2022 article in SvD by Olle Lindström. The article goes on to mention that Huawei has recently lost yet another appeal in Sweden's Administrative Court of Appeal regarding the ruling against them, and it is also mentioned that Huawei products must be removed from existing networks before January 1st 2025 (Lindström, 2022).

5. Analysis

5.1 Analysis of Geely

Geely had plenty of good reasons for pursuing FDI in Sweden, which they did through a brownfield investment in which they acquired VCC. By purchasing VCC outright Geely was able to exert direct control over their investment to a very high degree, comparable to the amount of control they would have had over a foreign subsidiary established through a greenfield investment. Establishing a presence in this manner did of course give rise to a situation with some notable differences compared to that of making an ordinary greenfield investment, since this mode of entry meant for instance only having control over about half of the Volvo brand and having to license certain technologies to and from the rest of the Volvo group.

The following sections will take a look at Geely's internationalization in Sweden through the lens of the OLI and LLL frameworks as described in Dunning (2000, 2001) and Mathews (2006, 2017) and try to examine the firm's behavior. It should however be kept in mind that Geely's behavior was influenced by the rare opportunity to acquire VCC at a low cost, which was due to factors beyond their control such as the financial crisis which led to plummeting car sales which in turn induced Ford to sell VCC for about a quarter of what they had originally paid for the company. Had this opportunity never presented itself, Geely's internationalization journey would have no doubt been different. Geely's decision to seize the

opportunity can be examined as a part of their behavior through the frameworks, but it should be remembered that this opportunity was rather unique. These circumstances therefore affect the applicability of this analysis for firms that are similar to Geely but lack the rare opportunity which they were presented with.

5.1.1 Analysis of Geely through the OLI-Framework

The following analysis through the OLI-framework as described in Dunning (2000, 2001) begins by taking a look at Geely's ownership advantages, and it then goes on to look at the location advantages of Sweden and Gothenburg in particular, before finally looking at the factors which led to Geely making an internalized FDI.

At the time of their internationalization into Sweden, Geely's ownership advantages in comparison to their competitors in the target market Sweden were mainly related to the large size of the company as well as their well-entrenched presence in their home market China. In 2009 China became both the biggest producer of cars (Marr, 2009) as well as the largest market by sales (Reuters, 2010), and in 2023 the country also surpassed Japan as the largest exporter of cars (Hoskins, 2023). It could therefore be argued that China was, and still is, a very important, if not the most important, market to have a presence in for any car company striving to attain global economies of scale to the highest possible degree. And, as Gifford et al. (2015) argue, achieving economies of scale is very desirable for car making companies because of the large R&D costs inherent in the industry which ideally need to be distributed on large sales volumes. Volvo and Saab were the only companies in Sweden which mass produced cars for a wide consumer base at the time, and only Volvo would remain after Saab automobile disappeared from the market in the 2010's when their American parent company General Motors encountered similar issues as Ford. As such it can be said that Geely had few but valuable ownership advantages which were also relatively rare and hard to imitate by competitors established in the target market at the time.

What primarily made Gothenburg such an ideal place for Geely's internationalization in Sweden can best be summarized with the fact that it was the home of Volvo and, as expressed by Yakob et al. (2018), the heart of Sweden's automotive cluster. Gothenburg was, and still

is, home to a large chunk of the Volvo group along with plenty of supporting industries as well as educational institutions active within related fields which meant that there was plenty of high-skilled labor with relevant knowledge and experience both within VCC itself and the Gothenburg region as a whole. One of the great locational benefits of buying VCC was that it came equipped with an existing network of local partners geared towards Volvo, and apart from providing expertise, these local supporting industries could also help with supplying inputs which could be transported quickly and to a low cost without import duties due to the short distances involved. Having car production done in Gothenburg also meant that Geely had a way of getting Volvo cars onto both the Swedish and EU markets without incurring as many issues and costs, such as import duties and shipping, as compared to exporting cars made in China to the same markets. Another locational benefit is that Gothenburg is home to a very large port, the Port of Gothenburg, which is the largest port in Scandinavia by some metrics. Having this port nearby makes both the import of components as well as the export of finished cars to other markets cheaper and easier compared to most other places in Scandinavia. There are two other advantages that are pointed out in Yakob et al. (2018) which are more broadly applicable to Sweden but also to Gothenburg specifically. The first one of these is the Swedish business culture, which allows for a flatter organizational structure believed to encourage cooperation and faster decision making. The second one is that Swedish consultants are often considered more cost-effective, which is beneficial for a car company because it is common practice to use a significant number of external technology consultants within the industry.

Many of these locational advantages could in theory be moved or replicated in other parts of Sweden and in other countries, but doing so would be unreasonably expensive and impractical. So while these advantages are not as immobile as more traditional advantages like a natural resource for instance, they are still in practice very location bound. This is quite in line with the reasoning of Dunning (2000) which suggests that there is a trend towards a larger relative importance for a region to have native enterprises present which internationalizing companies from abroad can cooperate with.

As discussed above, the fact that VCC was for sale and that Geely was able to acquire it undoubtedly affected their internationalization in Sweden. *The location* of Gothenburg would have made much less sense for Geely if VCC had remained with Ford or been acquired by another company because it would have been much harder for Geely to establish a presence

there as a competitor to Ford, and they would have had much less incentive to do so. Establishing themselves anywhere in Sweden would in that case mean that Geely would have to compete with powerful competitors with similar ownership advantages. Companies like Ford or General Motors (the then owner of Saab) would also have the advantage of knowing the market better because of their already well-established presence there. These companies, as well as other western and European car companies, would also not experience the liability of foreignness to the same degree as Geely. While orthodox internalization theory as it is explained by Dunning (2000) suggests that a company will conduct FDI when the cost of trading on external markets exceeds the cost incurred by internal hierarchies, Dunning (2000) also argues that firms will often engage in FDI for less transaction related reasons such as gaining access to new resources, new capabilities and new markets or to counter the strategies of adversaries.

Geely had plenty of good reasons to choose an internalized approach by which they acquired VCC through a brownfield investment. By strictly looking at the situation through the lens of orthodox internalization theory however, it is difficult to definitively determine whether the transaction and coordination costs of Geely's chosen approach were lower as compared to a potential externalized approach such as licensing or another market related agreement. This is because an externalized approach could have taken any number of shapes and forms with any number of unknowable potential costs, savings, advantages and disadvantages, and there is therefore not too much to gain by speculating from a strictly transaction related perspective. There were however a number of transaction related advantages with the actual approach chosen by Geely as well as many other advantages which are not as strictly transaction related which will be examined below.

By purchasing VCC outright Geely gained strong control over the valuable IP which VCC had produced before the acquisition as well as the IP which they would come to produce together. By owning VCC Geely could also retain control over their own existing IP and all of the future IP which they would produce on their own. Having a high degree of control over IP is an important advantage of internalizing for Geely because of how the automobile industry is structured, that is that bringing new cars onto the market requires massive investments in R&D which then have to be regained by selling large quantities so that the investment costs are widely dispersed.

The location advantage which Geely has the most to gain from by internalizing is the R&D capabilities of VCC and CEVT which can be done well in Gothenburg. And although car production does take place in Gothenburg, it makes more sense to focus on R&D there rather than manufacturing. Having some production in Gothenburg to cater to the Swedish and EU markets does make sense as mentioned above. But having the bulk of manufacturing done in Gothenburg would likely be more expensive than having it done in China, and it is unfeasible that it could be done at the same scale. The process of moving already in place manufacturing capabilities away from China to Gothenburg would also not make sense financially, but so does keeping the bulk of manufacturing in China where it can be done efficiently and close to large eastern markets. Moving knowledge, technologies and brands however is easier than moving production capabilities or exporting products. This means that another advantage to internalizing is that these intangible assets which Geely now controlled could easily be used in their operations in their home market China where the bulk of their operations take place.

5.1.2 Analysis of Geely through the LLL-Framework

Most of the car companies already on the Swedish market, like Volvo and their owners Ford, were incumbents when Geely arrived there, i.e. well-established companies with long histories which had plenty of experience with internationalizing in foreign markets. Geely at the time on the other hand fits well with what is described by Matthews (2006, 2017) as an eastern latecomer, and although they had some experience with internationalizing before venturing into Sweden, they were in comparison an unestablished company a mere few decades old with notably less experience within the business than the incumbents. Geely did not arrive to the Swedish market as a latecomer and link with incumbents in a careful incremental way, like setting up supply chain contracts or technology licensing agreements, but rather by buying the incumbent and technologically advanced but struggling VCC outright. Because VCC had been sliced out from the Volvo group into a neat package when it was acquired by Ford about a decade earlier, it became easier for Geely to leverage its resources. Because Geely now owned VCC it was free to link internally with them and leverage resources quite freely, but with some limitations like the brand which they only controlled about half of and certain IP which had been developed jointly with Ford and was therefore subject to licensing agreements. VCC was rich in valuable technological resources which could be leveraged well by Geely to acquire the sought after economies of scale that

are important for auto companies. These resources include patents, R&D capabilities and facilities as well as other types of safety, quality, and environmental technologies. The most important tool for leveraging these resources has arguably been CEVT, which was created as a joint venture between VCC and Geely to co-develop common technologies to be used by both companies. Establishing CEVT follows the logic of the LLL-framework as described in Mathews (2006, 2017) where a latecomer links with a more technologically advanced incumbent by starting a joint venture together, with the distinction that it in this case was not done externally between different firms but rather internally within the same business group. Apart from the technical resources there were also less tangible resources which could be leveraged like the well-established market position, the distribution and supplier networks already in place and the brand which was well-known and associated with quality and safety.

Apart from all the technological and less tangible resources which Geely learned from its experience with acquiring VCC in Sweden, there are indications that Geely also learned about the process of internationalizing into foreign markets as well. The acquiring of VCC was massive in size compared to Geely's prior internationalization experience and meant absorbing a full-fledged and well-established car company with a wide market presence and product portfolio, unlike previous acquisitions which had meant for instance only absorbing an Australian transmission manufacturer. About seven years after acquiring VCC Geely made another massive cross-border acquisition of just below half of the Malaysian car maker Proton, which follows the pattern of the VCC purchase but with some significant differences. When Geely acquired Proton they did not get a majority stake of the company nor access to any significant technologies or research capabilities, unlike what they got in the case of the VCC acquisition. They did however get access to new lucrative markets like the Malaysian and ASEAN markets, much like in the case of the VCC acquisition where they got access to the Swedish and the EU markets, and in both cases they also attained local manufacturing capabilities and well-known brands on the target markets.

Geely's behavior seems to follow the logic described by Matthews (2006, 2017) where a latecomer firm will link, or rather purchase outright in this case, with an incumbent firm to gain access to advanced technologies and market positions. Some years after this acquisition however Geely's behavior seems more in line with that of an incumbent company following the logic of the OLI-framework as described in Dunning (2000, 2001) where a less technologically advanced company is acquired to gain access to new markets and production

capabilities, but no technologies or research capabilities. This is all quite in line with the view argued by Matthews (2006, 2017) that the LLL-framework offers latecomers a catch-up strategy to close the gap between themselves and more advanced companies, and that framework is as most applicable to eastern latecomer firms in the earlier stages of their internationalization when they are still catching up to already established firms. Once the latecomers have become more established however they tend to move away from the LLL-framework to instead adhere to the OLI-framework to a greater degree.

5.2 Analysis of Huawei

Huawei had plenty of good reasons for pursuing FDI in Sweden, which they initially did through a greenfield investment consisting of a research facility they opened up in Kista. By establishing a wholly owned subsidiary in Sweden by the name of Huawei Technologies Sweden AB, Huawei could have direct control of their foreign investment.

The following sections will take a look at Huawei's internationalization in Sweden through the lens of the OLI and LLL frameworks as described in Dunning (2000, 2001) and Mathews (2006, 2017) and try to explain the firm's behavior. It should be kept in mind that Huawei's behavior was somewhat influenced by the mass layoffs occurring at Ericsson at the time which led to an abundance of highly skilled engineers within relevant fields on the Swedish labor market. Huawei's internationalization journey in Sweden would likely have been affected if this situation had not occurred, but considering that Huawei was in the process of establishing a presence in similar neighboring markets at the time they would have likely still wanted to invest in Sweden. Any such investment would however likely have been carried out in a different way, at a later date or to a lesser extent even, considering that this type of situation would have meant harsher competition and greater difficulty with augmenting the locational benefits in Sweden. Another aspect to keep in mind is that the political attitude in Sweden towards China, as well as Huawei and similar firms in particular, has shifted palpably during the last 20 years or so since Huawei first established a presence there. These circumstances affect the applicability of this analysis for other contemporary firms that are similar to Huawei but face a different labor market and political climate.

5.2.1 Analysis of Huawei through the OLI-Framework

The following analysis through the OLI-framework as described in Dunning (2000, 2001) begins by taking a look at Huawei's ownership advantages, and it then goes on to look at the location advantages of Sweden and the regions of Stockholm, Gothenburg and Lund, before finally looking at the factors which led to Huawei making an internalized FDI.

Huawei was far from its current position as one of the world's largest, if not the world's largest as it is by some metrics, telecom companies at the time of their internationalization in Sweden. But although Huawei had some catching up to do relative to its global competitors, it was by no means a small company. The ongoing telecom crisis at the time also meant that the relative differences in size between Huawei and its competitors were less tangible than they would have been otherwise. With this in mind, as well as Huawei's widening product portfolio, it is fair to say that Huawei had both economies of scale and scope which could be utilized as ownership advantages. Huawei also had the advantage of having a well-entrenched presence in their home market China, which at the time was an already large market experiencing rapid growth in both the telecom sector and the ICT-industry as a whole. According to Boutellier et al. (2008) China's telecommunication industry experienced growth which was twice to three times as fast as the growth of its GDP during the 20-year period between the late eighties and late aughts.

Apart from all this Huawei also had the advantage of a budding global presence along with the experience associated with internationalizing into different markets. All of the previous internationalization which Huawei had accomplished before setting up in Sweden had however been done in the global south and in eastern Europe. And because Huawei entered the Swedish market in conjunction with internationalizing into other well-developed western European markets, as well as the US, it meant that Huawei did not have all that much prior experience with internationalization in this type of market. They had, to put it another way, relatively plenty of experience with south-south FDI but not all that much experience with south-north FDI.

Most of the ownership advantages which Huawei possessed were valuable, but not very unique, rare nor hard to imitate by competitors already on the Swedish market such as Ericsson and Nokia. The situation that arose in the wake of the telecom crisis did however give a boost to Huawei's ability to utilize these advantages in the target market.

Huawei had plenty of good reasons to choose the cities of Kista/Stockholm, Gothenburg and Lund as the primary locations for establishing operations in Sweden. All of these places are identified in Gifford et al. (2015) as Sweden's three main IT/telecommunication clusters, and there are a number of factors which made these cities ideal for a company like Huawei. One of these factors which the cities all have in common is the strong presence of ICT-industries, and importantly also Ericsson operations which at the time were going through massive restructurings. The strong presence of ICT-industries meant that all of these cities were home to a workforce that was well-educated and had plenty of experience within relevant fields, as well as plenty of supporting industries which Huawei could benefit from. This situation was also further augmented by the fact that all of the cities are home to top technical universities which help to attract and create both a sought-after workforce and industrial landscape.

The restructurings happening at Ericsson at the time were beneficial to Huawei's operations in these places because it meant that hundreds of available engineers were dispersed to the local labor markets, and many of these engineers also had the exact experience and know-how sought-after by Huawei. Given this situation it was only natural that Huawei adopted a strategy of recruiting former Ericsson employees as it was described by the former head of Ericsson's mobile communications network development who was brought on as Huawei's head of research and development in 2007 after being let go from Ericsson in a restructuring. While the locations mentioned above had plenty of advantages in common, they each also had their own specific advantages depending on the foci of operations conducted in those places by Ericsson and other market actors. Kista on the outskirts of Stockholm, Sweden's by far largest metropolitan area, where Huawei first established operations is home to Huawei's Swedish headquarters just as it is home to Ericsson's and the research conducted there when Huawei established a foothold in 2001 was oriented towards radio technologies as described in Forsberg (2021). Djurberg (2009) and Myrén (2009) argue that Huawei set their sights on Gothenburg in 2009 when the company wanted to expand their operations in radio technology, base stations, IP-based networks and microwave technology. Among the reasons given for Huawei choosing Gothenburg for this purpose is the presence of universities, Saab Microwave Systems and of course Ericsson as well as all of their supporting industries because Huawei believed that this would entail the presence of a local workforce with experience and know-how within the areas of technology mentioned above. Similar reasons

for Huawei's expansion in Lund in 2010 are given in Ericson (2010) and Edström (2010), but unlike in Kista and Gothenburg where operations were focused on the telecom side, the operations in Lund were instead oriented toward mobile phones. Ericsson had a presence in Lund through Sony Ericsson which was geared towards mobile phones, and at the time they were in the process of letting 450 people go in the area. Like in the other locations this meant that Huawei had a highly competent local workforce which they could make use of by setting up operations there, as well as supporting industries and a local university which could be found in both Gothenburg and Kista/Stockholm as well.

Another locational advantage with Sweden was the friendly political attitude towards Huawei which was more favorable when they first established operations there, in comparison to how it has changed over the twenty-some years since then. Although the contemporary political attitude towards Huawei has meant negative consequences for their operations, the more welcoming attitude in the early aughts meant that Sweden had an advantage over other markets such as the US where the political climate was never all that favorable.

The locational advantages which Huawei could utilize in Sweden were mainly based on the potential for conducting R&D there, and on the available knowledge which could be utilized locally in said R&D as well as disseminated throughout the company globally. As described in Forsberg (2021), Huawei enabled the dissemination of knowledge by teaming up inexperienced Chinese engineers with more experienced local engineers which to a great extent had been recruited from Ericsson, but to a lesser extent also from Nokia and elsewhere. The former CEO of Huawei Sweden also describes in Forsberg (2021) that the company utilizes a rotational strategy to enable and induce the spread of knowledge within the company globally. The former CEO described that in the case of Swedish operations this strategy meant that employees are sent from China to work 6 to 24 months in Sweden on a project basis, and he also mentioned that there is also a rotational policy for managers which means that they hold a position for 2 to 4 years at a time before being rotated to another. Strategies like these are substantiated in Boutellier et al. (2008) which also mentions that another goal of these, and other strategies which involve partnering up with local companies, is to enable a better understanding of tastes and practices in different target markets all over the globe.

While some of these locational advantages could in theory be moved or replicated in other countries to some degree, it would not make much sense for Huawei to do so. Engineers can

be relocated, assets can be moved and IP can be transferred, but Huawei could utilize the advantages much more efficiently be letting them stay in place and instead synergize and rotate their workforce globally. So while all of the location advantages are not completely immobile, some of them are, and those which are mobile to a varying degree can be utilized more efficiently by being kept in place. This is quite in line with the reasoning of Dunning (2000) which suggests that there is a trend towards a larger relative importance for a region to have native enterprises present which internationalizing companies from abroad can cooperate with.

Around the time when Huawei established a presence in Sweden they were already conducting some partnerships with local firms in neighboring countries, i.e. taking an externalized approach. Huawei chose an internalized approach when they established a presence in Sweden however, which they did through a greenfield investment by which they established a wholly owned subsidiary. It is difficult to determine to what extent Huawei chose their approach in Sweden strictly on the basis of transaction and coordination costs compared to a potential externalized approach because of the same type of difficulties discussed above regarding Geely's approach. Just as in the case with Geely, it would be difficult to examine the situation strictly through the lens of orthodox internalization theory given that a potential externalized approach could have taken any number of shapes and forms. Although Huawei had entered neighboring and similar markets around this time which could provide data for comparisons, there is little to gain by speculating from a strictly transaction related perspective given all of the unknowable potential costs, savings, advantages and disadvantages of a hypothetical externalized approach. There were however some transaction related advantages with the actual approach Huawei chose as well as other advantages which are not as strictly transaction related which will be examined below.

By setting up a new wholly owned subsidiary in Sweden Huawei could have full control over the operations and R&D conducted there as well as all of the resulting patents and IP. Had Huawei chosen an externalized approach, like a partnership or JV, they would have had less control over the R&D and IP and would likely have to share it with a competitor. The location advantages which Huawei could gain the most from by internalizing were the different R&D capabilities available in the regions they established operations in. Much of these capabilities were found within the workforce available in each region, and this was in

turn affected by the orientations of the local Ericsson operations which were in the process of restructuring. An internalized approach where Huawei had full control over the operations in Sweden would allow the transfer the IP and technologies obtained there to be used elsewhere and strengthen the ability to attain economies of scale. These advantages were augmented further by utilizing a rotational strategy to spread people and knowledge within the company globally, which also enabled Huawei to and get a better understanding of the Swedish and western markets.

5.2.2 Analysis of Huawei through the LLL-Framework

Huawei arrived on the Swedish market in the middle of the telecom crisis of the early aughts which engulfed incumbents already on the market like Ericsson and Nokia, two well-established firms with over 100 years of history and plenty of experience with internationalizing in foreign markets. Huawei at the time on the other hand fits well with the definition of an eastern latecomer, and although they had some experience with internationalizing before venturing into Sweden, they were in comparison an unestablished company a mere few decades old with notably less experience within the industry than the incumbents. When Huawei arrived onto the Swedish market they did not link directly with any incumbents in a conventional way, like setting up joint ventures or technology licensing agreements, but rather by absorbing the workforce of the technologically advanced but struggling incumbent Ericsson.

Huawei was unable to leverage resources within Ericsson like patents, IP, market position or the brand, but they could leverage some of the know-how and experience which had helped to create those resources within the dismissed parts of Ericssons workforce. During their internationalization in Sweden Huawei repeatedly linked with the workforce available in different regions which were home to Ericsson operations specialized in different technologies. This allowed Huawei to leverage the resource of expertise in different fields which varied by region, like the workforce available in Kista which was geared towards radio technologies and the workforce available in Lund which was geared towards mobile phones.

Huawei’s tactic of absorbing the workforce and their expertise within different fields on multiple occasions somewhat follows the logic of the LLL-framework as described in Mathews (2006, 2017), albeit in an unconventional way, where a latecomer achieves learning

by repeatedly linking with a more technologically advanced incumbent and leveraging its resources. But unlike in the case of conventional linking, like establishing a joint venture together, this was not done in a collaborative way between the companies but rather in a competitive way. Resources similar to the expertise leveraged by Huawei could likely eventually have been found elsewhere or developed internally, but by absorbing the skilled laid off workers from Ericsson from town to town in the wake of a crisis Huawei could gain access to these resources quicker and to a lower cost. The use of this tactic is quite in line with the view argued by Matthews (2006, 2017) that the LLL-framework offers latecomers a catch-up strategy to close the gap between themselves and more advanced companies. Huawei was in a very expansive phase when they internationalized in Sweden and was entering several other neighboring markets simultaneously, and it is therefore difficult to find any indications of what Huawei learned about internationalizing specifically from the experiences in Sweden.

5.3 Summary of findings

The following is a table which summarizes how the different aspects of the OLI and LLL frameworks can be applied to the internationalization journeys of Geely and Huawei. The companies have a number of aspects in common which **are marked in bold** to highlight similarities.

Table 3

Aspect / Company		Geely	Huawei
O L I	Ownership advantages	• **Economies of scale** • **Market presence in China**	• **Economies of scale** • **Market presence in China** • Economies of scope • Budding global presence
	Location advantages	*(**Gothenburg**)* • **Presence of local cutting-edge engineering workforce** • **Presence of educational institutions** • **Closer to western markets (within the EU-market)** • The heart of Sweden's automotive cluster • Presence of VCC and the Volvo group along with their partners and suppliers • Presence of the largest port in Scandinavia • Swedish business culture • Cost-effective consultants	*(Kista, **Gothenburg** & Lund)* • **Presence of local cutting-edge engineering workforce** • **Presence of educational institutions** • **Closer to western markets (within the EU-market)** • Presence of well-developed ICT-industry • Presence of Ericsson operations • Friendly political climate
	Internalization advantages	• **Greater control over IP** • **More potential for knowledge transfer** • More control over VCC IP developed before the acquisition	• **Greater control over IP** • **More potential for knowledge transfer**

		• More control over VCC IP and co-created IP developed after the acquisition • More control over the Volvo brand (about half of the control)	
L **L** **L**	Linkage	Through purchase of VCC from Ford	Through absorbing former employees of Ericsson during mass layoffs
	Leverage	Leveraged very transferable technological resources and R&D capabilities which had already been carved out into a neat package by Ford a decade earlier. These resources include IP, the brand (which Geely owns half of), market position, facilities and distribution and supplier networks already in place.	Leveraged knowhow and experience from former Ericsson employees which varied by region. (Did not link with any incumbent which allowed for leveraging of other resources such as market position or brand).
	Learning	Linked and leveraged internally with VCC primarily through CEVT which led to learning about new technologies. The acquisition of about half of Proton in Malaysia also indicates learning about internationalizing.	Linked and leveraged unconventionally with former Ericsson employees in the wake of the telecom-crisis which led to learning about new technologies. No strong or clearcut indications of learning about internationalizing.

Differences and similarities between the internationalization journeys of Geely and Huawei in Sweden analyzed through the OLI and LLL frameworks.

6. Conclusions

Geely and Huawei had plenty of differences with their internationalization journeys both in Sweden and elsewhere, but they also had a number of things in common, and the same can be said about the companies' attributes.

One difference between the companies' journeys is that Huawei, unlike Geely, was engaging in internationalization on multiple fronts. Huawei experienced a very expansive phase in the early aughts during which they internationalized into multiple western markets, after having internationalized into a number of different markets in the global south a few years earlier. Geely on the other hand had quite little experience with this prior to the VCC acquisition, which consisted mostly of limited expansions within related industries, and when they did arrive to western markets they did so in one fell swoop in one target country rather than incrementally in multiple ones. Both of the companies arrived in Sweden during respective industry-wide crises which had hit harder in the west than in the east, but yet their approaches differed. The primary reason for this difference is arguably that Geely was simply presented with an opportunity which Huawei was not, but another factor to consider is to what extent this difference is a result of the companies' attributes and their prior internationalization experience. Both companies came as eastern latecomers and linked with incumbents, but if Geely can be understood to be more of an eastern latecomer than Huawei (i.e. relatively less technologically advanced and with less experience of internationalization) they would have greater need of a catch-up strategy to close the relatively larger gap between themselves and more advanced western incumbents and therefore a greater need to make a focused large leap rather than taking a wide incremental approach. A difference in how much of a gap the respective companies had between themselves and the incumbents could also help to explain why Geely leveraged more resources like brand and market position, as compared to Huawei which went on with its own brand and only leveraged the expertise of the former employees of an incumbent.

This paper has studied how the two large Chinese MNEs Geely and Huawei internationalized into the small open economy of Sweden, and from its findings patterns anchored in theory emerge which can be used to draw conclusions. When entering the Swedish market both of the studied companies have used internationalization strategies which enabled them to advance technologically and involved local operations that they fully controlled. Geely did so through a brownfield investment where a more technologically advanced incumbent company

on the target market was acquired outright, and Huawei through a greenfield investment where new operations were built from the ground up which targeted the expertise available within the local workforce. Such strategies make sense for both companies since they are active within industries which benefit from attaining economies of scale and are heavily reliant on their R&D capabilities and IP.

As such it can be said that the findings in this paper indicate that large Chinese MNEs use internationalization strategies in ways that allow them to exert a high degree of control over their investments in order to gain access to strategically important resources when establishing themselves in small open economies. This does however arguably depend on what type of industry the MNE in question is active within and how reliant it is on R&D capabilities and IP as well as attaining economies of scale.

Geely and Huawei encountered different types of market entry challenges when they established themselves on the Swedish market due to differences in both their attributes and the ways the entered the market.

When Geely established themselves in Sweden they did so through a brownfield investment where they acquired Volvo Cars, one of Sweden's oldest and most popular brands with a strong Swedish identity. Geely has since then preserved the Volvo brand along with its national identity well, and doing so has helped them to overcome cultural market entry challenges like language barriers, brand recognition and consumer trust. VCC was also at the time of the acquisition already a full-fledged Swedish carmaker well integrated in the market which helped with overcoming market entry challenges like regulatory and legal barriers, market knowledge as well as distribution and supply chain issues. Geely utilized a similar tactic about ten years after entering the Swedish market when they internationalized in Malaysia by acquiring about half of Proton, a full-fledged Malaysian carmaker well integrated in the target market, which suggests that Geely learned about tackling market entry challenges using internationalization strategies from their experiences in Sweden.

When Huawei established themselves in Sweden they did so through a greenfield investment in close proximity to the incumbent competitor Ericsson, a large and well-established Swedish company within the same industry. This meant that Huawei, unlike Geely, kept their original Chinese brand and identity without riding the coattails of an already established Swedish brand. When Huawei entered the market they also had more of a competitive

relationship with the already existing Swedish incumbents, ostensibly exploiting a crisis to poach their workforce and expertise in order to outcompete them. Geely on the other hand had less of competitive relationship and entered the market as more of a savior of a beloved domestic brand going through a crisis. These factors made it relatively more difficult for Huawei to overcome cultural market entry challenges like brand recognition and consumer trust. Geely is also to a much larger extent perceived as a truly private Chinese company with less government influence, whereas Huawei's ownership structure in combination with the Chinese institutional framework has led to it being perceived as less independent than Geely and more affected by government influence. This ownership situation, the fact that Huawei is active in critical communication infrastructure, and the fact that they did not have a full-fledged Swedish company to operate through are all factors which have led to difficulties with overcoming regulatory and legal barriers. This type of market entry challenge has in some ways proved to be impossible for Huawei to overcome in Sweden, and other markets like the US, where they are effectively banned from certain types of operations like constructing 5G networks. Overcoming such challenges would likely have been easier if Huawei had entered the market by using an externalized approach, like setting up a joint venture together with a local company or perhaps even a partially state-owned enterprise like Telia, since this would have reduced the amount of foreign control and allowed for greater scrutiny by local regulatory bodies. Avoiding such an approach is understandable however considering the arguments mentioned above regarding exerting a high degree of control.

As such it can be said that the findings in this paper indicate that large Chinese MNEs can successfully handle market entry challenges that arise from establishing themselves in small open economies by operating in conjunction with an already established local company. This does however arguably depend on what type of industry the MNE in question is active within and how susceptible it is to liability of foreignness.

To make greater use of this paper in both a practical sense and when it comes to conducting further research it should be kept in mind that it is a specific and narrow case study. Two specific large Chinese MNEs within two different specific industries and their establishments in one specific small open economy during a specific time period have been studied. Both of these MNEs were active within industries in which there was an ongoing crisis that struck harder in the west than in the east, and this gave rise to great opportunities to act for both of the studied companies in different ways. These aspects of the study have undoubtedly

affected the applicability of its findings, which has hopefully been made sufficiently clear throughout the paper. The events studied also took place quite some time ago, and the world has changed since then. One significant change which is likely to affect further research is the growing hostility between China and some western countries such as Sweden. With all of this in mind, this study can hopefully be of use for decision making in both the private and public sectors since it can give insights to how large Chinese MNEs establish themselves in small open economies as well as how they act when such an economy is affected by an industry wide crisis and an opportunity presents itself. Decision makers within private companies might learn from this study about the importance of being resilient to a crisis in order avoid a takeover or being outcompeted, or they might also learn about seizing an opportunity during a crisis to further their own expansion. Public decision makers, especially those in small open economies, might use this study to learn about planning for future crises, particularly those which affect industries that are of interest to large foreign MNEs such as the ICT and auto industries discussed in this paper. A pattern which emerged in this study in regard to Ericsson is that of a domestic company with a global presence at the forefront of innovation which laid off large parts of its highly skilled workforce as it struggled in the wake of a crisis. This workforce, along with its valuable expertise, was then free to be swept up by a foreign competitor from a country with which the political relationship would sour. This paper might therefore give some insights to policymakers who may wish to see a different labor market situation where similar outcomes could be avoided in the future by enacting measures such as stronger safeguards for workers or other incentives to help retain expertise within domestic industries.

A good starting point for further research within this area could be to study other large Chinese MNEs active within different industries, or even the same companies, and their establishments in other small open economies which differ in significant ways. One interesting example could be to study establishments in a small open economy which has better relations with China than Sweden, like Serbia for instance, to see how the findings from such a study would differ from the ones in this paper.

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