China’s way to Europe
- The internationalization of Chinese firms

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Abstract

Title: China’s way to Europe

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Problem: Internationalization is a complex process, and Chinese firms have in recent years received a lot of attention on their expansion overseas, to Europe, which is a relatively new phenomenon. Research in this field of study is very limited and it does not have a long history even though it has received attention.

Purpose: The purpose of this dissertation is to explore if the Chinese firms have followed the western internationalization theories when investing abroad. Focus is on the Chinese firms’ investment into the European market. We explore the strategies that the Chinese firms have used and compare it with the existing internationalization models in order to find out how well they fit with the western theories.

Methodology: In this dissertation a qualitative method is used, based on an interpretivistic philosophy with an inductive research approach. The research question is answered through semi-structured interviews with Chinese firms in different parts of Europe.

Conclusions: After studying the Chinese firms’ internationalization to the European market we can conclude that existing internationalization theories are not able to explain the expansion of the Chinese firms.

Key words: Chinese firms, internationalization, Europe, strategies
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1. Introduction

The first chapter presents the background of the study and explains the purpose and why the topic was chosen for this dissertation. Further the problematization and the research question is presented, ending with theoretical limitations of the study. The aim with this chapter is to provide an insight into our investigation.

1.1 Background

Only three decades ago, China would have been considered as a poor, underdeveloped economy by many. However, China has today reached a central role in the world economy due to the modernizing effects of globalization (Alon, 2010). China has achieved remarkable success in attracting foreign direct investment (FDI) since the earlier 1990s. It became the top recipient of FDI among the developing countries in 1993 and have today become the top recipient in the world, by reaching a new record of $105.7 billion in 2010 (UNCTAD, 2007; Bloomberg, 2010).

The emerging economies have expanded dramatically over the last decade, and this has given rise of a relatively new phenomenon in China, outward foreign direct investment (OFDI), (Rasiah et al., 2010). The Chinese outward foreign direct investment (OFDI) has risen 19 fold since 2000 following the Chinese governments launch of the “go global” policy, aimed at establishing the country’s national champions as international players (Rios-Morales & Brennan, 2010). This has resulted in a rapid growth of the Chinese business groups. The trend seems to continue as the Chinese investments abroad doubled in 2008 while the global foreign direct investment declined by 20 percent because of the world financial crisis.

China started from nearly no OFDI in 1979, which was the year of “open door” policy. Since this economic reform in 1979 the internationalization of Chinese firms has made great impact to the rising economic power of China, which gave rise to Chinese OFDI flow from $0.4 billion in the 1980s, to $2.3 billion in the 1990s, reaching over 60 billion by the end of 2010 (Ministry of Commerce, 2010). China has reached remarkable success in attracting foreign direct investment and at the same time also its FDI outflow. According to UNCTAD (2007) China has emerged as one of the largest head of OFDI
among developing countries, becoming the fifth largest investor in the world and one of the most attractive outward investor of the developing economies, together with Brazil and India. However, although Chinese firms have been expanding very aggressively into the international market it only represents a small proportion of the global direct investments (Oded, 2009).

The fact that government support has been one of the main motivator in the internationalization of Chinese firms is claimed by Buckley et al. (2007) and Child and Rodrigues (2005). Until the late 1990s the Chinese outward investment was discouraged by the central authorities more or less, but this took a sudden shift with the announcement of the ”go global” policy. According to Alon (2010), the institutional environment in the home country shapes the firms internationalization strategies. Chinese economy is still heavily influenced and restricted by the state. This restriction tends to be much stronger in emerging economies than in developed countries and include government influence on the firms’ strategy decisions. After all, this phenomenon is common in most latecomer countries, especially in Asia. The government can either restrict or facilitate firms’ internationalization process through various policies (Rasiah et al., 2010).

Chinese OFDI has received little attention in the literature even if China has been the country with largest OFDI of all developing economies (Alon, 2010). Today Europe accounts for only a small share of the Chinese outward direct investments and more than half of the investments in Europe go towards the service sector. The manufacturing sector accounts for a third and the rest is the research and development (Rios-Morales & Brennan, 2010).

Early studies on Chinese internationalization tend to focus on the regulatory framework and also the impact of the government concerning the growth and patterns of sector distribution. More recent studies, on the other hand, focus on specific areas such as determinants and motivations with different internationalization strategies both on micro and macro-level. From a theoretical perspective most of the studies on this area apply mainstream theories, including Dunnings ownerships-localization-internalization paradigm (OLI), resource based view and the institutional based view of outward
investment (Wei, 2010; Zhou and Schüller, 2009).

Since there is limited research on European market when considering the Chinese firms internationalization this dissertation fills the gap through investigate in the Chinese firms expansion into the European market and which strategies the firms use when expanding abroad.

1.2 Problem

This dissertation focuses on the internationalization of Chinese firms in Europe. The issue of the internationalization of Chinese firms in Europe is still relatively new phenomenon but has attracted increasing attention (Milelli et al., 2010). There is still limited research on this area of study, and this is mostly because of the short history that the Chinese OFDI has, and also because of limited access to the information of Chinese outward investors. Although OFDI from developing countries is gaining around it is still referred to be a developed country phenomenon (Wei, 2010). One of the strong criticisms of the mainstream FDI theories for explaining OFDI from developing countries is that they are built on observations of the western countries and thus may fail to capture the unique characteristics of firms from developing countries (Alon, 2010).

1.3 Purpose

The purpose of this study is to identify the Chinese firms’ strategies towards internationalization and see if they have followed the existing internationalization theories from west. Since, the outward investment is a relatively new phenomenon for Chinese firms (Milelli et al., 2010), it is interesting to explore this area of study. The research in this study is limited to the European market, and the research questions is answered through interviewing two Chinese companies, one that successfully have established in Europe and the other on its internationalization process.

1.4 Research question

The following research question has been developed:

– Do Chinese firms use the same strategies as the western firms when they go abroad
1.5 Theoretical limitations

Theories used in this dissertation have been adapted to the research topic, internationalization of Chinese firms. The known traditional internationalization theories are chosen to give explanations to the expansion of Chinese firms and if they have followed the same path as the western firms. The existing research in this field is on Chinese firms’ foreign direct investment, and there is not much research on Chinese outward investment.

This dissertation is limited to study the Chinese outward investment in Europe, and explore what strategies the firms use when expanding overseas. For reason of time, this dissertation is not going to focus on other markets than the European and further it is also not study the entry modes for Chinese outward investment.

1.6 Outline

The structure in this dissertation is divided into six different chapters. In the starting chapter the background, problem, purpose and research question are presented. Also the limitations of the dissertation are mentioned. Chapter two presents the research philosophy, choice of methodology, research approach and choice of theory. In the following chapter, Chapter three, the reader is introduced to the theoretical framework, where historical overview of internationalization and the different internationalization theories are presented. Also the motives for internationalization are explained. Chapter four presents the empirical method which consists of research strategy, time horizons, sample process, data collection and operationalization. Furthermore, also reliability, validity and generazability are explained. The next chapter, Chapter five involves the research strategy, sample selection, limitations with the data collection and further the analysis of the interviews and a conclusion of the empirical findings. The last chapter, Chapter six, include a short summary of the whole dissertations, a discussion part and suggestions for future research.
2. Research Methods

This chapter introduces the methodological framework of this study. It begins with the choice of methodology and furthermore a review on the research philosophies, approaches and theories are presented. We give explanations to the choice of the different methods and why they are relevant for our dissertation.

2.1 Introduction

The research methodology of this dissertation is structured by the Research Onion model. Figure 2.1 shows the different five layers that the model contains. This model explains the different stages of research methodology and how they are dependent on each other and by doing so it clarifies the research design. The purpose of the Research Onion is that the research should start from the outer layers and then be worked towards the center, which consists of data collection and data analysis (Saunders et al., 2008).

Figure 2.1 The Research Onion

(From: Research methods for business students, Saunders et al., 2008. p. 108)
2.2 Research philosophy

The research philosophy is the starting point of each research process. There are three dominant views about the research process in the literature: positivism, realism and interpretivism (Saunders et al., 2008).

When we analyze the collected data, we use the interpretivistic philosophy. The interpretivistic philosophy argues that the social life of the people is too complex to be able to draw general conclusions. In order to make assumptions as a researcher, it is necessary to have an understanding of how we interact with each other and how we perceive it as our own opinions and views (Saunders et al., 2008). The positivistic philosophies claim that researchers work with an observable social reality. To develop a strategy existing theories are used to then develop hypotheses which are be tested, leading to further development of theory to be used in further researches. Here the researcher should adopt a value-free way and try not to affect the collected data. The reality can not be changed even if the researcher would like to alter the collected data. The result can be law like generalizations similar to the work of natural scientists (Saunders et al., 2008). The interpretivistic philosophy, on the other hand, argues that the social life of people is too complex to be able to generalize into law like generalizations. In order to make assumptions as a researcher, it is necessary to have an understanding of how we interact with each other and how we perceive this interaction as our own opinions and views (Saunders et al, 2008).

Since the aim of this dissertation is to investigate if Chinese firms have followed western internationalization theories, an interpretivistic philosophy is selected. The internationalization of firms is a complex environment. Thus, law-like generalizations are not being reached as an end product, nor is a model created as a result. The theory in this dissertation is based on gathered data and the empirical data is obtained through interviews. We have based our research on observations and facts but also the impressions and feelings to some extent. Since there is a qualitative study, we believe that we hold a interpretivistic philosophy.

According to Saunders et al. (2008), the third philosophy, realism, has similarities with positivism. It also looks scientifically at the way we collect data and knowledge. The
theory says that what the mind perceives as reality actually exists but there is also a reality independent of human thought and belief. The reason why the realistic philosophy is not suitable in this study is due to the fact that we investigate firms’ internationalization process.

2.3 Research approach

Since there is already existing literature on this subject and already developed theories, we are using an inductive approach, where we develop understanding through observation on empirical data (Saunders et al., 2008). According to Saunders et al. (2008), deduction is when the researcher follows the path that is already proven and the focus of the research is already in an existing theory. With the existing theories the researchers build one or more hypotheses and tests those through data collection and through this generate predictions. If it shows that the predictions are correct, the hypotheses are confirmed or they can also be rejected and then the researcher has to reformulate the theories (ibid).

The second research approach, the inductive, is where the researcher measures the reality and formulated a theory based on experiments. The researcher creates goal and beliefs on how to design the ultimate goal, and that is a new theory (Saunders et al., 2008).

This analysis aim to conclude if the Chinese firms have followed the existing western theories when expanding abroad and therefore is the deductive approach not applicable in this case since the aim is to investigate in a company and their expansion abroad.

2.4 Choice of methodology

The choice of methodology is influenced by the research purpose and the research question. (Saunders et al., 2008). Choosing a suitable methodology depending on the purpose and the research question is, therefore, important to achieve the aim of this dissertation. As stated above the aim of this study is to investigate if the Chinese firms have followed the western internationalization theories when investing abroad.

To start with, articles on Emerald-insight was searched and also older dissertations, to
receive an idea of what the earlier researches have been based on and see if we could find something to work further on. It showed that there was not much research done on this area and we decided to write about the Chinese outward investment and to what extent they have followed the internationalization theories from the western world.

This dissertation adopts the interpretivistic philosophy with an inductive approach. In order to receive the answer to our research question we have done semi-structured interviews with two Chinese companies in Europe. The choice of method is qualitative since this gives us the opportunity to investigate deeper about the internationalization of the Chinese firm, both through interviews and also through documents.

2.5 Choice of theory
There are lots of important, existing literature and studies, which explore the internationalization theories and models. The main theoretical framework for this study is the internationalization theories and strategies for internationalization. Therefore, in chapter three, the historical overview of the internationalization theories are introduced, followed by explanations of the traditional internationalization theories. The internationalization theories are important to investigate to understand Chinese firms’ outward expansion. Furthermore, the reasons and rationale for internationalization are presented for Chinese firms. This allows us to make a comparison when drawing our conclusions if Chinese firms have followed the existing internationalization theories when expanding abroad.

2.6 Summary
This dissertation uses the interpretivistic philosophy with an inductive approach. These are chosen considered to our research strategy that consists of interviews and also due to us following existing theories of internationalization when investigating if Chinese firms have followed them when investing abroad. We have combined primary and secondary data, by using interviews and documents in this study. The different traditional internationalization theories are chosen for our theory choice.
3. Theoretical Framework

This chapter includes the theoretical overview. First a historical overview is presented on the internationalization theories, followed by explanation on the different theories of internationalization. Also the reasons and rationale for outward investment is presented.

3.1 History Overview

One of the first economic theories concerning international trade is called Mercantilism. Mercantilism is based on the belief that a nation's wealth increases by maintaining a trade surplus — exporting more than importing. The theory compares trading to a zero sum game where a certain country's gain results in another country's loss. Mercantilism has been criticized by the British economist Adam Smith. Smith believed that countries have different advantages in producing different goods and based on those beliefs he developed a theory called Absolute Advantages. The theory states that all parties benefit from trade if each country develops its strong aspects and produce products which it is good at producing. Furthermore, Smith argued that the trade between countries should be run by the free market mechanism instead of by government policies. David Ricardo later developed the theory Comparative Advantage from Smith's Absolute Advantage theory. According to Ricardo trade should still occur even if only one party is considered to have absolute advantage in its production (Hollensen, 2010).

3.2 Reasons behind Internationalization

Vernon (1966) has chosen to explain firms' expansion with his Product Life Cycle theory. The theory assumes that the starting point for the internationalization process in general is an innovation triggered in the company's country. Many innovating firms believe that when the demand for a product increases in a specific country it becomes more beneficial to set up facilities in that country. An alternative is to establish production facilities in areas where the labor costs are lower compared to the home country and export to other regions. Vernon's model simply states that foreign direct investment occur when a foreign market is large enough to support local production (ibid.).

However, the Product Life Cycle theory has lost its value in recent years. This is due to
that companies emphasize their worldwide expansion as a result of the business environment that has become more complex and sophisticated (Bartlett & Ghoshal, 1992). Hill (2008) criticizes the model for being too ethnocentric; the theory is based on American firms’ expansion and product developed and introduced in the United States. The theory also fails to explain why it is more profitable for the firms to undertake foreign direct investment rather than continue to export from the own countries, or license a foreign firm to produce the product (ibid.).

Bartlett and Ghoshal (1992) describe firms’ internationalization process with three traditional forces: (1) to secure key supplies, (2) to seek new markets and (3) to access low cost factories. According to the authors, companies with high brand recognition and technology have stronger motivation towards market seeking as it gives them competitive advantages in new markets.

Guar and Kumar (2010) believe that the reasons behind wanting to internationalize differs for firms from emerging countries and firms from developed countries. Firms from emerging countries expand to new markets in order to become players on a greater market as well as to access high technological knowledge. Firms from developed countries on the other hand expand because of threats to their existing markets. They use their developed technologies to produce cheaper goods in low labor countries and export the goods back to their home market. Bartlett and Ghoshal (1992) discuss economical, technological and social development as the driven factors behind emerging firms’ internationalization. The authors emphasize that hard business environment has forced many firms to achieve economies of scale, and to invest in research and development to survive.

It is not enough to merely have the motivation to expand internationally, according to Bartlett and Ghoshal (1992) a corporation must face three conditions to become multinational. The first condition is to have a good location in the foreign country that can generate advantages for the company to invest there. Second is that the company must have some strategic competencies to manage the disadvantages, such as the unfamiliarity of foreign markets. The last condition is to have some organizational capabilities to create a better return internally, rather than through external market mechanisms such as contracts or licenses.
3.3 Traditional Internationalization Theory

According to traditional theories firms internationalize when they reach competitive advantage that allows them to make enough revenue to cover the costs and risks of expanding abroad (Buckley & Ghauri, 1999; Caves, 1971). Dunning (2001) uses the Eclectic Paradigm to explain the reasons behind why firms choose to internationalize. The model is based on the belief that a firm is required to have advantages within the OLI-factors ownership, location and internationalization in order to make direct investment beneficial in a foreign country. The author explains that a firm engages in international production when three inter-related conditions, so called OLI factors, are present. Firstly, ownership advantages in the form of superior proprietary resources or managerial capabilities. These are firm specific factors that give firms competitive advantages in a foreign country. Secondly, location advantages in foreign countries which give firms new opportunities to access markets with higher potential and to establish low-cost production facilitates. Lastly, internationalization advantages can be achieved if the firm can reduce transaction costs by investing abroad. A way to do that is to undertake transformation or supporting processes more effectively than it can be achieved through market transactions (Buckley & Casson, 1976; Safarian, 2003).

Hennar (2001) explains that the reasons for the rise of multinational enterprises are due to the advantages offered by internationalization. Firms can achieve efficiency advantages through factors such as know-how, reputation, the value chain, and marketing.

Traditional motivations and internationalization theories have been developed from western firms’ point of view. Research that have been done in this area shows that large western firms expand abroad when they have established some domestic strengths and the motivation has mainly been to come across the small home market that is insufficient to support the volume intensive manufacturing processes. Previous studies have focused on developing countries’ foreign direct investment (FDI) towards emerging markets. In recent years the flows of FDI from non-traditional sources have motivated scholars to develop studies addressing this new phenomenon (Rios-Morales & Brennan, 2010; Guar and Kumar, 2010). Chinese outward FDI has in the recent years continued to grow while the there has been a decline in global FDI. Chinese overseas investment has thus proven remarkably resistant in the challenging conditions created by
the financial crisis (Voxeu, 2010).

3.4 Rationale for Chinese Firms Internationalization

The main reason for Chinese firms going global is often to acquire advanced technology and research and development (R&D) capabilities and through this reach differentiation advantages. Some companies also have the need to develop global brands to secure their brand advantages (Child & Rodrigues, 2005). According to Nolan (2001), when compared to firms from developed countries China is still weak in the competition although the country has had two decades of reform. The weakness of the Chinese firms can be noticed in factors such as in R&D, marketing capability and administrative restriction. The firms also have lack of brand development, lack of experience and knowledge in the coordination of oversea operations (Nolan, 2001; Warner et al., 2004). Further, Nolan (2001) argues that this is the result of the government leading non-state firms to compete with multinationals on the international market. That some of the non-state firms have been successful is due to the protection of the domestic market, procurement from the government and protection of marketing channels.

In order to strengthen the home market position or reach quick access to the foreign market, the Chinese firms strive for developing the missing advantages such as R&D, marketing capability, and brand development (Child & Rodrigues, 2005). Also the escape from the domestic situation and its limitations is another probability to remedy the competitive weaknesses, which leads to the international expansion of the Chinese firms (Nolan, 2001).

Many Chinese firms go abroad to avoid disadvantages that occur in the domestic market and not because of the use of a competitive advantage developed in the domestic market (Child & Rodrigues, 2005). Boisot (2004) mentions some disadvantages of the domestic conditions, such as limitations to exploits economies of scale because of regional protectionism and prevention of investment in plants of optimal scale because of limited access to capital. Other disadvantages in the domestic conditions are limitations of state-of-the-art technologies due to lack of developed intellectual property rights and not enough intervention taken to receive access to skilled human resources. Further, he mentions increased transport costs because of poor local infrastructure, and regional markets that are fragmented by provincial and communal protectionism. These pressures
on the domestic conditions are one of the main reasons for the attractiveness to produce for foreign markets. Thus, to be able to reach success and develop in foreign markets, the Chinese firms have to sustain investment or partnership through new capabilities (Child & Rodrigues, 2005).

Yet, Chinese firms can be stronger in the competition against multinational enterprises in the domestic market, if they would develop a global presence. However, to be able to achieve this, the firms need to become stronger in their offers abroad. This can be achieved by providing needed assets much faster and also protect themselves against local stakeholders that are acting to reduce their profitability, through increasing the bargaining power of the firms (Child & Rodrigues, 2005).

Prior research on internationalization on Chinese firms done by Zeng and Williamson (2003) suggest that there is a new breed of successful Chinese organizations on the international market. There are four breeds that have been discovered and they are national champions, dedicated exporters, competitive networks and technology up-start. The first group is firms that compete abroad by using their domestic strength. Second are firms that are trying to strengthen their economies of scale through acquiring market shares on international markets. Following is competitive networks that have brought together small and specialized firms in close proximity and through this taken on world markets. The last group is the technology up-starts, which take the opportunity to exploit technology that research institutes have developed (Zeng & Williamson, 2003).

Cai (1999) lists other motives for Chinese outward investment. He claims that the motives for outward investment of developing and developed economies were similar to those for Chinese firms even if the link with authorities were visible. The factors that Cai (1999) mentions are: seeking, maintaining or expanding export markets, acquiring supply of resources, obtaining technology and key skills from foreign markets, raising capital for domestic use and the last for political considerations. Further, there were two more motives added on the list by Wong and Chans (2003), which they thought were important for the outward investment of Chinese firms; saturation in the home market and avoidance of non-tariff barriers. Some scholars point out that “guaxi”, or interpersonal networks, has played a big part in the internationalization of Chinese firms, while others point at the prominent role of government policies (Morales &
Brennan, 2010). However, Child and Rodrigues (2005) propose some driving and facilitating factors for the internationalization process of Chinese firms. One of the drivers that the authors propose is the hazard of depending on an extremely competitive domestic market, with low margins. Chinese firms have already been successful in getting an exporting advantage by exploiting the low cost production. It is harmful for Chinese firms to depend on cost-leadership strategy in the domestic markets because of the over capacity that drives down costs and prices. Because of this the firms try to secure brand advantages and the differentiation to hold their promise of higher margin, which is another driver for the Chinese firms’ internationalization to develop internationally known brands. Through access to advanced technology and brands, the firms desire to reach a higher level of internationalization. This often occurs when firms due to financial necessity or unprofitable business sell their know-how, brands and technology. Many Chinese firms also have the desire to gain entrepreneurial and managerial freedom which leads them to expand abroad.

To help the drivers mentioned above Child and Rodrigues (2005) propose some facilitators. The first one is the support from the government for backing the firms with finance and letting them build corporate strength through domestic moves such as merger and acquisitions. The Chinese firms seek to reach long term alliance with foreign firms with unique capabilities in order to strengthen their competitiveness, and this is possible through encouragement from the government (Hitt et al., 2004). This supports the second facilitator, which is the ability for firms to receive the approval of the government. Another factor that encourages internationalization is the institutional support. The institutional support is the basis of the internationalization of the Chinese firms, without taking away the freedom of the firms to follow their own strategies and not be directed by the government as earlier in the internationalization process. Many successful Chinese firms today are either collective firms or town and village firms and this strengthens their autonomy from bureaucratic involvement. It also points at the fact that one of the drivers behind the internationalization of Chinese firms is to escape the restrictions of the government.

In fact, the reason why some of the most dynamic Chinese firms have undertaken foreign investment is because they see internationalization as a way to better prepare them to gain competitive strength. In this process of aspiration they also benefit from the
support of the government (Child & Rodrigues, 2005). According to Guthrie (2005) Chinese firms already have cost advantages because of their low wages and also due to their production improvements in recent years through their experiences from partnerships with multinational firms. However, in low income markets and in firms with simple products the cost advantages is an important competitive factor, while the higher value markets value brand advantages and differentiation instead (Child & Rodrigues, 2005).

The Chinese firms, similar to other developed countries, aim to promote export of their machinery and technology, restrict trade barriers, seek for market expansion, acquire advanced technology, secure the raw material supply, and seek for penetration of the tariff wall. These factors are both specified in the policies of the government and among the declared purposes of Chinese outward investment. Compared to other developing countries, China has invested large amount into natural resource-seeking, and large amount of their oversea investment is concentrated in this sector. This overshadows the investment of technology-seeking in the developed countries (Guthrie, 2009).

3.5 Being a Global Player on International Markets - Strategic View

According to Child and Rodrigues (2005), despite the Western investment models, there are four additional perspectives on the internationalization process. This perspectives are; The latecomer perspective, Institutional analysis and the role of government, Entrepreneur and institutions as well as Liability of foreignness. These can be applicable on Chinese firms’ expansion and to improve the competitiveness of the firms, however the entrepreneur and institutions perspective will not be used in this dissertation due to that it do not cover the topic of Chinese firms’ internationalization.

3.5.1 The Latecomer Perspective

The strategic goal of the latecomer countries is clear, they all have in common that they strive for catching up with the advanced firms and moving from the stage of imitation to innovation as quick as possible. The reason why firms are late entrants to industries is not by choice but for history, as in the situation for Chinese firms where the government restricted the outward investment until the turn over point that came with the announcement of “going global” policy. Furthermore they lack key resources such as technology and market access (Watkins & Ehst, 2008).
The latecomer firms have an advantage to tap into advanced technologies if they have skills enough to recognize that advantage, and develop tools and strategies for it. This would save the firms from devoting time and resources to develop new technologies or develop industries all from scratch (Singh, 2002). According to Leung and White (2004), latecomers are firms that have started much later with few resources and at greater distance from markets than the western firms and still to this have achieved multinational status. The strategies behind this success may be different from those adopted by Western firms in their internationalization process, technological innovation and organizational learning.

According to Matthew (2002) there are three essential tools for latecomers to overcome competitive disadvantages. The first one is linkage, which means that the latecomers would achieve a position on the global marketplace and technology trends if they link themselves with already successful firms that have a foothold in the global economy. The second tool is leverage, which suggests that the latecomers can exploit the knowledge and opportunities generated by linkage to successful firms through development of strategies. Finally, learning refers to latecomers converting the knowledge from linkage and leverage to more profitable economic opportunities.

Yet, researchers have been pessimistic to latecomers chance to catch up with the global giants (Child & Rodrigues, 2005). Even though the latecomers have advantages such as low labor cost these become less important with the firms moving into higher-value-product markets. According to Wells (1983), few firms in developing countries would succeed to extend their subsidiaries lives once the advantages of the initial have been imitated. Further, Nolan (2001) argues that even non-state owned firms in China would not be able to compete with the global giants and build entrepreneurial achievements without the support from the state. Even if authors are being pessimistic about the ability of the Chinese firms, the capacity for organizational learning is one important competitive advantage that should not be underestimated (Child & Rodrigues, 2005).

According to Watkins and Ehst (2008) the catching up process is not simple, and it is something that simply happens to a firms. Adoption, absorption and adaptation of products, processes and technologies are the most difficult aspect of the process, because they may be used elsewhere.
The process model by Singh (2002) describes the different stages of the latecomer firms in emerging economies when entering industries dominated by large multinational firms. The entry stage involves no direct competition with the existing firms. The critic aspect here is if the latecomer firms can acquire the needed resources and capabilities, and to find the market segment that the existing firms have ignored or that is underserved. The second stage is the convergence, where the latecomers compete more direct with the existing firms and they exploit advantages, and the falter on this stage is regarding the resources and capabilities to enter into market dominated by multinational firms. On the response stage the existing firms start seeing latecomers as a threat, and they now respond with strategic initiatives. The last stage of the process is where the latecomer firms in response to evolution of competitive dynamics; strive for new sources of competitive advantage and this by adapting strategies. The key challenge here is if the latecomers are willing and able to make changes to achieve competitive advantages (Singh, 2002).

Environmental factors and managerial choice are factors that affect if the firms go through all these stages on the process model (Singh, 2002). If for example a latecomer firm cannot find a foothold and be able to acquire resources needed to operate in an industry then there cannot be an entry. On each stage there are conditions that must be met. Firms have a way back to convergence from the adaptation stage to capture the dynamics of the competition (ibid.).

3.5.2 Institutional Analysis and the Role of the Government

The Chinese firms are affected by institutional factors on their internationalization process (Child & Rodrigues, 2005). The close relation between the Chinese firms and the government agencies is very intimate and, therefore, it is hard to precisely assess the
economical and psychological significance. Developing economies like China are directed by active government involvement both through regulations and ownership (Peng, 2000).

According to Dunning and Narula (1996) the potential relevance of institutional factors both in developing and transitional countries needs to be taken into fuller account by the theories of international business, as the case for China suggests. Extremely political and institutional involvement is not only the case for China but also for other developing countries in their businesses.

The economic reform in China is witness to the capacity of the state to evolve its attitude toward the regulation of business. However, today the Chinese government has adapted the role of sponsor and fund provider in the internationalization process, while they in the past controlled and limited the outward FDI. To a large extent, Chinese firms are encouraged by the government to go abroad, and the government has played an important role in the globalization process (Child & Rodrigues, 2005). The government besides the policy influence has impact on the orientation of the Chinese firms’ internationalization Peng (2000).

However, firms can also be weakened by the national government in their internationalization process due to the dependence of the institutional legacy and their adherence to administrative approval. Legacy like this can through promoting a conservative position or through direct restrictions hold back strategic action (Lewin et al., 1999). As a result of this, the leaders of state owned firms who supported the kind of entrepreneurial initiative on which internationalization depend, where removed by the authorities of Chinese government. Firms from extremely institutionalized environment to succeed in their internationalization process must settle ways to combine material support it may offer with an adequate degree of strategic freedom (Nolan, 2001).

3.5.3 Liability of Foreignness

The liability of foreignness (LOF) state that when firms conduct business in foreign countries they are at a disadvantage due to less knowledge of the environment in the host country and also the differences in culture, politics and economy (Chen et al., 2006).
Much research attention has been on the liability and to which extent it affects the performance of the multinational firm in foreign markets. LOF is one of the greatest challenges for multinational firms investing abroad (Child & Rodrigues, 2005).

According to Hymer (1976) foreign firms are faced by additional cost, due to the unfamiliarity with the environment in the foreign market which it is suppose to operate, and also the attitudes of customer, suppliers and government agencies that can be discriminatory to the firm. These factors can weaken the competitive advantage of the firms. According to Zaheer (1995) communication and spatial distance between host and home countries are the causes of LOF. The spatial distance involves nuisance of travel and distance communication when conducting business abroad. The environment in the host country is also another additional cost for foreign firms. In the case of China the government policies play a major role in doing business abroad. In early years the Chinese government made pressure to increase the technology transfer, exports and local production when the market opened up for foreign investors (Chen et al., 2006).

Geographic proximity and cultural similarity contribute to some countries being more familiar with the host country, and that is why not all firms face the same degree of LOF (Chen et al., 2006).

It has been argued that the Chinese firms internationalize to escape from restriction of the institutional dependence and it has been asked if the Chinese firms without the support and social connection from the government are able to handle the entrance into new territories. Many societies rather rely on traditional foundations of trust instead of legal and other formalized supports. Likewise the Chinese firms have a cultural choice for operate in less organized regimes characterized by county and clan network rather than by the formality and impersonality of bureaucracies or markets (Child & Rodrigues, 2005). Furthermore, the Chinese firms on the foreign market comport with the previous researches on developing countries that state that the multinational corporations seek to expand the enterprise in foreign areas where there is a possibility to access a Chinese based social network. Chinese firms in the beginning of their expansion choose to invest in countries with Chinese social networks, but this is not shown in the recent large firms that internationalize (Cai, 1999).

Finally, according to Child and Rodrigues (2005), it remains to see if the ways Chinese
firms overcome their socially derived LOF since there are new questions presented constantly.
4. Empirical method

This chapter describes how the empirical data has been gathered. To begin with the research strategy and time horizons are presented followed by the sample selection. Further the method of collecting the empirical material is described. Finally the operationalization, reliability, validity and generalizability are presented.

4.1 Research strategy

According to Saunders et al. (2008) there are seven different research strategies when adopting a study: experiment, survey, case study, action research, grounded theory, ethnography, archival research. The case study strategy is used in this research. The reason why case study is chosen is because we want to increase the understanding of the subject, and this by constructing a semi-structured interview. Also the ability to receive answers to questions such as “why”, “what” and “how” is of importance in this study. When investigating the internationalization of Chinese firms we consider the existing theories of internationalization and in this case a case study is the most suitable (Saunders et al., 2008).

This type of strategy also makes it possible to compare answers and findings with written reports and scientific articles and confirm the answers from the interview. Another strategy similar to the case study is the ethnography strategy which also could have been used to gain a deeper insight and better understanding of the research subject; however, it includes research over a period of time (Saunders et al., 2008) and as mentioned above this is not relevant for our study.

4.2 Time horizons

The choice of time horizon depends on which research strategy that is used in a research. First depending on the research question it needs to be clear if the research should be a “snapshot” of a particular time or if it should represent a given period of time. Depending on the choice of time there are two time horizons: cross-sectional and longitudinal. The cross-sectional is the “snapshot” and this is commonly used in projects with limited time. The second time horizon, longitudinal, is a series of “snapshots” as a diary that makes observation over a time and can conclude if there have been any changes (Saunders et al., 2008).
In this dissertation the cross-sectional horizon is used. This is due to the time limitations that we have which do not allow us to study a phenomenon over time and also due to the subject in this dissertation. Thus, the Chinese firms’ strategies are compared to the internationalization theories from the western world and this is a “snapshot” and not something that can be observed for a period of time. The Chinese firms’ use of the western internationalization strategies may change, if they are used, over the time but that is not guaranteed, however, the situation may change depending on the different type of firms.

4. 3 Sample process

Sample means that data is collected from a small group of people rather than from a large group. It is almost impossible to analyze all the data that is available due to restrictions in time, money and access. Sampling gives the researcher the opportunity to reduce the amount of collected data by only focusing on data from a subgroup instead of all cases and elements. Data collection is more controllable when smaller group of people is included (Saunders et al., 2008).

![Figure 4.1 Population, sample and individual cases](From: Research methods for business students, Saunders et al., 2008, page 211)

According to Saunders et al. (2008), sample selection is a must in all cases where data can not be collected from the whole population. Sample also saves time, and in our case where we have a deadline with limited time it is an advantage to have the results from the data collection quickly.

The sample process begins with first defining the population that is going to be sampled. The
population in this dissertation is Chinese firms that have invested in and are located in Europe. We had a clear idea from the start on type of company that was going to be contacted and how to contact them. The thought was to contact about five different Chinese companies but the sample size was narrowed down to two companies due to time limitation and also to gain deeper information about these two companies. The companies were not chosen from any special kind of industry or of any size, because the purpose is not to compare the different industries but to follow their internationalization strategies. Chinese firms that have invested in Europe were chosen in the selection process. The contacts for the interviews were made with two privately owned firms, located in Germany and Sweden. The location did not play any part for the choice of firms; we could have chosen firms placed in any part of Europe. The reason for location not playing any role in this study is due to us studying the Chinese firms’ expansion to Europe. It is more useful for our study to contact the “right” respondents, which have the information needed to answer our research question. Instead of having many respondents but not useful ones, we prefer to have few respondents. The “right” respondents lead us to answer our research question, and gain understanding, which is the purpose with this dissertation.

4.4 Limitations
There are some limitations in this dissertation concerning the sample selection. First of all our sample is limited to Chinese firms established in Europe. We did not want to restrict ourselves to only the Swedish market, which was one of the thoughts we had when starting this research. The interesting part in our study is to draw conclusions for the European market. To choose Chinese firms in Europe would not make it harder for us because even if only the Swedish market would be in focus we would still make telephone interviews due to the fact that none of the Chinese firms in Sweden are located near Kristianstad. Secondly, we limited the main-questions of our interview to three, because this would give us the opportunity to develop new questions depending on the respondents answer, and also not reduce the respondents’ willingness to answer. Our goal was to receive as much information as possible. We did not want to limit the time of the interview because it is important for us to gain a deeper understanding of the subject; therefore we decided to go on until we thought that we had enough information from the respondent and also when the respondent felt that he had given us everything that he could share. But in case of any further questions or thoughts it was just to contact him again. Thirdly, it was a limitation for us to not be able to make international trips due to time and budget. Finally, another limitation was that the interviews
were made by phone and not face-to-face; however, we think that it worked out well with the telephone interviews and we received answers similar to those we would have gotten if the interviews would have been face-to-face.

4.5 Keboda and Huawei
The following part explains the data collection, sample selection and operationalization for the interviews made with two Chinese firms established in Europe.

4.5.1 Data collection
There are two types of data when collecting answers to the research question, secondary and primary data. Secondary data refers to data that has already been collected. According to Saunders et al. (2008), documentary data, survey-based data and multiple sources are the different types of secondary data used in researches. Primary data on the other hand refers to data that is newly collected.

This dissertation is based on both primary and secondary data. The primary data has been collected through two interviews. To find out if the Chinese firms have followed the western internationalization theories, we have chosen to do interviews with two companies, Keboda and Huawei, placed in Germany and Sweden. It is interesting to compare these two companies because Keboda is on its way to expand into Europe, while Huawei is already established in Europe. The advantage with choosing two companies that are in different stages of their internationalization is that we can compare if the other company that is on its way to expand uses the same strategies as the other company that have already established abroad. The people in these companies' have relevant knowledge of Chinese outward investment and were, therefore, selected for our qualitative study. The interviews were done over the telephone. The reason why a questionnaire or other types of interviews were not chosen is due to the fact it would not have been reliable because the questions can be understood differently by everybody and also the amount of time respondents are willing to spend on a questionnaire is short, which limits the depth of the investigation.

In this dissertation, primary data is collected through interviews and secondary data is collected through documents. The data collection is conducted through interviews with two firms from China. We have chosen to base our interviews on semi-structured interview with open ended questions; this gives the opportunity to the respondents to elaborate their answers
and add more information. Semi-structured interviews are a way for the researchers to go through the interview process with a list of questions. Beyond this, depending on the flow of the interviews additional questions can be asked to the respondents to explore the research questions and objectives (Saunders et al., 2008). The reason to use semi-structured interview is to be able to ask follow-up questions and this gives the respondents the opportunity to explain their answers and give examples. The respondent can also have the freedom to talk freely without any structure. This also increases our understanding and enables us to receive the answers that we have searched for.

We have collect information about Chinese firms’ internationalization strategies through documents also. Effort has been put to find documents that are recent published because we want to use them as complement for our research where we can confirm and strengthen our results form the interviews. This also increases the understanding of the topic.

4.5.2 Operationalization

Our dissertation aims at understanding Chinese firms' internationalization strategies. We think that the best way to understand how the firms make their strategic plan is to interview those that are in charge of it. All the decisions about firms' internationalization are made in China and interviewing employees in Europe is not relevant because they might lack information about the expansion strategies. The first company for the interview is a company that manufactures parts to the automobile industry. The company is called Keboda and it is located in Shanghai. We got in touch with this company through a friend and we got in contact with Mr Zhang Feng Shun that is a member of the board. Mr Zhang Feng Shun has been working in the company for four years and was situated in China. We knew that the firm was trying to acquire a German company and that was useful to our research because of firms’ expansion in Europe. The second company, Huawei, is a telecom company located in Sweden. Here we contacted the marketing department manager, who preferred to stay anonymous in the interview. In this study he is referred to as Mr Lu. Mr Lu is Chinese and has been working for Huawei for six years.

We believe that the data from Keboda and Huawei give us a deeper understanding of the firms' business strategies. The interview process with Keboda was made by telephone in Chinese because Mr Zhang Feng Shun was not able to have a conversation in English. Our interview with Mr Lu was in English because of he had good language skills. In both of our interviews
we considered the time differences and the cost of calling China. That is also why the questions were emailed to the respondent a couple of days before the interviews, which helps the respondents to be well prepared for the interview. It is also a good way for us to prepare ourselves with follow up questions. The questions were formulated in English but we translated the questions into Chinese for the interview with Keboda. Because the interview with Mr Zhang Feng Shun was held in Chinese, we also had a Chinese interpreter. We did not set any given time for the interviews because we let the flow of the discussion decide the time. However, the interviews with Keboda and Huawei lasted about half an hour each. Mr Zhang Feng Shun, the member of the board in Keboda, also gave us the freedom to contact him again if we have any further questions. We were in contact with Mr Zhang Feng Shun two times more after our first interview, and this to add more information and fill in the missing parts of our interviews.

Our interview guide with Keboda and Huawei is presented below. As mentioned before we set three main questions for our interviews that help us answer our research question, and additional questions were ask during the interview process depending on the conversation flow.

4.5.2.1 Interview questions

Question 1: What was the reason for the firm to invest abroad?
With this question we want to open the interview by knowing the reasons behind the decision of doing outward direct investments. We want to find out if the reasons were the same as for the western firms and compare with the theories about motives for internationalization. This also gives the background information of the companies' expansion.

Question 2: What strategies were used to reach the goal?
To understand the motives and rationale is not enough for us. We also want to know how the firms have planned to reach the goals in their expansion. The strategies used for the companies' outward direct investment are valuable for us to understand if Chinese firms follow the same path as the western firms when they expanded abroad. This question is important in order to compare the two companies interviewed. It allows us to find out if there are similarities between Chinese firms in their expansion process. This question also plays a big part in this study and is the setting for getting the answer to our research question.
Question 3: Has the government affected the firm’s strategies?

Government is a factor that has affected the larger firms when it comes to strategies towards internationalization. We want to know if there are only accounts for the state own firms, or are privately owned firms also affected by the government when they build their expansion strategies.

We build our interview upon these three questions about motives, strategies and the government. These questions are used as a base for follow up questions which give us a deeper understanding of the firms' internationalization process.

4.6 Credibility and generalization

Here the attention should be given to reliability and validity, which are two important aspects when conducting a research. Receiving wrong answers to questions reduces the credibility of the research.

4.6.1 Reliability

According to Saunders et al. (2008), when conducting a qualitative research reliability is concerned to answer the question: would other respondents give similar information? It is also to find out if the study reaches the same result when considering different occasions. It can not be claimed that the answers received from other respondents is similar to our answers, but since the internationalization strategies are consistent over time, it is high that it produces consistent findings.

In our dissertation we have adopted an interpretivism philosophy by using semi-structured interview to collect the data needed. Semi-structured interviews are chosen because it is flexible and it allowed adding new questions during the interviews. According to Saunders et al. (2008), despite the issue of reliability there are two more additional issues when conducting a semi-structured interview: bias, and, validity and generalizability. The issue of bias lies both on the interviewer and the interviewee. The interviewers' comments, tone and behavior crates a bias for interviewees respond to questions asked. This is crucial in the way that information given may be limited if the credibility is lacking or if the interviewer does not create trust on the interviewee. The interviewee on the other hand may choose not to discuss an aspect of a topic because of sensitive information, and this does not give the interviewer the answers to the topic that is being explored.
To minimize the issue with reliability in this dissertation we were well prepared with enough knowledge within the subject. Mr Zhang Feng Shun, the respondent for our interview in Keboda, is a member of the board and this gives him more knowledge and, further, adds higher reliability to our study because of him having insight of the company strategies. Similar to this also the respondent in Huawei, Mr Lu, is in charge of the marketing department which makes him well-grounded in the expansion process. The reliability increases since we do not aim at restricting our interviewees. The respondents have enough time and opportunity to elaborate their answers and feel the freedom to lead the interviews. We also payed attention and stayed neutral throughout the interviews by not state our own ideas and comments. Other researchers are likely to draw approximately the same conclusions as the strategy of a firm is decided in common and do not change. We can conclude that the results we reach may be replicated by other researchers. The respondents do not tell about their own experiences but about the strategies the firms have followed. One thing that may change the answers somewhat may be if the researchers find another not that reliable person within the company and decides to interview him.

4.7 Validity
The issue with validity is if the findings measure what they are supposing to measure and to what extent. Validity refers to the degree the researcher obtain access to the interviewees knowledge and experience (Saunders et al., 2008). The findings should illustrate the reality. The ability of the researcher to question and investigate is determined with the ability of a research (Kvale, 1989).

Our study measures the internationalization strategies of Chinese firms when expanding to Europe and has been measured through interviews and documents. It is important that the questions we ask are correctly, and do not have different understandings by the respondents. Therefore we were careful with giving the interpreter right information, and our interpreter also have good language skills in both English and Chinese.

4.8 Generalizability
In our research we have interviewed two companies and also used documents to improve the answer for our research question. One company has established in Europe and the other is on its way to expand, therefore it is not possible to generalize the results. This research does not cover the internationalization of all the Chinese firms and therefore do not represent all
organizations.

One important difference between qualitative and quantitative method is that quantitative method tends to give less information but make more generalizability than the qualitative method. However, the qualitative is harder to generalize when concerning the result, but it gives in-depth information. Generalizability is more connected to quantitative studies with large amount of respondents (Saunders et al., 2008). The aim with this dissertation is to test the existing theories and how well they are implemented by the Chinese firms, therefore is generalization not possible and necessary to other cases. For this research we have interviewed two companies and this does not make it possible to generalize, because the results are not meant to be applicable to other individuals. The result from the interview is unique and this leads to the conclusion that it does not represent the whole population.
5. Empirical Findings

In this chapter the companies that have been chosen for interviews are presented. Further, the empirical finding will be introduced. The two companies are presented and analyzed separately, linked to the theoretical framework. The chapter ends with a comparison where the both companies are analyzed together.

5.1 Empirical finding
This dissertation presents two different companies, that have entered and one is on its way to enter the European market. The companies have been interviewed both match the purpose of this study, as the aim is to follow the internationalization process of Chinese firms that expand to Europe and if they have followed the strategies from the western world- The companies differ in industry, size and are located in different parts of Europe. The companies and the interviews with each company is presented in this paragraph.

5.2 Keboda
In 2003 Guihua Ke from Wenzhou founded Shanghai Qubao in Shanghai, China. The company later on changed the name to Keboda Technology Corporation, henceforth Keboda. The headquarter of the company is located in the Zhangjiang High-Tech Park in Shanghai. The company provides a variety of different products for the automobile industry. The product includes lightning control system, electronic control system, CAN bus control system, Bluetooth multimedia system and auto sensors. Keboda works as a supplier to many original equipment manufacturers (OEM). The company's largest customers are the FAW group corporation, Shanghai-Volkswagen and FAW-Audi. Keboda also exports a large part of its production to other OEMs in Europe and North America, where its customers are Audi, Daimler AG and PSA Peugeot Citroën (Keboda, 2011).

Keboda had a turn over in 2010 with one billion RMB and today the company has 900 employees. Keboda’s production facilities are located in four cities in China, Shanghai, Wenzhou, Chongqing and Jiaxing. Chongqing and Jiaxing are two factories that are still under construction. The company has 32 sales offices around the world where most of them are located in China and Europe (Zhang, 2011).

Keboda is today the only Chinese firm that has a contract with Audi to develop new mercury-
free high-intensity discharge lamp (HID) for its new car platform and the company has intention to continue to gain market shares in that segment of products. Keboda will reach its goal by focusing on three strategies. The first is that the company will continue to focus on its core business, to develop new technology innovations. Second is that the company will focus on capital operations, which is to enlarge the production scale, expand foreign and domestic market, and improve its integrated competition power. Last is that the company will focus on brand development (Keboda, 2011).

5.2.1 Keboda's Market
China is Kebodas most important market where the company works as a supplier to a large group of car manufactures. Many international car manufactures have today established assembly plants in China to produce their automobiles. Even if most of Keboda's production is produced for the China market, a part of its production goes to market in Europe, North America and other markets. The future goal for the company is to expand and gain higher market shares in existing markets. Keboda is today one of the leading companies within this field of business and the company has managed to keep stable margins of its products both in the domestic market and the other markets outside China. In order to keep the markets share, Keboda's strategy is to provide its clients with good quality products and focus on having long term cooperation with its clients’ companies (Zhang, 2011).

5.2.2 Keboda's Strategies
Keboda has for a long time use export as a strategy to reach other markets outside China. To access new markets, establish sales and marketing office abroad has been a part of the strategy. The company has kept all the production in China because of the high market share. It is still more profitable for Keboda to produce in China with a low production costs and export it abroad than establish new factories (Zhang, 2011).

However, the company strategies have started to change since the company change its focus on expanding internationally. To be more successful internationally, Keboda needed to focus on its brand development and increase its product portfolio. Through the interview with Mr Zhang Feng Shun, a member of the board revealed that Keboda is trying to acquire a German firm at the moment. This strategic decision from Keboda is a good way for the company develop Keboda's brand in the European market but also to use the German firms distribution
channels to reach more customers (Zhang, 2011).

The attempt acquisition of the German firm is a strategic decision by the company. The LED light markets for the automobile industry are growing as the lights become more and more general in the cars. The German firm manufactures and develops Light Emitting Diode (LED) lights and is the leading company within that industry. The firm has for the moment Mercedes Benz and BMW as the two largest customers, together the two car manufacture stand for 90% of the firm’s production. The good reputation of the firm will strengthen Keboda's brand and allow Keboda to access new LED technology knowledge (Zhang, 2011).

If the acquisition success, next step for Keboda is to transfer the technology back to China where a brand new factory will be established in Chongqing in China to produce lamps with the newest LED technique. This operation will reduce the production costs for the LED lights and the new factory will focus on the market in China (Zhang, 2011).

If the acquisition plan fails, Keboda will consider a joint venture as an option. The deal will be benefit for the both companies to use each other’s distribution channels to expand their market in respective markets (Zhang, 2011).

To choose Germany in Europe as a candidate to strengthen Keboda's competitive advantages is a well planned choice. Germany is known as a country with advanced technology within the field of LED lights. If the acquisition success, the German firm will continue to operate as normal, but Keboda plan to provide more resources to the R&D center to improve the future technology (Zhang, 2011).

Keboda’s internationalization strategies are developed without any form of government support (Zhang, 2011).

5.3 Huawei

Huawei Technologies Co., Ltd. is one of the worlds leading telecom solutions provider and was established in Hong Kong in 1987 by Ren Zhengfei, as a privately owned company. The company is today owned by the employees without any third parties included, such as the government having shares of the company. Huawei’s product portfolio includes wire-line, wireless and Internet protocol technologies. The company has become one of the most competitive companies both in the global and the domestic market. The success in the domestic market lead to expansion abroad in 1996, and the company became a member of the international telecommunications unit in 2001. Huawei has grown from a $5,680 small
company to a giant with a sales volume of over $20 billion in 2010, where more than 65% of the revenue came from the international market. The vision of Huawei is to provide solutions to peoples life through communication and the mission is to create value for the customers by providing services that satisfies their needs, this through developing innovations in technologies, products and solutions. The company is today represented in over 140 countries and have also served most of the world’s top telecom operators such as Vodafone and China Mobile. Huawei have around 110000 employees worldwide, where 46% is engaged in R&D. As one of the fastest growing companies Huawei have set 20 research institutes and 20 joint innovation centers in different countries around the world such as Sweden, USA, Russia, and India. Huawei works close to multinational companies as Motorola, IBM, Intel and Microsoft to acquire the latest technology and to get an insight of the companies managements. In 2010, Huawei won the "Solution Excellence Award" (Huawei, 2011).

5.3.1 Huawei’s Markets
China has since the start of the company been the main market for Huawei. But the company changed focus in 1996 and started to expand abroad, initially it was towards developing countries such as Russia and Africa. It was not until year 2000 Huawei started to penetrate the European market and further on in 2001, North America and the Asian Pacific markets. Huawei’s overseas business exceeded contracts in China for the first time in 2005 and the company has continued to expand abroad. The company increased its overseas sale in 2010 by 34% compared to the year before. The sale in China accounted for only 35%, and decreased by 5% from the year before (Huawei, 2011).

5.3.2 Huawei’s Strategies
Huawei’s first contract with overseas company was made with Hong Kong’s Hutchison-Whampoa. The company gained huge success with its low-cost advantage, but offered flexible solutions gear to new generation communications business environment was a success. When Huawei entered new markets like Russia and Africa, the company’s strategy was to place itself as a low cost, yet high quality mobile-network builder. The company managed to increase its profit margins in Africa with up to ten times greater than China which made company recognizing importance of overseas business (Lu, 2011).

In 1999, “New Silk Road” marketing initiative was launched by Huawei and the purpose whas to expose its products to all kind of international expositions and invited overseas customers to China and Huawei campus in Shenzhen to get a direct impression of China’s economic
reform progress. Huawei chose to expand to markets where its clients can not afford expensive equipments offered by European and US companies rather than going to China's urban markets to compete with world’s majors, and exhaust themselves in technology wars. In the same year, the company entered market in Thailand, Singapore, Saudi Arabia, South Africa, Egypt etc and by the year 2001, it established branch offices in over 40 countries its international sales reached 12% of total sales (Lu, 2011).

There are three strategies which is different from its rivals. The first one was the price, the products were five to ten percent lower than the rivals such as Ericsson and Nokia, but still avoided the reputation of being cheap and low quality. The second was that Huawei has invested in establishing training centers in countries as Nigeria, Egypt, Tunisia, Angola and Guinea. Building center has created local employment which back up local government to utilize Huawei equipment and maintenance service for long. The last is introduction of ecological and power saving equipments which operates with solar and wind energy. It was welcomed not only by providers in Africa, but later by European providers (Lu, 2011).

To enter the markets in developed countries like West Europe and North America, Huawei has applied a variety of contractual modes to entry these market. These methods include franchising, co-research, co-production (OEM) and Co-sales (help each other to sale products in each own markets). Huawei also established R&D centers in France, Sweden, Germany, the Netherlands and Spain, aimed at customizing goods and services for the local market. It also has technical assistance centers in the UK and in Germany, training centers in the UK, France and Hungary, as well as call centers in France and Hungary (Lu, 2011).

The Swedish R&D organization Huawei Technologies Sweden AB was established in early 2001 and a representative office was added later in 2003. Huawei chose Sweden as the only technical office in Europe because of the large competence within telecoms. The location is chosen to capture the externalities created by host-country technology clusters. Huawei established its R&D center in Sweden in order to capture high tech human capital and to benefit from economies of scale of Marshallian industrial district (Lu, 2011).

5.4 Analysis of Keboda

5.4.1 Reasons behind internationalization

Vernon's Product Life Cycle theory state direct investment will occur when a foreign market is
large enough to support local production. In Keboda's case, the company has chosen to use export as a strategy to expand globally. This is due to the low cost advantage the firm has because of the production facilities in China. The export strategy Keboda use instead of setting up production facilities abroad is what Hill mentioned as a failure of the model. Vernons model can not explain why it is more profitable for the firm to undertake foreign direct investment rather than continue to export.

Barlett and Ghoshal describe firms' international process with three traditional forces: (1) to secure key supplies, (2) to seek new markets and (3) to access low cost factories (Gumar & Kumar, 2010). Keboda has intention to grow its market shares in existing markets, but the company has other motives as well. The company is seeking opportunity to acquire firms with high technology which the firm can bring back to China. This is a part of the cost saving operation which differs from Vernon's model. The difference is that Keboda does not need to move the production to other low cost countries as it is cheap enough in China. One of Barlett and Ghoshal's three traditional forces describe low cost factories as one the main reason for firms to do internationalization which is not in Kebodas case.

Instead, Keboda’s reason for internationalization has been to focus on expanding its market share in existing markets. According to Barlett and Ghoshal (2010), companies with high brand recognition and technology have stronger motivation towards markets seeking as it gives them competitive advantages in new markets. Keboda knows that in order to compete in a global level, developing the brand and new technology is essential. This kind of action is also confirmed by Guar and Kumar (2010), which explain the difference between developed and emerging countries firms toward internationalization is that emerging firms want to access high technology knowledge. Keboda act in line with Barlett and Ghoshal (1992) explanation that in today's hard business environment, it is important to achieve economies of scale and to invest in R&D to survive.

The reason why Germany is chosen as the investment country is first of all because the leading LED technology was developed there. Most of the larger car manufactures as Audi, BMW and Mercedes-Benz have decided to implement the new LED lights in the upcoming car models. Keboda see this as a possibility to create a more multinational image by trying to establish its R&D center in the center of the premium car brands. Barlett and Ghoshal (1992) explain that a corporation must face three conditions to become multinational. The first
condition is the location, if the acquisition success, Keboda will be closer to its existing
customer but also expand market share through the acquired firm's distribution channels.
Second is to manage the disadvantages, such as the unfamiliarity of foreign markets. Keboda
has for a long time been active on the German market; the company has many customers from
Germany that operates in the Chinese market. The strategic reason for expanding in Germany
is as mentioned before, except to improving the sales, the reason is also to acquire the
technology knowledge and use their economic advantage in China to produce cheaper LED
lights. This action can overcome the disadvantage Keboda has in the German market.
According to Child and Rodrigues, it is also a way for Keboda to strengthen the home market
position. The increased production in China created better return for the company as it through
economic of scale can reduce the costs.

5.4.2 Traditional internalization theory
The Eclectic Paradigm developed by Dunning (2001) tries to explain firms’ process of
internationalization by the OLI-factors. The author explains that a firm will engage in
international production when three inter-related conditions are present. In Keboda’s case, the
location in Germany might give the firms new opportunity to gain high market shares, and
Keboda can reduce their transaction costs by setting up new factories that produce lights with
the new technology in China. Keboda's search for opportunity to acquire firms with high
developed technology shows the company's lack of ownership advantages. This is what
Keboda wants to achieve through acquisitions, to gain more competitive advantages. Rios-
Morales and Brennan (2010) explain that firms expand abroad when they have established
some domestic strength can not be applied to a firm like Keboda because their reason to
expand abroad is to build better strength through acquisitions.

Keboda international strategies fit well with the authors’ description of Chinese firms’
behavior. Child and Rodrigues (2005) explain the main reason for Chinese firms to go global
is often to acquire advanced technology and R&D capabilities to reach differentiation
advantages. This description fit very well to the strategies developed by Keboda towards
internationalization. Nolan (2001) is also in line with Child and Rodrigues, the author points
out weaknesses in research and development, marketing capability and administrative
restriction. Another point Nolan (2005) mentioned is the lack of brand development which is
what Keboda has mentioned as one of the three main strategies the company will focus on to
improve.
5.4.3 Rationale for Chinese firm internationalization

Zeng and Williamson (2009) categorized four types of Chinese firms that operate on the international market, national champions, dedicated exporters, competitive networks and technology up-start. Keboda belongs to the second category; the firm is trying to strengthen their economic of scale through acquiring market shares on international markets.

Child and Rodrigues (2005) have mentioned other factors that drive Chinese firms to expand abroad. One of the drivers that the authors propose is the hazard of depending on an extremely competitive domestic market, with low margins. Keboda do not have this problem with low margins as the firm has is one of the leading company in China within this field of business. The company has the same margins both on the domestic market and other markets outside China. Keboda does not share the same experience as many Chinese firms that are suffering from disadvantages as the author mentioned, to secure brand advantages and differentiation to keep their promise of higher margins.

5.4.4 The latecomer perspective

Keboda was established in 2003 and has only been existed for eight years. From the perspective of the internationalization process, the firm is a latecomer. Keboda’s strategies to become a global player are consistent with one of Matthew's (2002) three essential tools for latecomers, to overcome competitive disadvantages. The linkage tool can be explained by Keboda’s strategy to link themselves with successful companies with high developed technologies operating on the global market. The largest advantage Keboda has is the low labor cost advantage, which Child and Rodrigues (2005) describe as less important when the firm is moving into higher-value-product markets. But Keboda explained that the low labor was one of the more important advantages the company has, and the company is at the moment building two more factories in both Chongqing and Jiaxing. These two factories will increase the production scale according to the capital operations and improve their integrated competition power. Singh (2002) constructed a process model which describes different stages of the latecomer firms in emerging economies when entering industries dominated by larger multinational firms. Keboda is in the adaptation stage where the firm is striving for new sources of competitive advantages. The firm is trying to adapt new technologies and catch up with rivals.
5.4.5 The role of the government

Keboda is a privately owned firm which has been quite successful on the international market. This is not in line with what Nolan (2005) argued that non-state owned firms in China will not be able to compete with global giants and build entrepreneurial achievements without support from the government. Child and Rodrigues (2005) argued that Chinese government support the firms by backing them with finance and letting them build corporate strength through domestic moves such as merger and acquisitions. Keboda has not received any support from the Chinese government and the firm’s internationalization strategies are developed within the company without any external influence.

5.5 Analysis of Huawei

5.5.1 Reasons behind internationalization

According Vernon’s Product Life Cycle theory (1996) firms establish in areas with low labor costs and export to other regions. In Huawei’s case, this theory is not applicable because China is a country with low labor cost, and Huawei is not seeking for this advantage. The theory of Vernon is more suitable when analyzing the expansion of firms from developed countries. However the theory also claims that if demand for products increases in a country the firm set up facilities in that country. Huawei’s expansion started with the help the firm provided to Hutchison, also a telecommunication firm in Hong Kong. Huawei spent less time on finding solutions to improve the problem Hutchison had with number portability service and this set the base for Huawei’s expansion abroad. However Huawei was a successful company in the domestic market which has a good performance, but was dissatisfied with the he success it has achieved in the home market, and opened eyes for the global market instead. This is due to the aggressive competition in the home market, which has limited the growth of the company even if it had reached a enormous potential. Huawei started its expansion in near markets starting from the easiest to enter and saving the hardest last, that is the European market, were the first contact was with the Dutch telecommunication company Telfort.

Barlett and Ghoshals’ (1992) three forces describe the internationalization process. The first force is to secure key supplies. The internationalization process of Huawei is to acquire advanced technology and also to improve R&D capabilities. However, Huawei needs greater expertise in technology and management to be able to expand, which they can find in
European countries including Sweden. Huawei has set up R&D centers in different parts of Europe, to improve the R&D and also to develop new products and this by getting access to world leading talents, and advanced infrastructure of R&D. The second force, seeking new markets, is the case for Huawei that have been seeking to markets all over the world. The expansion started in small cities and gradually expanded into big cities, and this to avoid the competition with top foreign telecommunication companies. Huawei built up its brand gradually in places that was unnoticed by the giants, this to reach competitive advantages, as Barlett and Ghoshal states. The third force that is the access to low cost factories is not the case in Huawei, because China is already a low cost factory country, and this is in the case where developed countries expand into developing countries.

Gunnar and Kumar (2010) discuss that firms in developing countries expand to become players on a greater market and to access high technological knowledge. Huawei expand to the European market to close the technology gap and also to not face competition with foreign firms. Barlett and Ghoshal discuss the hard business environment and Huawei cooperate with firms in Europe such as Siemens and Marconi, to survive and also to developed own capabilities and technology. A firm must according to Barlett and Ghoshal have good location in a foreign country. Huawei choose markets with good relationship to the come country in the first stage. As a strategy Huawei also set up R&D departments in Europe to receive a market share in the international market of telecommunication as the European is the most potential market. Further on, a firm must manage disadvantages on a foreign market. Huawei manage to overcome this through corporate with famous firms such as Microsoft, Siemens, this reduces the risk for entering unfamiliar markets, because Huwei can learn experience from its partners.

5.5.2 Traditional internationalization theory
The Dunning Eclectic Paradigm (2001) explains the benefits of internationalization through ownership, location and internationalization. As a telecommunication company Huawei has it place in the industry that is technology intensive. Before taking part in global production firms must retain advantages over foreign firms, such as comparative advantages and firm-specific advantages. Comparative advantages can be reached from technology and also brand, in high tech products. Those are the resources that Huawei attempt to acquire from the European market. The Chinese market has the advantage of low R&D costs, and this gives Huawei comparative advantage over firms in the developed countries. It is important for Huawei to
acquire the technology advantages in developed countries, instead of using low cost advantages. The technology and R&D resource seeking are Huawei's goals with the investment in Europe.

The ownership in Huaweis case can be referred to both existing advantages such as low cost and differentiation, but also to advantages that have been set after exploring the weaknesses in technology and brand. Huawei have differentiation due to the products and solutions that they provide for the customers. This is one of the features that make Huawei different from the telecommunication firms in the West, because most of them offer fixed solutions. This is an effective strategy for a developing country firm to play a part in the international competition, as it gives differentiation advantage to the firm. This can be exampled through the Huawei's expansion to Netherlands and the cooperation with Telfort that is a Dutch mobile telecommunication company. Telfort could not carry out to 3G services because it was too expensive to set up new base station. Huawei had solution to this problem that met Telfort's needs, so Huawei set up innovation center in Netherlands where customized solutions of base stations were provided. This also saved costs from building up new base stations. By this Huawei proved that it besides cost competitiveness also had differentiation advantages and could provide solutions and respond quickly to the need of customers. This is also in line with Child and Rodrigues (2005) that points out that firms expanding abroad receive differentiation advantages, when acquiring technology and R&D capabilities. Chinese firms’ expansion to Europe is to acquire technology and improve R&D capabilities and also in order to retain existing advantages. The location is the second advantage that dunning mentions in his theory.

Location can depend on natural resources, political and economic environment and also on social factors. Huawei has chosen to go from easiest to hardest markets to enter. The advantage for Huawei in the developed countries, Europe, is the leading technologies there and also the European market having the leading position of R&D resources. The reason why Sweden was chosen as one of the places to set up a R&D center is because the country has a location advantage when concerning the leading high technology talents and also a rich research environment. Another advantage is the market; developing countries own the world largest telecommunication markets. This means an aggressive competition. Huawei take a share of the European market through joint ventures and cooperation with the giant such as Siemens and Marconi. The third factor in the theory of Dunning is the internationalization; firm will choose to internalize firm specific advantages across boundaries within its
organization because the employees in Huawei can combine the advantages from both the European and Chinese market and transfer it back to China. Through the R&D centers located in different parts of Europe workers have access to unique advanced technology and R&D that is not available in China.

Hennart (2001) claims that firms can reach advantages through know-how, reputation, brand. Huawei was not a well-known brand in the international market as it also was from a developing country. But to break through this the company has through the years used strategies to get familiar technology and quality and win customers in the international market. This can also contribute to get ownership advantage for firms when expanding abroad. The strategies used was different tours to China, were customers from European markets was introduced to China’s capabilities of technology and also the economic development in the country. Also free trials of the firm’s products and solutions were offered to the customers so that they could get aware of the quality in the firm.

5.5.3 Rationale for Chinese firms internationalization

Nolan (2001) point out the weakness in R&D of Chinese firms, and this was also one of the main factors for Huawei’s expansion to Europe. Huawei established its first headquarter in England, the largest firms invested by Huawei in the international market. He and Child and Rodrigues (2005) also mention the effects from the government that some firms have been successful because of the support from the government. However this is not the case for Huawei which is privately owned company and have not received any support from the government in its expansion process, however it has received loan from banks in China. Huawei signed an agreement with the China Development Bank, which is a state-owned bank. The bank supports Huawei’s expansion to the international market with credit of $10 billion for the company and customers abroad. This drives the internationalization into a competitive advantage, since financing is critical in international deals. Child and Rodrigues (2005) and Nolan (2001) explain that the Chinese firms internationalize to strive for missing advantages as R&D, brand development and marketing capability. Huawei was a successful company in the domestic market which has a good performance, however Huawei was dissatisfied with the he success it has achieved in the home market, and opened eyes for the global market instead. This is due to the aggressive competition in the home market, which has limited the growth of the company even if it had reached an enormous potential. Another reason to the expansion is that the telecommunication industry is full of innovations and Huawei needed to
stay in the competition and acquire advanced technology and R&D and improve the products to survive. Further on, Huawei saw the international market as an advantage because Huawei was already strong enough to face the competition in the home market by the western firms, and when winning shares of the market form the western firms Huawei grew to a leader. Firms can develop the experience and also the success on the home market to a strategy on the global market.

5.5.4 The latecomer perspective
A latecomer firm wants to catch up with leading firms and get to the innovation stage. According to Watkins and Ehst (2008), firms are late entrance due to restrictions from the government. In Huawei’s case the firms have not received any support the government as the firms is privately owned. They also point out lack of technology and market access as two factors. Huawei was a successful company in the domestic market and the entrance into the European market was to acquire the technology and R&D, but also to compete in the global market. Further Singh (2002), point out that firm would reach the level of leading firms if they just recognize their advantages and develop tools for it. Huawei have improved the features of the products that the leading western firms have developed and not had its own original product innovation, as Singh (2002) discuss this is what made Huawei to become one of the leaders in the telecommunication market, because it recognized its strengths and saved time from developing new technologies from scratch. The process model of Singh include four different stages that a firm can go through as a latecomer, however all firms does not go through all the stages. Huawei is in the adaption stage as the firm strives for new sources to become competitive advantage and Huawei’s expansion to Europe is to acquire the technology and R&D capability. Singh also discuss that firms must be willing to make changes to achieve competitive advantages and in the case of Huawei the company have after achieved success in the market become one of the leading companies in the international market.

Further, Matthew (2002), describes three tools to overcome disadvantages as a latecomer: linkage, leverage and learning. Huawei have linked itself through joint venture and cooperation with leading firms as Siemens, Marconi, and Motorola and have signed contract with Vodafone which give the opportunity for the firm to build external networks and learn from their experiences on the international market.

5.5.5 Role of government
Child and Rodrigues discuss the role of the government support when firms expand abroad
and that Chinese firms are encouraged by the government. However Huawei have without the benefit of government protectionism and support, expanded to Europe, and is a privately owned firms.

**5.6 Comparison Keboda and Huawei**

Both Huawei and Keboda have used export as the main strategy when it comes to internationalization. The two firms have used the low labor costs in China to gain advantages in the international market and kept all their production facilities there. The both company share the same strategy when it comes to establishing R&D centers. Europe is a good location because of the high technology development and because many of their competitors derive from Europe. To be able to increase their sale in each of the markets, sales offices were established in every country the firms operates in. Both companies also share the same interest to acquire sources in the European market. This is in line with Barlett and Ghoshals (1992) first force to secure key supplies. The second force is linked to the first one, new acquired technology which give the firms advantage to enter new markets and increase their sales abroad. But it will also be a way for them to improve the brand image of the companies. According to Barlett and Ghoshal (2010), firms with high brand and technology have stronger motivation towards market seeking which consist with Keboda and Huawei strategies. However, the third force, to access to low cost factories is more suitable for developed countries as both firms have their production facilities located in a low cost country like China.

The three conditions that Barlett and Ghoshal (2010) discuss are consisted within both Keboda and Huawei. What the two companies have in common is that they want to gain market shares from the European market, and this is one of the reasons why both firms see the European market as a potentially good location, where they have the possibility to grow as a company. The companies have different strategies to overcome disadvantages on the foreign market. Huawei cooperates with well-known firms and this is a way to reduce the risks that entrance of a foreign market can bring while Keboda try to acquire a well known firm with good reputation in the industry to strengthen its brand and reputation.

The motives the firms have can be linked to Dunning's Eclectic Paradigm (1992). The ownership advantage of Huawei such as low cost factor can also be linked to Keboda's case. Both firms share the same operation strategy with production facilities in China. Huawei is
more differentiated towards its customers by offering special solution for its customers while the companies in the west offer more fixed solutions. Keboda does not offer any special solutions for its customer; the company is more oriented towards offering a few products with good quality product for a low price.

The second factor of Dunning's model is the location motive. Keboda chooses to find candidates for acquisition in Germany and Huawei established its technical R&D center in Sweden. Both companies have chosen the specific location because of the advanced technology. This is according to Child and Rodrigues (2005) the differentiation advantage the firms are seeking for. Firms from developed countries differ from emerging countries in terms of cost saving operations. While developed firms continue to move a large part of their production to low wages countries, emerging countries already have this advantages and seek to strengthen the competitive advantage through brand development and new technology. Huawei has come further in its internationalization process. Compared with Keboda, Huawei has already established R&D centers in many locations in Europe. The company sees Europe as the leading market for telecommunication and to operate here is a way for Huawei to compete with many of its largest competitors in its home market. Keboda has not yet established any R&D center in Germany, but through the company’s strategy, it is obvious that the company see the German market as a very important market. Many premium car manufacturers are from Germany and to be close to its customers and developed new technology for the next generation cars is the best way for the firm to expand its business.

Both Keboda and Huawei have linked themselves with leading firms within their field of business. Matthew (2002) explains linkage as one of the three tools to overcome the disadvantage as a latecomer. The two firms are in the adaption stage in Singh's (2002) model. This explains that the firms are seeking new technologies that can be used to gain competitive advantages. Privately owned firms without any support and influence from the government can reach success on the international market. This is not in line with Child and Rodrigues' (2005) statement that the government plays an important part in the internationalization of Chinese firms and it is not through the government support that firms are encouraged to expand.
6. Conclusion

The final chapter starts with a summary of the dissertation followed by a concluding discussion of the findings. The chapter ends with suggestions for future research.

6.1 Summary

According to Rios-Morales and Brennan (2010) China has become an international player since the “go global” policy that was established by the government in 2000. It has made China to one of the most active outward investors. The investment into Europe started with a quite low base but has increased since 2000.

This inspired us to explore the internationalization strategies of Chinese firms. Furthermore, there are limited existing researches on Chinese firms’ outward direct investment. We limited our study to include the entrance of Chinese firms into only the European market. Further we were inspired to investigate if the Chinese firms have followed the existing internationalization theories from the west.

A case study strategy was adopted and the empirical material was collected through interviews with two privately-owned Chinese companies located in Germany and in Sweden. The persons responsible for the establishment in Europe were interviewed, by the use of semi-structured interviews.

The existing traditional internationalization theories were chosen for the theoretical framework, and are presented separately, as the purpose is to draw a conclusion if the Chinese firms have followed the theories. In chapter five the interviews were linked to the theoretical framework and analyzed. The following paragraph presents the findings and conclusions of the study.

6.2 Conclusion

The purpose of this dissertation was to explore the internationalization of Chinese firms and what strategies they use when expanding to European market. To answer our research question, two Chinese firms were chosen for the interviews. After analyzing the two companies separately, a comparison was made to be able to draw a conclusion. Through our
study we find that a main reason for Chinese firms' expansion towards developed countries is because of the technological knowledge that was offered in specific locations. The Chinese firms know that to be able to compete with the developed countries' firms, they have to improve their competitive advantages in form of brand, technology and research and development abilities. This differs a lot from the western firms that already have the advanced technology but lack cheap labor in their home markets. The difference is that western firm and Chinese firms seek different factors to become more competitive in the global market. The internationalization theories that have been developed by studying the firms from developed countries will not be able to explain the motivations from the Chinese firms.

6.3 Contribution
China is one of the most powerful economies today and the Chinese firms are expanding more and more internationally. Even so, there is still not much research done on this area, especially on Europe that is not a very popular destination for Chinese foreign direct investment. We want to give our reader a brief understanding on what motives that attracts the firms to Europe and what strategies they have used.

6.4 Critical Review
Our dissertation is aimed at studying the Chinese firms’ motives and strategies towards internationalization. The theories we have used are based on traditional and newer theories about western firms’ internationalization process. However, there might be other theories about internationalization that we have not used because of the time limitation.

We have also only interviewed privately owned firms and the output of our research might have been different if state-owned firms would have been used for this study. Another critical reflection is that we have chosen to use companies in the manufacturing industry. We think that the study would give another result if it had been applied on firms from the service industry.

6.5 Future Research
Chinese companies are becoming more common in markets outside China and since the opening policies in the beginning of the 21\textsuperscript{th} centuries, Chinese outward investment has increased remarkably. However, Chinese firms’ internationalization is a new phenomenon and there has not been much research done within this field. Since we had limited time with this
dissertation, we believe that there is a lot unexplored. It would be interesting to do a research on the large state-owned companies from China. The government impact on these firms may affect the firms’ internationalization strategies and the motives can be different as well. It would also be interesting to do research on Chinese firms’ expansion towards other markets than Europe. Another interesting point would be to do a study on the Chinese service sector industry. Our dissertation only investigates firms from the manufacturing industry.
References


Sage Publications.


APPENDIX 1: Interview Questions: Keboda & Huawei

Question 1: What was the reason for the firm to invest abroad?

Question 2: What strategies were used to reach the goal?

Question 3: Has the government affected the firm’s strategies?