

Paper for the EIBA Conference 2010 in Porto

*Conference track: IB's role in building a better and stronger
global economy*

Workshop Paper

**Emerging market multinationals entry strategies: Are there
anything special about them?**

Chinese and Indian companies in Denmark

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Abstract

With the growing number of Chinese and Indian foreign direct investments (FDI) in Europe, this paper tries to understand the entry strategies of these Asian MNCs through the lens of International Business theory. Two perspectives on FDI are used: the traditional FDI theory perspective arguing that developing country FDI is rare and will mainly exploit advantages in mature technologies. The second perspective is the latecomer perspective, which argues that latecomer firms are a new breed of firms that fundamentally challenges conventional FDI theory.

Empirically we look at the Chinese and Indian investments in Denmark that remain relatively small. This is attributed to the poor match of the capabilities of Asian MNCs and the Danish industry structure, and the difficulties of marketing a small country like Denmark. The investment that does take place follows the latecomer perspective appearing to be strategic asset seeking, tapping into capabilities of well-known Danish clusters in renewable energy, shipping, and biotech. These investors often enter Denmark in an accelerated manner by acquiring Danish companies and maintaining partial Danish ownership.

The findings also show cases of service market seekers trying to support existing trade relations. However, even though they might indicate signs of rapid internationalization, the many acquisitions could also indicate a lack of ownership advantages required to organize a greenfield investment.

Key words: Chinese and Indian MNCs, FDI, entry strategies, latecomer perspective.

1. Introduction

Foreign direct investment (FDI) from developing countries have surged in recent decades; FDI flows have increased from a level around \$30 billion in 1990-1995 annual average to a level around \$90 billion 2000-2005 and as share FDI from these countries has doubled since the 1990s so that they now account for more than 20 percent of global FDI (UNCTAD 2010). Many developing country investors are large firms; 99 of the Fortune 500 companies are now from developing countries. The surge in developing country FDI is mainly due to investment from Asian developing countries; in the early stages, Hong Kong, Singapore, Taiwan and Korea were leading, but more recently, India and China have become the leading Asian outward investors. This paper will focus on the rise of Chinese and Indian investments.

Chinese and Indian multinational corporations (MNCs) are latecomers in the sense that they are late arrivals to the international economy, not really embarking on large scale FDI before the 2000s. But then we saw a quite dramatic surge in investment from these countries: Chinese investments have grown from \$ 5.5 Billion in 2004 to almost \$25 Billion in 2007 and an estimated \$40 Billion in 2008 (UNCTAD, 2009). The Chinese investments are concentrated in natural resource extraction and in manufacturing activities such as textiles and electronics. Chinese companies such as Haier, Lenovo, Nanjing, Huawei Technologies Co, etc. are becoming household names. Many of the Chinese MNCs are state owned enterprises (SOEs) or heavily supported by the Chinese state, e.g. through the China Investment Corporation (CIC). The development in OFDI from India is even more dramatic: Where global FDI stock grew moderately in the period 2000-2007, developing country stock increased 2 ½ times faster and Indian stock 16 times faster (Singh and Jain, 2009), although it should be noted that the Indian investment started from a very low base. New-comer Indian firms are moving into IT, pharmaceuticals and services in developed countries, and hitherto protected Indian conglomerates such as Tata, Birla, Reliance, etc. are diversifying into the knowledge industry and/or acquiring crown jewels of European and US manufacturing (Pradhan, 2007).

While Indian and Chinese firms are large investors in other developing countries, the lion's share of their investment is placed in developed countries. We have thus seen very large acquisitions in Europe and the US by companies like Tata (Jaguar, Corus Steel, Tetley), Mittal (Acelor), Lenovo (IBM Thinkpad), Tengzhong (Hummer) etc., but also greenfield investments have been common, e.g. with

renewable energy and IT. The Asian investments in developed countries are puzzling in several ways seen from an International Business (IB) perspective. What for instance explains that MNCs from these countries within a very short time span have risen from virtually nothing to becoming significant players in global FDI? And how do these firms overcome the liability not only of being foreign but also of coming from a developing economy? Are these MNCs the vanguard of a new breed of MNCs that base their expansion on hard-to-imitate advantages deriving from their developing country home context or are they fairly conventional firms, basing their expansion on traditional competitive advantages? In this paper, we will discuss these puzzles posed by the arrival of Asian MNCs in western countries.

Empirically, the analysis will focus on the entry strategies of Indian and Chinese MNCs in Denmark. Denmark, a small, open and highly affluent European economy, has in recent years seen the arrival of Chinese and Indian companies and they have, within a very short time span, established subsidiaries in Denmark. In the paper we will analyze the entry strategies of these firms. The entry strategy analysis will focus on three key aspects of entry strategy, namely ‘Investment Motive’, ‘Entry Mode’ and ‘Organizational Strategy’. The analysis is based on case studies of Asian investments in Denmark conducted in the autumn of 2009 as well as on general FDI data obtained from various data bases¹. While there are numerous studies of Asian investments in large European countries², this study is, to the best of our knowledge, unique in the sense that it focuses on Asian FDI in a small European host country.

2. The theory on developing country MNCs

In recent years, a substantial literature has evolved focusing on the rise of developing country MNCs (DCMNCs) (see e.g. Hobsday, 1995; Matthews, 2006; Tolentino, 2008; Ramamurti, 2008). This literature refers back to, and extends an earlier literature on MNCs from developing countries – the so-called Third World Multinational literature (Wells, 1983; Lall, 1983) – that emerged in the early 1980s to explain the then surge in FDI from developing countries. Also more conventional IB theories such as those of the Product Cycle (Vernon, 1966), the Uppsala model (Johanson and Vahlne, 1977) and the Investment Development Path (Dunning and Narula, 1996) have been invoked to explain the rise of developing country firms (Beausang, 2003). A heated debate has in recent years taken place as to the

importance and explanations of developing country MNCs (see e.g. Matthews, 2006; Narula, 2006, Dunning et al., 2008; Rugman and Li, 2007; Ramamurti, 2008). In this regard, we can identify two generic perspectives on DCMNCs. One perspective is the conventional perspective. According to this perspective, DCMNCs are like any other MNCs, subject to the same dynamics and subject to the same explanations as western MNCs. Contrast this perspective to what we will label ‘the latecomer perspective’. According to this perspective, DCMNCs are a new breed of firms, adopting internationalization paths that defy conventional FDI theory.

2.1. The conventional perspective

From the conventional perspective, FDI from developing countries is akin to any kind of FDI (Giddy and Young, 1982; Legraw, 1993). MNEs internalize to exploit their firm specific advantages in locations where factor cost and demand conditions make it profitable to do so. From a conventional FDI theory perspective, we would expect little FDI from developing countries as firms from such locations would lack the resources, experience, capital and technology that normally explain why and how MNCs embark on FDI. If FDI takes place, it would mainly be directed toward other developing countries, partly to exploit advantages in business models and technologies adapted to developing country factor and consumer market conditions (Wells, 1983; Lall, 1983), partly to maintain a cost advantage that is eroding in the home market due to economic growth and development (Dunning and Narula, 1996).

Investment in developed countries would be rare and to the extent it existed, it would be explained by generic types of advantages of DCMNCs such as privileged access to capital and low cost bases. For instance, Rugman and Li (2007) make a distinction between ‘firm specific advantages’ (FSAs) and ‘country specific advantages’ (CSAs)³. They argue that FDI from developing countries is mainly based on CSAs such as natural resources, cheap capital, and low labor costs, whereas western MNCs mainly base their FDI on FSAs such as proprietary technology, strong organizational capabilities or unique capabilities to manage complex network organizations across borders. Only rarely will DCMNCs possess genuine FSAs and such cases will generally be outliers. Moreover, as DCMNCs have not been able to develop the complex networked and functionally concentrated global organizations that

characterize western MNCs, these firms will have great problems integrating and benefitting from their acquisitions.

Another interpretation of DCMNCs is offered by the Investment Development Path (IDP) theory (Dunning, 1981; Dunning and Narula, 1996, 2004). This theory can be seen as an attempt to build a specific theory of the relationship between the development level of a given country and FDI. The idea is that FDI patterns interact with locational factors in a dynamic fashion. The model makes a distinction between five stages of economic development going from least developed countries, to advanced countries, which each will produce a particular inward and outward FDI pattern. In regard to DCMNCs, the theory predicts that only when developing countries have built a domestic industry with own ownership-specific advantages, will we see FDI, mainly in other developing countries. To the extent FDI takes place in developed countries, it will mainly be aimed at acquiring complementary technology and brands (Dunning and Narula, 1996).

Taking the sequential FDI perspective of the IDP to the micro (firm) level, the Uppsala model argued that firms internationalize in a staged manner, starting from a strong home market position, investing first in nearby countries, then moving into increasingly distant locations and committing growing resources as they gain more and more internationalization experience (Johanson and Vahlne, 1977). This line of thinking has also been applied to developing country firm internationalization (see e.g. Kuada, 2004 or Beausang, 2003). Here, the argument is that developing country firms would initially invest in nearby developing markets and only with low commitments. Only gradually these firms would build the experience and resources needed to take on culturally and technologically 'distant' western markets and when doing that, only in a staged manner.

A final conventional view of DCMNCs is based in Vernon's (1966) classical product-cycle theory of FDI. According to this theory, developing countries will start becoming outward investors as technologies and production travel from advanced to less advanced countries through imitation and diffusion. From this perspective, we can expect DCMNC investments in developed countries to exploit an advantage obtained in technological sun set industries, where developed countries no longer have any interest or production experience. This could for instance be labor or natural resource intensive types of industries, what Ramamurti (2009) calls 'mature mid technologies'.

2.2. The Latecomer perspective

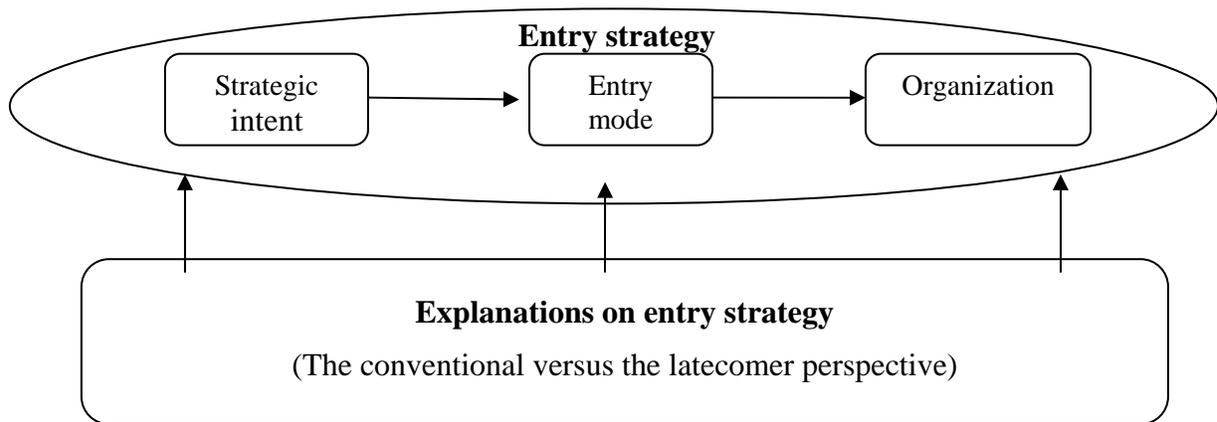
Spurred by the surge in OFDI from developing countries in the 1990s and 2000s and echoing Gerschenkron's (1962) notion of 'late-comer' advantage of 'backwardness', a literature has recently evolved that tries to explain why growing numbers of firms from developing countries are successful in competing with western firms in their own markets, in spite of (or maybe due to) their latecomer status. This literature argues that we, in light of the rapidly growing presence of DCMNCs in global industries, need to revisit and revise our theoretical tools and conceptions of FDI (Hobsday, 1997; Ernst, 2000; Li, 2007; Mathews, 2006). Where previous theories of FDI focused on transaction costs and oligopolistic competition, the latecomer theories are rooted in resource and knowledge based theory (Barney, 1991; Grant et al, 2000), network theory (Anderson et al., 1997) and the dynamic capabilities theory (Teece, 2000). Where conventional theories tend to view firm internationalization in isolation of the development level of the home country context, the latecomer literature explicitly relate it to the influence of the home country context (Ramamurti, 2008). And where conventional theory would predict DCMNCs to internationalize in a staged and incremental manner, latecomer theory draws heavily on born global theory and its notion of accelerated internationalization paths (Oviatt and McDougall, 1994)

In particular, four aspects of latecomer firms are emphasized by this literature: 1. their ability to access complementary assets through internationalization; 2. their ability to undertake organizational and strategic innovation; 3. their ability to combine advanced technology with a low cost base; and 4. as a consequence of the above, their ability to embark on accelerated paths of internationalization that defies the gradualist patterns of earlier internationalization incidents. Authors emphasize advantages of latecomer firms emanating from their specific developing country context, including flexibility, low overheads, cost effectiveness, and network based business models (Ramamurti, 2008; Buckley et al, 2007). Especially advantages related to the low cost base are stressed, however these advantages are not seen as a generic country specific advantage (CSAs), but rather as firm specific advantages (FSAs) that it is very difficult for western MNCs to copy (Ramamurti, 2008; Buckley et al, 2007). Latecomer firms are not constrained by western management orthodoxies and are therefore positioned, much more effectively than incumbents, to take in new ideas and innovations. Just like their Japanese predecessors that introduced JIT and flexible production two decades ago, these firms bring in strategic and

organizational innovations into global competition. Where they have gaps in their knowledge base, they are skilled in closing these gaps, what Matthews (2006) calls ‘linkage’, ‘leverage’ and ‘learning’. Thus, even if their initial capabilities may be weak, globalization offers ample opportunities to acquire complementary capabilities, e.g. through acquisitions of western firms (Buckley, 2009), through learning by linking up to foreign MNCs in global value chains (Buckley, 2009; Gereffi et al, 2001) or by acquiring assets in the market (Teece 2000).

2.3. Analytical framework

In this paper, we will discuss whether the entry strategies of the Asian investors in Denmark are more in line with the latecomer or the conventional perspective. Entry strategy is about the strategic intent, mode and organization of the entry into a foreign market (Meyer, 2002; Lasserre, 2007). *Strategic intent* or what is labeled ‘investment motive’ in the IB literature is typically of four types: resource seeking, market seeking, efficiency seeking or strategic asset seeking. *Entry mode* can either concern ownership configuration of the investment (100 percent ownership versus joint venture), or the way in which assets are deployed (greenfield or acquisition). *The organization dimension* concerns the way in which the investor organizes and integrates the investment in its global value chain and strategy.



3. The entry strategies of Chinese and Indian MNCs in Denmark

In the following, we will provide a profile of Indian and Chinese investments in Denmark and describe the entry strategies of Indian and Chinese MNCs in Denmark. This will be based on various data

sources: FDI flow and stock data from the Danish National Bank, list of individual investments in Denmark from embassies, information from the Danish business press and registers, and interviews with representatives of four of the most important Indian and Chinese investors in Denmark. The analysis encompasses the identified population of Indian and Chinese investments in Denmark, and the five case studies represent the most proliferated and largest of those investments.

3.1. Chinese and Indian FDI in Denmark

It is only from around 2000, we can see an FDI inflow of some size from China and India to Denmark.

Table 1: Stock of foreign direct investment into Denmark (billion DKK)

	2000	2005	2006	2007	2008
Total Danish inward stock	359,0	580,0	630,0	688,0	693,0
Inward stock from China	0,1	1,5	2,3	2,5	3,0
Inward stock from India	0,0	0,2	0,3	0,3	0,3
Inward stock from India+China	0,1	1,7	2,6	2,8	3,3
<i>India+China inward stock share of total Danish inward stock</i>	<i>0,03%</i>	<i>0,29%</i>	<i>0,41%</i>	<i>0,41%</i>	<i>0,48%</i>

Source: Denmark's National Bank statistics

It is clear that the stock of investments has grown since 2000 but for the investments from India, the amounts are still very small. During the first half of the 2000s, we saw a relatively fast increase in the share of investments coming from China and India compared to the investments from the rest of the non-OECD countries. But the share in recent years seems to stagnate. Likewise, the share of India and China in the total FDI stock in Denmark has grown but the share remains very small (only 0.5 percent) and again growing only very slowly. The modest magnitude of Asian FDI in Denmark is confirmed by a recent survey of the employment effect in Denmark (Danmarks Statistik, 2009). Overall, the employment share of investments from all BRIC countries compared to all foreign investments in Denmark is less than 1 percentage; much lower than in Sweden and the Netherlands where the BRIC countries appear to be more active investors.

3.2. Chinese and Indian subsidiaries in Denmark

While the investment amounts have been quite different for FDIs from China and India, the number of firms in Denmark with Indian and Chinese ownership has been more similar, around 17-18 establishments for each country. This suggests that on average the Chinese investments have been much higher than the average investment by Indian companies but also in other ways, particularly with respect to distribution on industries and investment motives, the two portfolios are quite different.

3.2.1. The Chinese portfolio

The Chinese portfolio comprises by the end of 2009 of 18 companies (see Table 2) broadly distributed within manufacturing (electronics, automotive and engineering), transport companies, IT software, trade and other services. The two subsidiaries from the electronics industry represent the large global Chinese companies: Lenovo producing notebooks based on IBM technology and owned by the Chinese Legend Holding company; and Huawei Technologies producing telecommunication equipment and software services. Both affiliates in Denmark are marketing and sales offices. The BYD Denmark affiliate in the automotive industry is also a sales subsidiary established in Denmark to test the market for BYD's hybrid electric auto models. This case is further analyzed below. The two engineering companies comprise Envision Energy in the wind-energy industry and Zhejiang New Jialian in the acoustics component industry, which have recently established subsidiaries in Denmark, not for sales reasons but to develop R&D units. Envision Energy is established in the Danish windmill cluster close to the Danish leading global company Vestas. Ming Yang Wind Power European R&D Centre, a private limited company (ApS), is also linked to R&D in the Danish windmill industry. The Zhejiang New Jialian affiliate is located in the Copenhagen region where you find the leading Danish hearing-aid companies. Both companies had considered locating in Germany, where they had major customers but chose Denmark to tap into the Danish R&D base. ChemPartner Europe is a newly established subsidiary locating its European office in Denmark to undertake contractual preclinical R&D. Finally, we have two transport firms located in Denmark. The Penta Shipping company is a joint-venture in the shipping business, having its Scandinavian sales office in Denmark. This case is presented in detail below. The other company is Air China who has sales offices in Copenhagen. Both these transport investors have only needed limited financial investment for their establishments in Denmark, and their contribution to Chinese investment in Denmark is therefore very modest. Generally, investments in

trade and services appear to be small, and in some cases it has not been possible to trace information on company activities.

Table 2: Chinese firms in Denmark

Name of investor company	Name of company in Denmark	Sector	Business activity in Denmark
Air China	Air China	Airline industry	Sales office
Air China Cargo Co. Ltd	Air China Cargo Denmark	Logistics	Services
BYD	BYD Denmark ApS	Automotive industry	Sales office
Envision Energy	Envision Energy Denmark ApS	Renewable power industry	R&D
Huawei Technologies Co.	Huawei Technologies Denmark ApS	Telecom industry	Sales office
Lenovo	Lenovo Danmark ApS	IT hardware	Sales office
COSCO Group	Penta Shipping A/S	Shipping	Services
Zhejiang New Jialian Electronics Co.	NJL Acoustics ApS	Electronics	R&D
Dragon Power Co. Ltd	DP CleanTech Europe A/S	Bioenergy	Manufacturing and services
Bright Star Fireworks	Bright Star Fireworks Import A/S	Fireworks	Import
Shanghai ChemPartner Co. Ltd	ChemPartner Europe	Pharmaceutical and biotech	Contract research (European HQ)
China International Marine Containers Group Ltd (CIMC)	Holvrieka Danmark A/S	Manufacturing of stainless steel tanks/containers	Manufacturing and services
Guangdong Mingyang Wind Power Industry Group Co. Ltd	Ming Yang Wind Power European R&D Centre ApS	N/A	N/A
China International Travel Service (CITS)	CITS Travel Denmark A/S	Tourism/travel	Sales & services
BMC SYS China	Dancom IT solutions ApS	IT software & solutions	Sales & services
Shanghai Worldbest Investment Development Group Co. Ltd.	Everbest ApS	Textiles	N/A
Brothers Pyrotechnics Inc.	LCH Fireworks A/S	Fireworks	Import

NCO China Consult	NCO China Consult ApS	Consulting	Sales & services
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3.2.2. *The Indian portfolio*

There were identified 17 Indian establishments in Denmark by the end of 2009 17 (see Table 3). Many Indian IT and pharmaceutical companies had concrete investment plans in the mid-2000s before the financial crises. The Danish investment promotion agency ‘Invest in Denmark’ expected 10 to 15 Indian high tech companies in telecommunication, energy and biotechnology to arrive in Denmark. 12 out of the 17 Indian companies are IT software companies. They have arrived as a result of the outsourcing and off shoring drive, where the main motive has been to capture clients. Seen from an Indian company perspective, the European market was interesting to balance the dependency on the Asian and North American markets for the Indian IT software firms. To be convincing as suppliers, the Indian firms had to be close to the new clients either going into alliances with Danish providers or establishing their own offices in Denmark. A representative office also facilitated the tasks, when the Indian company brought its staff to work at the site of the clients in Denmark. The larger Indian IT companies like Tata Consultancy Services, Infosys, ITC Infotech, and Larsen & Toubro established themselves in this way. Satyam, which was smaller and came later than the other companies, went into an alliance with Danish KMD. It targeted smaller Danish clients, who could see an interest in outsourcing specific IT tasks. Since its entry, Satayam has been acquired by the Mahindra Group. Yet another entry model has been to acquire a Danish company which is what the Four Soft company did. This case is further studied below. Indian biotech firms have been interested in locating in Denmark particularly in the Oeresund Medicon Valley cluster. An example is the Indian firm Hikal, which has acquired a majority stake in the Danish pharmaceutical trading company Marsing that essentially trades in active ingredients for the pharmaceutical industry. This allowed Hikal to find a European outlet for its generic drugs. In 2004, the young Indian biotechnology firm Avesthagen announced the opening an office in Copenhagen in a strategic joint venture with the Danish Centre for Clinical & Basic Research (CCBR). This also led to the establishment of a joint venture company in India. The motive of Avesthagen’s investment was apparently to attract Nordic partners to move outsourcing activities to its facilities in India. However, the office in Copenhagen and the joint venture in India with CCBR closed down in 2007.

Two large Indian companies outside the software industry have been established in Denmark; Suzlon Energy in the wind energy industry and the largest Indian conglomerate Reliance Industries Limited from Mumbai. Both companies had a strategy to use their establishment in Denmark to source knowledge. These two cases are presented in more detail below.

Table 3: Indian companies in Denmark

Name of investor company	Name of company in Denmark	Sector	Business activity in Denmark
Air-India	Air-India	Airline industry	Sales office
Four Soft	Four Soft Nordic A/S	Logistics software	Sales office
Infosys	Infosys Technologies Limited	Software services	Sales office
ITC Infotech India Limited	ITC Infotech Denmark	IT services & solutions	Sales & services
Larsen & Toubro Limited (L&T)	Larsen & Toubro Infotech Denmark	Software services	Sales office
Polaris Software Lab.	Polaris Software Lab. Ltd.	IT services & consulting	Regional manager
Reliance Industries Limited	Trevira Neckelmann A/S	Petrochemical products	Production subsidiary
Suzlon Energy	Suzlon Wind Energy A/S	Renewable Power industry	Regional HQ & R&D
Tata Group	Tata Consultancy Services Denmark Ltd.	IT services & consulting	Regional office
Cognizant Technologies	Cognizant Technologies	IT services & consulting	Sales office
Mahindra Tech	Mahindra Satyam	IT services & consulting	Sales office
Hikal Ltd	Hikal Marsing Pharma	Pharmaceutical	Marketing & distribution
Polaris Software Lab Ltd	Polaris Software	IT services & consulting	Sales & services
Infinite Computer Solutions	Infinite Computer Solutions	IT services & consulting	N/A
Tooltech Solutions	Tooltech Denmark	Engineering services	Manufacturing, sales & services
Wipro Technologies	Wipro Technologies	IT services & consulting	N/A
Lister Technologies	Lister Technologies	Software services	Sales & services

3.3. Case studies of Chinese and Indian investments in Denmark

In the following we will provide five detailed case studies of Indian and Chinese investments in Denmark. The case companies are Four Soft, an Indian IT company; Cosco, a Chinese shipping giant; Suzlon, an Indian wind turbine producer; BYD, a Chinese battery manufacturer; and Reliance Industries Ltd., an Indian conglomerate that has invested in textile production. The case firms have been selected because they represent a variety of different types of Asian MNCs both in terms of sector and strategic intent, entry mode and because they all represent significant and well-published investments.

3.3.1. Four Soft⁴

Based on a business platform to provide IT solutions for international transportation and logistics, the Danish company Transaxiom Holding A/S was formed in year 1992. The company managed soon after its foundation to attract internationally well-known companies, such as DHL, TNT, Maersk Logistics, and Blue Water Shipping as clients. In order to enlarge its market further the company found it useful to complement its HQ located in Denmark with a number of subsidiaries notably in the US, Australia, and the UK.

Concomitantly with the formation of Transaxiom, other newly established companies with a similar platform emerged internationally. Hence in the year 2000, an Indian company named Four Soft Ltd. was formed by an Indian businessman, who had observed a need for mainframe Enterprise Resource Planning systems. The increasing number of entrants to the business area of IT systems for international transportation and logistics during the 1990s unavoidably led to a process of mergers and acquisitions within the industry, and as part of this wider process Four Soft acquired Transaxiom Holding in January 2007.

Strategic intent

During the first years of its existence, Four Soft based its growth strategy on acquisition of companies with technological know-how and a presence in geographical areas perceived to represent new business opportunities for Four Soft's products. Transaxiom became an important target for Four Soft since

Transaxiom had developed one of the IT systems most widely used within the industry, had obtained a global market share of more than 50percent for some products, and possessed what Four Soft considered to be strategically important subsidiaries. For the Danish owner of Transaxiom the opportunity to sell the company to Four Soft in 2006 came at an opportune moment since it would permit the owner to cash in on his investment and hence put an end to the continuous financial insecurity. In line with its growth strategy, Four Soft also acquired some of Transaxiom's competitors in Holland and the UK thereby providing Four Soft with a globally dominant position for some segments within the industry and a notable presence in others.

Mode and Organization

The acquisition agreement stipulated that Four Soft became the owner of 95 percent of the shares in Transaxiom Holding, while the former Danish owner became minority shareholder and retained five percent of the shares. Following the acquisition, Transaxiom's name was changed to Four Soft Nordic. The former Danish owner became a member of Four Soft Nordic's Supervisory Board and maintained an important role in the day-to-day management of Four Soft Nordic as Vice President. However, contrary to initial expectations that the acquisition would benefit from synergy between the Indian HQ and the Danish subsidiary, serious difficulties in the day-to-day cooperation between these two parts of Four Soft's organization prevented such synergies to materialize. Apparently, some of the contradictions were based on a mutual lack of understanding of the respective business cultures in the Indian HQ and in the Danish subsidiary.

Having implemented its initial growth strategy, Four Soft is at present in the process of adjusting its consolidation strategy with emphasis on technological development and market seeking based on in-house know-how. As part of this new strategy and in order to make better use of the assets of Four Soft Nordic, the Danish subsidiary has begun to send groups of up to 15 engineers for longer stays at Four Soft HQ in order to develop new products. The global R&D center for Internet based solutions will be consolidated in India, whereas the older main frame technology will be based in Denmark. In a similar vein, to capitalize on sales and marketing competencies in Denmark, the Four Soft HQ has begun sending some of its key commercial staff to stay at Four Soft Nordics offices in Denmark for longer periods to learn about Western sales and marketing practices. And in order to achieve Four Soft Group's ambitious goal of tripling its turnover in three years, the five most important group

subsidiaries, which includes Four Soft Nordic, have adopted a common strategy of undertaking acquisitions within their market segment and geographic area.

Status

From Four Soft's Annual Report 2008-09, it appears that the European market contributes with a significant share of group revenues and profits. As regards Four Soft Nordic, its yearly revenues and profits grow; turnover in 2009-10 is expected to lead to a further 20 percent increase. Concomitantly, nearly three years after the acquisition, Four Soft Nordic has still been able to maintain most of Transaxiom's key costumers to the degree that some clients like DHL in some areas have most of its logistics and freight transport IT systems developed by Four Soft Nordic, while some other previously important clients, such as Maersk Logistics, have developed their own system division and hence become less important customers.

3.3.2. Cosco and Penta Shipping⁵

Chinese shipping firms are among the world leaders. As important markets for Chinese manufacturing are in Europe, Chinese shipping firms also need to be present here. The development of the shipping industry is a direct result of a dedicated strategic effort by the Chinese authorities in the 1980s and 1990s (Hay et al., 2008). Among the largest Chinese shipping companies is the China Ocean Shipping Company (Cosco); it is a state-owned shipping group, which in 2009 comprises more than 1,200 companies and 80,000 employees world-wide. In 2008, Cosco was listed at the Hong Kong Stock Exchange. In 1996, Cosco acquired a majority share in the Danish shipping company Penta Shipping.

Strategic intent

In order to undertake business activities within container shipping and related transport services and with a focus on business opportunities in China, a group of Danish partners founded the company Penta Shipping in September 1985. Soon after its establishment, Penta Shipping opened a sales office in Beijing and entered into an agency agreement for Scandinavia with Cosco. In 1996, Penta Shipping became a joint venture (JV) company between COSCO Container Lines Europe GmbH (the German subsidiary of Cosco's Container Lines Company) and the Danish partners in Penta Shipping. For Cosco, it was important to be present in Scandinavia either through an agent or a sales subsidiary, since Scandinavia represents an important and stable 'out of port' market for container shipping, which could

provide Cosco with container cargo for its vessels in the ports of Hamburg, Antwerp, and Rotterdam. Penta Shipping, on the other hand, needed a partner company, which could provide financial muscle during downturns of markets and secure stability in its business activities.

Entry mode and Organization

Cosco holds 75 percent of the JV company shares and the Danish partners 25 percent. In general, Cosco prefers to enter into JV companies with its successful agents and not fully own subsidiaries since Cosco finds that the JV mode provides a better possibility to get acquainted with JV partner countries' business culture. Cosco also prefers that its JV partners' management maintain a commercial incentive to develop the business and do not hold positions as company employees with a fixed salary. From the Danish partner perspective, the JV assured financial back-up during difficult market periods in 2002-03 and 2008-09, and better job security for employees. In addition, the JV also secures an interested potential buyer of company shares should a Danish partner decide to leave the company.

Penta Shipping reports to the European HQ of Cosco Container Lines in Hamburg for day-to-day decisions, to Cosco Container Lines Company HQ in Shanghai for major decisions within the container shipping business area, and to Cosco Group HQ in Beijing for strategic decisions. However, there is widespread decentralization of decision making to the Danish subsidiary. One of the main synergies from acquiring Penta Shipping has been that Cosco could benefit from its competencies concerning container management to development of new business areas with project logistics for larger projects. Penta Shipping has two managing directors, one of them a seasoned Chinese manager from Cosco China, who is responsible for relations with the Chinese parent company, and the other a Danish partner who is responsible for company relations in Denmark.

Status

Since its foundation, Penta Shipping has developed into a group company with approximately 50 employees and three offices in Denmark, Sweden and Norway. The volume of Penta Shipping's container shipping has increased from an annual 3,000-4,000 teus⁶ before the formation of the JV to a present level of an annual 100,000 teus, which means that Penta Shipping now ranks among the top four container shipping companies in Scandinavia. A new promising business area of project logistics

for larger projects has been taken up by Penta Shipping, while a previous business area of air freight was abandoned a few years after the formation of the JV.

3.3.3. Suzlon⁷

Based on a business platform to develop wind turbines, manufacture all key components, install, and undertake maintenance of windmills, Suzlon Energy Ltd. has become a major player within the global wind turbine industry. However, for a number of years, up to 80 percent of its revenues were derived from the Indian home market. The company therefore had an interest and a need to internationalize its activities in order to promote further growth. Since Suzlon India neither had experience nor in-house competence to undertake such an effort, it undertook a screening of suitable modes of creating a platform in Denmark, which has a reputation for a strong position within the wind energy industry. Hence in August 2004, Suzlon India undertook a greenfield investment in Denmark in order to establish its international business headquarters named Suzlon Energy A/S with the mandate to develop and manage an expansion of Suzlon's activities outside India. Subsequently, during the course of 2004 and 2005, Suzlon India undertook a further greenfield investment in Denmark in order to set up its European business headquarters, named Suzlon Wind Energy A/S, which was located together with the international business HQ. By November 2005, Suzlon India's investments in the two new international business headquarters reached DKK 142 million, equivalent to USD 24 million. In 2009, Suzlon India undertook an additional investment project creating 30 jobs in a new R&D centre for new technologies, which is located at the vicinity of the two international business headquarters.

Strategic intent

The choice of Denmark as the hub for Suzlon's international expansion was based on several considerations among others the many years of experience with wind turbine technology on the manufacturing and supplier side; the extensive research carried out at Danish universities; and management competences within wind engineering, project execution, operations, financial engineering, service, and maintenance. This experience has gained Denmark a leading position within the wind turbine industry, which Suzlon wished to tap into. Furthermore, Denmark allegedly has one of Europe's most flexible labor markets. When the two major Danish wind power companies Vestas and Micon merged in 2004, and ran into problems as a consequence, Suzlon saw an opportunity to enter the

Danish wind turbine cluster. Thus, several senior employees with a long experience within the industry were inclined to leave the new merged company and therefore responded positively when approached by Suzlon India with the suggestion that they formed the core staff of a Suzlon subsidiary company in Denmark. Hence, based on a greenfield investment, Suzlon's international business HQ was formed and located in Denmark's second largest city, Aarhus.

Entry mode and organization

Suzlon's investments in Denmark are all greenfield investments. Suzlon Energy A/S and SuzlonWind Energy A/S have a high degree of autonomy within their mandate. There are normally 4-5 staff members from Suzlon India stationed at the Danish HQ in Aarhus in order to be acquainted with international business practices and organization principles. Allegedly this type of stay has proved to be useful in diffusing emerging conflicts between Suzlon India and the two Danish business HQs. There is no Danish staff members stationed permanently in Suzlon India but obviously shorter visits to India to discuss the company's business strategy do often occur. The Danish operations perform global and regional mandates for Suzlon in sales and marketing and R&D.

Status

The location of Suzlon's business HQ in Denmark has proven by and large to offer the anticipated advantages, but has also proven to have some unexpected difficulties. On the one hand, among the positive factors the proximity of Aarhus to the Northern part of Europe has made it relatively easy to identify Northern European companies with which Suzlon could either be interested to enter into closer co-operation or target as objects for acquisition. Suzlon also benefits from co-operation with two Danish technological universities in order for them to include in their curricula, research and teaching regarding wind turbine technology, hence forming a new generation of engineers having acquired competence within the area. Another perceived advantage of a location in Denmark has also proven to be fulfilled by Suzlon's ability to outsource research on new technology to a number of Danish technological institutes and universities on a consultancy contract basis. Another advantage of the Danish location is related to the financial crises; the present economic crisis has led to a situation, where some clients have difficulties in honoring their contractual payments. In this regard the location

in Denmark has given Suzlon access to the Danish export credit guarantee scheme, which guarantee payments to Suzlon in case clients default.

On the other hand, an unforeseen difficulty has been detected in an alleged tendency by some Danish authorities to discriminate against Suzlon being an international rooted company and not a genuinely Danish company. A case in point is the common interest of Suzlon and its major Danish competitor Vestas to test turbine technology for sea windmills along the coast of Denmark. Allegedly, Vestas received permission to undertake such tests in Danish waters, while Suzlon's request was declined and left the company with a need to undertake such tests in Spain.

3.3.4. BYD⁸

Founded in 1995, the Chinese company BYD (Build Your Dreams) became the world's second largest battery company in 2002, producing 65 percent of the global rechargeable nickel-cadmium batteries and 30 percent of the lithium-ion mobile phone batteries. After creating the affiliate BYD Auto in 2003, this Hong Kong Exchange listed company started its production of conventional gasoline cars through the acquisition of a bankrupt state-owned automaker in China. Most of its cars appear initially to have been based on imitations of best-selling Japanese cars. However, in 2008 and one year ahead of Toyota and General Motors, BYD announced the commercialization of a mass-produced plug-in hybrid electric car named F3DM, which is not dependent on a commercial charging station. Soon after in April 2009, the prototype of a pure electric car named E6 was exhibited by BYD at the Shanghai International Auto Show with the intention of being introduced on the European market two to three years later. In Denmark, BYD Denmark ApS was established as a sales office in 2005 through a DKK 125,000 greenfield investment of BYD Europe B.V., the BYD European regional headquarters located in Holland.

Strategic intent

BYD has chosen Denmark as a test-bed for its European market penetration of electric cars due to a perceived interest among Danes for green solutions. Furthermore, the favorable tax policies toward green energy including tax-exempts on electric cars until 2015 and Denmark's lead position within the use of wind energy to generate electricity were decisive factors for BYD's decision to establish a sales office. Additionally, BYD had planned to enter the Danish market with electric or hybrid electric car

models in connection with the UN Climate Change Conference, COP15, in December 2009 in Copenhagen. The Danish investment promotion agencies (IPAs) perceive the interest of BYD to invest as a strategically important investment in order to advance the implementation of a Danish industrial policy to further industrial clusters in the area of renewable energy.

BYD and other producers of electrical car solutions such as the Danish competitor Better Place, are involved in technical discussions and negotiations with Danish battery producers, Danish public authorities, and pertinent Danish industrial associations on how best to organize the introduction of electric cars into Denmark. Of particular interest is which methods will be most easy for the car user to use, i.e. either recharging or changing car batteries. The Danish IPAs at the same time are undertaking a dialogue with the said car companies in order to identify complementary needs within the sector, where it would be useful to attract further foreign direct investments.

Status

The technical discussions on inter alia how best to recharge or change batteries for electric cars within the Danish and broader European market appear at the time of writing to be inconclusive. Hence, it is not possible at this point in time to fully assess the outcome of BYD's investment. However, BYD's interest for investing in Denmark has as a side effect stimulated producers of components for electric cars such as Taiwanese Amita to start production of batteries for electric cars in 2011. Despite this development, industry experts have recently been highlighting the potential complementary effects that these two electric car charging options can provide. They argue, that charging stations (BYD's solution) or changing used batteries with charged batteries (Better Place's solution) will have positive developmental effects on each other, and will help expand the electric car infrastructure.⁹

3.3.5 Reliance Industries Limited¹⁰

In 2004, Reliance Industries Limited, India's largest private conglomerate, acquired the large German group Trevira Group based in Germany from Deutsche Bank. Earlier Trevira was owned by the Hoechst group. Trevira produced branded polyester fiber and yarn products supplying among others to the auto industry and it had its own R&D facilities. The acquisition would lead to the creation of the world's largest polyester fiber and yarn producer. As an incidental outcome, the acquisition of the German Trevira Group, Reliance also acquired the Danish subsidiary Trevira Neckelmann.

Strategic intent and organization

Trevira had different locations in Europe including Trevira Neckelmann in Silkeborg, Denmark. The production at Trevira Neckelmann was at the same time knowledge and labor intensive. For Reliance, the plan was to tap into the knowledge and R&D intensive part of the group and reorganize it. For the Trevira Group, the acquisition would potentially imply access to new markets and raw materials.

In 2007, production activities in Silkeborg were moved to the group's plant in Poland, leading to 300 jobs being lost. The reason cited by management was too high production costs compared to low cost locations elsewhere and pressures from the group's main customers in the car industry. The R&D part was maintained as a Trevira Competence Center in Silkeborg, accounting for a mere 60-70 jobs by the middle of 2009. Additional investments of DKK 50 million were made in developing this unit.

Status

In 2009, the financial crisis and in particular the downturn in the auto industry, made Reliance to declare the Trevira Group insolvent and wanted to sell the group in a restructuring process. In the restructuring, the plants in Germany and Poland got new owners, and Reliance would also sell the remaining R&D facility in Silkeborg.

By the end of 2009, financing of the continued business activities of the Trevira Group (now Trevira GmbH) was secured by a group of German banks. Following the continued restructuring of Trevira GmbH, the new German owners decided to abandon the plan to develop an R&D centre in Silkeborg. Instead, it was decided to phase-out the development activities in Silkeborg and relocate some of these tasks to the development division in Germany.¹¹

4. Analysis

In the following, we will try to extract some tentative patterns in regard to the entry strategies of Chinese and Indian MNCs in Denmark. We will first examine the profile and entry strategies of the Asian MNCs in Denmark, and then move on to discuss whether the investments appear to be more in line with conventional or latecomer theory.

4.1. The level of Chinese and Indian investments

The above description of Chinese and Indian FDI in Denmark suggested that FDI from these countries is relatively low; even relative to the size of the Danish economy, the investments are smaller than what we see in other OECD countries, and in spite of many companies expressing interest in investing in Denmark, the bottom line is that only approx. 30-40 investments, many very small, have been realized. The low level of Asian investment could be related to the fact that small EU countries such as Denmark may have greater problems coming ‘into the radar screen’ of Asian investors looking for investment opportunities in Europe compared to countries with large home markets. Moreover, although Denmark has pursued an uncompromising policy of pegging the Kroner to the Euro, the fact that Denmark is not a member of the Euro may introduce a level of uncertainty especially among investors with little or no previous experience from Europe. Finally, the low level of investment could be attributed to an uneven match between China’s and India’s industrial strengths in large scale production within manufacturing and services and Denmark’s industrial strengths in niche and high quality oriented activities.

4.2. Investment motives

The investment motives of the Asian giants are exclusively market and strategic-asset seeking and there are no examples of resource or efficiency seeking investments.

4.2.1. Market seekers

It seems that there are two types of market seekers present in the sample. One is a traditional market seeker, who invests mainly to support trade; the other is a more strategic market seeker that uses the investment as a platform to develop a new European market. The Chinese investors in electronics, Lenovo and Huawei technologies, are examples of the former type, opening sales and service offices in Denmark to support exports. Another example is the Indian IT firms Infosys, ITC Infotech, Wipro, and Tata, which all try to support their export of IT services by creating sales and service offices close to their Danish and Scandinavian customers. Only by having close proximity to customers was it possible to effectively exploit the home country advantage in IT services employing highly qualified but comparatively lower-paid software engineers to undertake outsourcing tasks both in India and in Denmark for the Danish clients (Jensen, 2009). Since labor is mobile for undertaking the software

outsourcing tasks, the IT software supplier firm needs to be present to organize the labor force transfer when the tasks are done inside the client's firm in Denmark.

Several of the market seeking investors had ambitions beyond the relatively small Danish market. Thus, the Asian investors appear to find Denmark a suitable gateway for expanding trade into the Northern European and Baltic markets. Cosco acquired Penta Shipping in order to use this acquisition as a hub for its Scandinavian activities. Four Soft wanted to use the Danish investment to strengthen its European platform in markets for IT for the shipping industry. And Suzlon not only aimed at creating a regional hub, but also to create a global sales and marketing hub in Denmark.

4.2.2. Strategic-asset seeking

One of the most striking aspects of the Asian investments in Denmark is that many of them are strategic asset seeking in one sense or another. Strategic asset seeking investments are investments where the purpose of the investment is to build new advantages, rather than exploiting existing advantages. Apparently, the Asian investors see opportunities of acquiring complementary assets in Denmark that can support them in their catch up strategies and enhance their global and regional presence and capabilities. The strategic asset seeking investments in Denmark were typically aimed at accessing high-end high value added activities, upstream and downstream in the value chain. Whereas Asian strategic asset seeking investments in other European countries have been aimed at acquiring well-known brands (e.g. Tetleys or Jaguar), there are really no examples from Denmark of Asian acquisitions of brands, which is partly a reflection of the fact that Danish industry has its main strength in business-to-business markets, partly that most Danish brands are related to industries where only few Asian firms invest.

There are essentially two types of assets sought in Denmark, namely R&D capabilities and sales and marketing capabilities. Examples of the former are Reliance expanding its R&D activities in Denmark (but outsourcing everything else), Suzlon investing to build a global R&D center in Denmark, or BYD, through their Danish investment in development and testing of battery driven cars, attempting to move from a low cost imitator to a technological lead company in a niche sector within the automotive industry. Examples of the latter are that Suzlon head-hunted previous Vestas/NEG staff to build its global sales and marketing HQ in Denmark, or Four Soft that tapped into the Danish partner's strong sales and marketing capabilities in the European market, eventually making the Danish subsidiary a

main revenue center of the corporation. The value for the Asian firms of accessing such sales and marketing skills should not be underestimated; often a main barrier to expansion and upgrading of DCMNCs will be the huge market entry barriers in Western market.

A final aspect of the strategic Asian investments is that several of them can be interpreted as examples of strategic positioning vis-à-vis global competitors. This is clearly the case with Suzlon, who through its massive investment in Denmark, clearly sought to check its main competitors Siemens and Vestas. But also Four Soft's acquisition of Transaxiom and Cosco's acquisition of Penta Shipping can be seen as attempts to build and consolidate positions in oligopolistic industries.

The strategic-asset seeking investments are made in activities closely related to well-known Danish clusters such as Blue Denmark (shipping), renewable energy, and biotech. Through their investments in Denmark, Indian Suzlon and Chinese Envision Energy not only obtained access to experienced sales, marketing and R&D people, they also accessed other advantages related to the Danish renewable energy cluster such as Danish export subsidies, knowledge at Danish universities and a well-developed supply and service industry within wind turbines. A recent example of tapping into Danish experience with wind turbine technology is that Envision Energy in March this year signed a contract with Danish component supplier LM Glasfiber who is to deliver a new type of blade for 1,333 of Envision Energy's 1.5 MW wind turbines. The contract entails that LM Glasfiber has to establish another factory in China to produce these new blades.¹² Similar to Suzlon and Envision Energy, BYD had located its test facility in Denmark mainly due to Danish subsidies for electric cars, favorable tax policies, and an excellent infrastructure of the Danish renewable energy cluster. Many, especially Indian, pharmaceutical companies have in various ways contemplated investing in the Danish biotech cluster and one company, Hikal, eventually bought a majority share in the Danish pharmaceutical trading company Marsing. Cosco and Four Soft have through their acquisitions in Denmark been able to tap into the excellent physical, commercial, regulatory and human infrastructure supporting the Blue Denmark cluster. While there are several examples of strategic-asset seeking investments in Denmark, there are also numerous examples of such investments that never materialized. For instance, during the boom in the Indian investments to Denmark in 2004-05, several strategic-asset seeking investors in the biotech industry were on their way to invest, however, the investments were never realized with one or two exceptions.

4.3. Entry modes

Most of the investments were acquisitions, either partial or full acquisition. Many acquisitions maintain a Danish ownership share after the acquisition and thus became joint ventures, although in all cases, the Asians have majority ownership. The reason why the Asian investors maintain Danish ownership could be that they have little experiences in operating with and integrating a European activity and therefore want to maintain a committed local management. It could also be in order to ensure a smooth transition to foreign ownership. Thus, it appears that downstream oriented investors maintain Danish ownership in order to align the incentive structure of the previous owner with the interest of the new owner. Those investments that were R&D oriented, e.g. Reliance, Suzlon and Zhejiang New Jialian were always fully controlled by the Asian promoter, most likely due to IPR concerns. Apart from Reliance, the R&D oriented investments were greenfield.

Several unconventional entry modes were detected, for instance that the Danish acquisitions in some cases were incidental consequences of acquisitions in other countries (Reliance) or that the investments essentially were representative offices to support strategic alliances between Danish companies and companies in the home country (Indian IT).

4.4. Organization and integration

In particular, strategic-asset seeking investments need to be integrated in the global organization of the investing firm, as the purpose of the investment is to learn and upgrade based on the investment. Consequently, the R&D oriented subsidiaries in particular were tightly controlled by the Asian, partly through full ownership, partly through direct management oversight by Asian managers. The need for integration of market seeking investments appears less pertinent. Thus, market seeking acquisitions such as Four Soft and Penta Shipping were running rather independently, at least initially. The need for internal strategic and organizational alignment was modest as long as the subsidiaries generated revenues. However, as the acquisitions matured, it appears that the Asian owners attempted to integrate the acquisitions and obtain synergies with the global operation, for example, by devising internal divisions of labor, by facilitating global learning, etc.

It appears that several of the Asian MNCs ran into serious problems when attempting to integrate the Danish operations. Some subsidiaries experienced huge internal conflicts and others were divested. In the case of Four Soft for instance, it almost led to a collapse of the subsidiary. Reliance on the other hand failed to develop its R&D unit in Denmark, which together with the impact of the financial crisis, resulted in the company filing for insolvency of the Trevira Group. Also, the strategic asset seeking investments by Avesthagen ceased after an initial effort. Several explanations for these apparent problems of integration can be offered. One is that these investments, as with all FDI, may run into difficulties, especially for acquisitions, which were common among the Asian investors. But there could also be explanations specifically related to the fact that these firms were from Asia. With high cultural distance, chances of clashes may increase. Moreover, newly internationalizing Asian investors, may have been inexperienced with operating subsidiaries in European countries and lacked the organizational and managerial resources to integrate the subsidiaries.

4.5. Summary

So, are the Asian investments in Denmark conventional or latecomer types of investments? Essentially, we found evidence of both. On the one hand, we found that many of the Asian investors are investing in Denmark to upgrade global capabilities in higher-value-added activities related to sales, marketing, and R&D, as well as to consolidate and expand regional and global market positions in mainly business-to-business markets. Moreover, one of the hypotheses of conventional FDI literature is that Asian MNCs will seek market access in industries with mature technologies, where production is being phased out in Western countries owing to the huge production externalities and the growing cost-based competition from emerging markets. However, in our sample we see virtually no such examples. Indeed, the Chinese and especially Indian investors appear to be exploiting and developing advantages in frontier technologies both within services and manufacturing. For instance, several of the Indian investors are strong in knowledge-intensive industries such as renewables, pharmaceuticals, and IT, and appear to base their investment strategies on advanced technologies, high knowledge intensity, and on cutting-edge strategies and organizational modes. Likewise, Chinese investors such as BYD, with their investment in developing and testing battery-driven cars, are moving right to the technological frontier. The abilities of the Asian firms to combine high technology and know-how with a low-cost base cannot be underestimated.

In terms of entry modes, many of the investments were partial or full acquisitions. This could be in line with the latecomer theory as acquisitions are often instruments of accelerated internationalization. When the Asian investors maintained Danish ownership this appeared mainly to be aimed at aligning the interests of the previous Danish owner with that of the Asian firm. But where the investment was strategic asset-seeking in R&D, the Asian investors went for full control. We also identified many alternative entry modes such as representative offices and strategic alliances, suggesting, in accordance with the latecomer theory, that Asian investors are flexible and innovative in adopting entry patterns. Some of the market-seeking investors in Denmark did indeed adopt a staged entry, starting with small trade-supporting joint ventures, evolving into more ambitious operations. This was the case with the IT companies and Penta Shipping.

The Danish engagement has far from been positive for all Asian investors. Several investment projects never got off the ground, others were divested. Some of the surviving investments have performed badly, and it has proven very difficult for investors to capitalize on their investments and obtain global synergies. Thus, the linkage, leverage, and learning abilities seen as key characteristics of DCMNCs in latecomer theory find little support in our sample. So while the rapid acquisitions seemed to confirm the latecomer hypothesis, the failure to succeed appears to confirm hypotheses that we may see unsuccessful DCMNCs, owing to a volatile combination of weak organizational, managerial, and strategic capabilities and easy access to credit, predisposing problems in the operations phase.

5. Conclusions and implications

This paper gave a brief overview of the Chinese and Indian investments in Denmark and discussed whether these investments were expressions of something new or just conventional types of investments. To our knowledge, no similar analysis of Asian investments exists and the study thus offers novel insights into Asian investments seen from a small open economy's point of view.

A lively debate takes place within IB as to the nature of the rising Asian investments. Some are arguing that these investments can comfortably be understood through the lenses of conventional FDI theory, while others hold that they are expressions of a new type of investors arriving at the international business scene. Holding the patterns of Chinese and Indian FDI in Denmark up against the two

theoretical positions, we find that the Asian investors are indeed unconventional in several respects. Rather than being staged market seeking entries in mature industries, many of the investments are strategic asset seeking in technological frontier industries, evidently aimed at augmenting capabilities upstream or downstream in the investing firms' value chain or improve the global strategic positioning of the investing firm. But it also appears that the strategic ambitions of the Chinese and Indian investors in many cases were shattered by problems of integrating and thus reaping the strategic rents of the investment. Moreover, many planned investments never took off. This could support the hypotheses that the Asian investors lack the organizational and managerial capabilities to organize and integrate acquisitions. In other words, the Asian investors may have lacked the firm specific advantages that could allow them to capitalize on their initial country specific advantages based on a low cost base and easy access to credit.

Of course, important caveats of these conclusions must be kept in mind, for example, that the sample of Asian investments in Denmark is small and that the profile of Asian investments in Denmark may be different from that of other European countries.

Where the welfare and policy implications of Danish investments in India and China has received a lot of attention in Danish debates, very little has been said about Chinese and Indian investments in Denmark. The investments from China and India may currently be few and scattered, but they are almost certainly the vanguard of a much larger inflow of Asian investment in the future. As China and India move to the premium league of economies, it becomes increasingly important for a small, open economy like the Danish to secure investments from these countries. This is partly because Asian investments in Denmark are a prerequisite for accessing the low cost base of the Asian markets, in particular India's knowledge base and China's manufacturing base. But it is also because the Asian MNCs are becoming global leaders within their industries. Although their initial motive for investing in Denmark has been to access assets, in the longer run they may invest to further develop those assets, thus contributing to building Danish competitiveness. Companies like Four Soft and Suzlon are indicative of this possibility.

To attract investments from the Asian giants poses huge challenges for Danish FDI policy. For a small country like Denmark it is probably insufficient to rely on perceived advantages to attract Asian FDI. Denmark needs to differentiate itself among other large and small countries as it lacks the domestic

market size to make it a natural investment target. In this situation, government promotion and facilitation of inward foreign direct investment becomes essential. In retrospect, it is clear that government action has been crucial to the first wave of Indian and Chinese investments, for example, tax policies, subsidies, infrastructure provision, support of higher education and research, and in general, the promotion of clusters. Thus, most of the Asian investors went for the Danish clusters in renewable energy, biotech, or shipping, which have been strongly advertised by Danish investment promotion authorities. However, the Asian investors were not just locating value-adding activity within these clusters: they were targeting R&D or the sales and marketing talent capabilities of these clusters. A possible policy implication could be that cluster development should focus not on general cluster development, but on building optimal conditions for the location of specific high-value-added functions within these clusters.

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End notes

¹ In particular, the Danish National Banks FDI database, a special run from FT FDI markets database, and Chinese and Indian Embassies' homepages.

² E.g. on Chinese investment in Italy (Pietrobelli et al, 2009), or Indian investments in western countries in general (Anwar et al, n.y.; Pradhan, 2007).

³ Roughly equivalent to Dunning's (1988) ownership specific and location specific advantages in the OLI framework.

⁴ Sources: Four Soft's Annual Report 2008-09, information from Four Soft's homepage: www.four-soft.com, and interviews with management of Four Soft Nordic.

⁵ Sources: Interviews with Penta Shipping Managing directors and Cosco Holdings Company. 2008 Report to the Hong Kong Stock Exchange.

⁶ A teus is the equivalent unit to the content of a 20 feet container, which amounts to 34 cubic meters.

⁷ Sources: Suzlon's Annual Report 2008-09, information from Suzlon's website www.suzlon.com, and interview with Chief Executive Officer of Suzlon Wind Energy A/S and Suzlon Energy A/S.

⁸ Sources: Interviews with management of Danish Investment Promotion Agencies Invest in Denmark and Copenhagen Capacity, information from home page of BYD www.byd.com, Conference Paper by Hua Wang: 'Betting on Chinese 'Electronic Cars? Analysing BYD's Innovation Capability,' Paris, June 2009, and '2009 benchmarking Study by World Bank of FDI policies and investment promotion agencies', Washington, 2009.

⁹ "The Chinese challenges DONG on electric cars." 17.05.2010. www.byd.com

¹⁰ Sources: Based on Business Week August 2009; Fagligt Fællesforbund, Juni 2004 (<http://forsiden.3f.dk/article/20040624/LONARB/40624022>), Midtjyllands Avis 28.11.2009 (<http://www.infomedia.dk/ms/GetArticleFull.aspx?outputFormat=Full&duid=e1c97255>), ICIS Connect June 2009 (<http://www.icis.com/blogs/india-chemicals/2009/06/reliance-struggles-with-troubl.html>).

¹¹ "Neckelmann skrumper igen." 15.04.2010. Midtjyllands Avis.

¹² "China's Envision Energy orders LM Glasfiber's new wind turbine blade." 10.03.2010. www.investindk.com