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Abstract

The aim of this study is to investigate how German and Norwegian cultural traits influence companies in their Foreign Direct Investment (FDI) decision-making in South East Asia. The propositions evaluated in this paper help to investigate how cultural concepts may influence Foreign Direct Investment determinants, foreign entry mode, operation organization, risk assessment and decision making variations in the companies. An exploratory multiple-case study is used to explore the cases, and cross-analysis is used to draw relevant conclusions.

Key words: Foreign Direct Investment, Organizational Culture, Strategic Decision-Making

CHAPTER 1: INTRODUCTION

The scope of this thesis is to examine how the course of action varies for Norwegian and German companies when investing in different risk environments in South East Asia. We do this by examining the effects of home country culture traits on the strategic foreign direct investment (FDI) decisions within the companies. The core of our study is therefore the variances in the decision-making process within German and Norwegian companies. To analyse this, we look at the processes the companies go through in their investing activities in South East Asia.

The focus on South East Asia (SEA) is bound in an aim to give the work added specificity with a focus region. Moreover, the economic development of the region has been influenced substantially through the inflow of FDI in the past (Diaconu 2009). South East Asia`s challenging environment remains interesting for future FDI through ASEAN initiatives, such as the ASEAN Economic Community (AEC), free trade agreements and further predicted trade liberalization, ensuring future relevance of the conducted research (Petri, Plummer, and Zhai 2010) (ASEAN 2011b).

We have conducted a qualitative study of the FDI decision-making process in German and Norwegian companies. This is determined by the lack of previous research, specifically in the SEA region. To gain insight on how and why the behaviours of the companies differ, we used multiple-case studies, and focused on in-depth interviews with executives responsible for the SEA region or the specific FDI project.

The main area of our research is to study the effect of home culture traits in the FDI decision-making process of the companies. We consequently explore the concepts of culture prevalent in the two investor nations, and their influence on FDI determinants, foreign operation mode and operation organization. Additionally, we seek answers on how these cultural prerequisites influence risk management and decision-making processes within the companies through our developed propositions.

Based on our research aim and our interest on how national culture and varying risk characteristics in the host nation can affect FDI decision-making, we will explore the overall research question:

“How does the course of action vary for Norwegian and German companies when investing into different risk environments in South East Asia?”

1.1 Thesis Overview

We believe that home culture traits can play an important role in the FDI decisions of a company, when faced with different risk environments. In this thesis we develop propositions to enhance our understanding of this issue. The rest of the thesis is structured as follows: first, we give a concise introduction to the ASEAN region and the four specific host nations, where our investigated FDI projects occur. Second, we show the theory platform, which forms the point of origin of our research. This section also features the foundations of our ten propositions. Third, we present the methodology used, before introducing our four case companies. Lastly, the thesis finishes with an iteration of our analysis and conclusion, before limitations and considerations for future research are presented.

CHAPTER 2: THEORETICAL PLATFORM

With this chapter, we aim to present the theoretical foundation that forms the basis of our research. Our study's investor nations, Norway and Germany, and host region, SEA, will be presented. Also, the propositions related to each theoretical section will be introduced in the text.

2.1 The Importance of FDI

Foreign investments reflect "the aim of obtaining a lasting interest by a resident entity of one economy (direct investor) in an enterprise that is resident in another economy (the direct investment enterprise)" (Duce 2003, 2). Foreign loans, portfolio investment and FDI are main types of foreign investments. Hymer (1976) differs the two latter investments by focusing on investor control. If the investor directly controls the foreign operation, it can be defined as FDI. If the investor does not control the foreign operation, it is a portfolio investment (Hymer 1976). The exchange of ownership, in the form of mergers and acquisitions, has become an important part of foreign investment flows, especially during the 1990s (Lipsey 2004). Direct investments by multinational corporations have grown significantly over the last decades (Markusen and Venables 1999).

Economic growth and foreign investments have been positively correlated by several researchers (Markusen and Venables 1999), (Lipsey 2004) and (Duce 2003). It is found that FDI positively contributes to create technological externalities, such as knowledge spill overs for the host nation, which can aid to jump-start an economy (Alfaro 2003). Also, FDI has a positive effect on domestic companies' factor productivity and the prosperity to export (Markusen and Venables 1999). These effects have also been found to varying degrees in the studied region of SEA (Plummer 2009). At an industry level, foreign investments influences the competitive environment as the added competition change the supplies and demands within the industry (Markusen and Venables 1999).

However, foreign investments have also received criticism. Looking at the home country, low wages and exploitation of workers may occur due to fierce competition on costs (Lipsey 2004). Unemployment due to the relocation of production to lower cost countries is another challenge. In host countries, the additional competition can be harmful to the local industries as host country businesses are replaced by larger MNCs (Lipsey 2004). Still, Markusen and Venables (1999) state that the increased competition in one country may be favourable to other sectors or industries, both in the local market and abroad. New trade links may even reduce a country's flexibility and disrupt traditional and old production techniques (Lipsey 2004).

Most studies find that foreign investments, either alone or combined with other factors, can be correlated with growth in developing countries (Lipsey 2004) (Blomstrom, Lipsey, and Zejan 1994). Still, if the development countries are divided into lower- and higher-income countries, only the higher-income countries experienced growth related to foreign investment (Blomstrom, Lipsey, and Zejan 1994). According to Bhagwati (1978), inward FDI could be both favourable and unfavourable for the host country, depending on the incentives by the national trade policies. In developing nations, foreign-owned companies offer a higher wage level than the local businesses. Lipsey and Sjoholm (2001) find evidence in the SEA nation Indonesia that the wage increases permeate throughout the sector influence local businesses. It is also found that foreign-owned companies have a higher production output than the local plants (Lipsey 2004). FDI promotes exports rather than to compete with exports. The presence of MNCs has resulted in a shift where unskilled labour-intensive production can be located in developing countries, whereas skill-intensive and capital-intensive production is found in developed nations (Lipsey 2004). Finally, (Kwok and Tadesse 2006) see FDI as a catalyst for institutional improvement, in particular concerning corruption. The same applies to positive pressures on the host nation`s political environment as multinational corporations factor in the political circumstances into their FDI projects (Biglaiser, Li, and Malesky 2012).

2.2. Investor Nations

In order to give insight to the cultural artefacts that may influence our case study partners, we first turn to Hofstede, who in his extensive research explored a multitude of nations on similar cultural dimensions (Hofstede, Hofstede, and Minkov 2010). The results of Norway and Germany can be found in Appendix 1, while we in the following give a more detailed overview of each nation, including FDI and cultural traits.

2.2.1 Germany

Germany has the largest economy in Europe and the fifth largest economy in purchasing power parity (PPP) in the world. The country is a large exporter of machinery, vehicles, chemicals, pharmaceuticals and household equipment (CIAFactbook 2014b). Germany is currently a member of the TOP 10 investing nations in FDI, placing 6^{th} overall and 2^{nd} in Europe behind the United Kingdom (UNCTAD 2013). The country mainly invests in European union nations, with the Netherlands and the United Kingdom being the main targets, whereas internationally the USA, China and Brazil are the main destinations (Statista 2012). Singapore and Malaysia are the countries which have received most FDI in South East Asia, over the period 1997 - 2005 (Hattari and Rajan 2008).

Flamini (1997) and Schmidt (1999) describe the German work environment, as a place where high quality and efficiency are pursued, beginning with extensive apprenticeship training programs ("Ausbildung"). In order to advance in the hierarchy driven work environment, proactive initiative is less valuable than training, qualification and experience. Meticulous planning and long-term orientation are essential both in large corporations and the German "Mittelstand", that are small and medium sized companies, mostly family owned businesses. Scheduling and consensus-building are seen as ways to reduce possible failure to a bare minimum (Schmidt 1999). German business culture is highly formalized and task-oriented with personal connections and trust formed over a relatively long period of time (Flamini 1997) (Schmidt 1999). Henceforth, German management often has a high technical and product quality focus, while features such as creativity and people management are less visible, and especially public enterprises and large corporations are often described as bureaucratic (Schneider and Littrell 2003). This is also evident when considering that employees see a manager as one to establish order ("Ordnung") as a main attribute to success. Managers are responsible for uncertainty to be reduced to a minimum. This means that if unforeseen circumstances or scenarios occur, they ought to be countered quickly in the best case with already existing precautionary action plans (Schneider and Littrell 2003). These features are also present in business negotiation style, which commonly tend to be long-lasting and consists of in-depth evaluations before a decision on the project is made (Schmidt 1999). German negotiators are presented as cooperative and pursuing an integrative approach, placing a high emphasis on "win-win" outcomes, while adhering to the agreed contract specifications (Schmidt 1999) (Graham, Mintu, and Rodgers 1994). These German foundations are also present when establishing subsidiaries abroad, as a high product and technical focus with centralized R&D units approval is often encountered, while a more diversified and decentralized approach is taken towards other local management activities, such as marketing (Geppert, Williams, and Matten 2003).

2.2.2 Norway

Norway is heavily dependent on natural resources, such as petroleum, fish, forests and minerals (CIAFactbook 2014e). Manufacturing and business services are other important industries that make important contributions to the country´s GDP (Warner-Soderholm 2013). The country is the third-largest gas exporter and seventh-largest oil exporter in the world (CIAFactbook 2014e). Norway's economy is stable and productive, consisting of both a strong private and public sector. Small and medium sized enterprises play a dominant role in the Norwegian economic environment, and account for approximately 99 % of the companies in Norway (Regjeringen 2013). The petroleum industry is particularly important as it accounts for a considerable part of the country's export revenues with nearly half of the country's exports. The industry has greatly contributed to the country´s economic growth and the extensive welfare system. Norway imports most goods from its neighbour countries Sweden and Denmark, in addition to Germany, China, Denmark, UK and USA (Warner-Soderholm 2013). Regarding export of goods, UK, Netherlands, Germany, Sweden, then France and USA are the main importers for Norway (Warner-Soderholm 2013). In 2012, Norway´s stock of FDI abroad amounted to NOK 1300 billion (StatistiskSentralbyrå 2014). The largest share of Norwegian FDI can be found in Europe, with Sweden as the largest receiver. Europe accounts for 65 % of the outbound FDI, followed by America with 18 % and Asia with 10 % (StatistiskSentralbyrå 2014). The U.S. is the second largest FDI destination, followed by Singapore and the Netherlands. Other important FDI destinations are Denmark, Great Britain and Belgium/Luxembourg (StatistiskSentralbyrå 2008). For Norwegian MNCs, both efficiency-seeking and market-seeking FDI is of great importance. In addition, resource-seeking based FDI has in recent years also become a central factor for investing across borders.

Oil and gas, in addition to renewable energy, account for a considerable part of Norway´s outward FDI (Benito 2010).

“Egalitarianism” forms a strong fundament in Norwegian culture, and there is a low acceptance of unequal distribution of power (Hofstede, Hofstede, and Minkov 2010). Ekelund (2009) and Hampden-Turner and Trompenaars (1994) found that Nordic companies have a less centralized decision-making process as managers delegate decisions to employees to a greater extent than what is common in other countries (Granli 2012). The high degree of informality and strong emphasis on cooperation are other typical characteristics of Scandinavian cultures (Gesteland 2005). The strong sense of “fellowship” in the Norwegian culture and a strong fundament of “soft” values can be seen in the consensus-based value orientation and decision-making style typical of Norwegian managers (Granli 2012) (Hofstede, Hofstede, and Minkov 2010). This is also reflected in the “work to live” attitude, where balance between work and private life is of great importance (Hofstede 1991). Norwegians are also considered to be less risk assertive (Hofstede 1991).

2.3 Host Nations

With our research, we want to explore the FDI decision-making done by German and Norwegian companies when investing into South East Asia (SEA). Therefore, a compact overview over SEA and the host nations is given.

2.3.1 South East Asia

In this text, SEA will be used simultaneously with the Association of Southeast Asian Nations (ASEAN), which was founded in 1967 and has since developed into the region`s community organization; discussing political, economical and socio-cultural issues among the 10 member states[1] (ASEAN 2014a). The economical development in SEA has been heavily influenced by the inflows of FDI over the past, with annual inflow growth rates averaging 19 % over the last decade for ASEAN in total. Hereby, the low-cost production base has helped to generate a substantial inflow of export-oriented FDI into the region in the past

[1] Indonesia, Brunei Darussalam, Myanmar, Thailand, Philippines, Cambodia, Malaysia, Singapore, Vietnam, Laos

(Diaconu 2009). Moreover, policy efforts to attract FDI into and within ASEAN were made at an early stage (Mirza and Giroud 2004).

In the last two decades the region has had an annual growth of 5% on a yearly basis, despite two major crises (Petri, Plummer, and Zhai 2010). This process is continued and strengthened by the introduction of the ASEAN Economic Community (AEC). The AEC is expected to begin in 2015, with the aim of a deeper regional economic integration via a single market and production base. These actions enable ASEAN to be a highly competitive region, which is integrated into the global economy while ensuring an equitable economic development for all the member states (ASEAN 2014b). Numerous areas of cooperation have been established, such as human resources development, closer consultations on macroeconomic and financial policies or intra-regional industry integration, to name just a few. In short, this should transform ASEAN into a region with free movement of goods, services, investment, skilled labour, and free flow of capital (ASEAN 2014b). Economic researchers expect the value of the AEC to be substantial, with ASEAN gaining stronger connections to the world economy and a welfare increase of 5,3 % region-wide (Petri, Plummer, and Zhai 2010). Specifically concerning future FDI, AEC is viewed as an accelerating factor for most member states with the notable exception of Singapore, which is already attracting a high level of inward FDI on a global scale (Petri, Plummer, and Zhai 2010). In the meantime there exists a common framework (ACIA) concerning FDI into the region; each member country can however maintain different strategies when aiming to attract foreign investors (ASEAN 2014b). In combination with ACIA and AEC, future trade facilitation is argued to benefit South East Asia`s cost competitiveness further, building on its already relatively low tariff and non-tariff barriers.

The region is likely to maintain a high infrastructure and service sector standard, while further inter-regional transport and infrastructure projects may yield additional benefits, such as equalizing the current differences between low and moderately high export and import costs between member states (Shepherd and Wilson 2008). The ASEAN nations have agreed to further follow this path on trade facilitation, infrastructure development and harmonization of investment guidelines in the future. Moreover, the region has signed a number of free trade agreements with Asian and Pacific neighbours (China, Japan, Korea, India, Australia and New Zealand) in order to remain an attractive investment region (ASEAN 2011a). Currently, investment flows into ASEAN have been trending upwards for a number of years due to regional economic performance with the main sources of external inflows being the European Union (18,3 %), Japan (13, 4%) and the United States (8,5 %), while inter-ASEAN flows account for 11,2 % (ASEAN 2011a).

We have decided to extract information from only a limited number of ASEAN member states. Initially, we aimed to find case study company partners in at least two of the following countries: Singapore, Thailand, Indonesia, Vietnam, Malaysia, Myanmar and Cambodia. Singapore will hereby be the proxy for a more conservative investment in terms of country risk and economic infrastructure whereas all other countries are considered to have more challenging business environments. The logic for attempting to gain case study partners in some of these countries is that they present different challenges and opportunities for potential foreign investors through differing political systems, cultural society mixes, geographic characteristics, varying market sizes and being at different stages in their economic development. We found two case study partners in Singapore and one case study partner in Malaysia, Myanmar and Cambodia. A short introduction to the specific countries is given below.

2.3.2 Singapore

The city-state of Singapore, with its 5.3 million inhabitants, is the most powerful economic nation in ASEAN. The former British colony profits from its thriving port through which a large portion of international trade passes (BBC 2014b). Singapore has a highly developed free market economy, which heavily depends on the exports of consumer electronics and pharmaceuticals. More recently, the nation also began to profit from the growth in the financial service sector (CIAFactbook 2014f). The nation is the largest recipient of FDI in ASEAN having received approximately half of the FDI investments through to 2011 (ASEAN 2014c). This is further evidenced as the country is ranked 8th on a global level for FDI host nations (UNCTAD 2013). In contrast to the other examined nations Singapore itself, is also a large FDI investor country ranked 16th in the world (UNCTAD 2013).

The above-mentioned status has not always been the case as Singapore increased its GDP per capita from USD 500 to USD 15.000 in the first 30 years of its existence. By doing so, Singapore became the nation with the quickest development in the past century (Schein 1996). A main contributor to Singapore´s development is credited towards the Singapore Economic Development Board (EDB), which promotes FDI into Singapore. Having first attracted investments as a manufacturing site, Singapore is now aiming to promote services and attracting higher technology enterprises in order to build clusters of raw materials, common technologies and marketing opportunities (Schein 1996). The EDB aims to build Singapore to a regional hub, trying to attract value-added activities such as marketing and research and development, in order to provide Singaporeans with training and further upward mobility opportunities (Schein 1996). Singapore has been aided in this quest by macroeconomic stability, an open trading system and a flexible labour market (Carling and Bercuson 1995). Furthermore, Singapore´s strengths include economy-friendly policies and an excellent infrastructure that are supported by a highly efficient administration. In addition to this, the country has been able to become a financial centre as it is one of the most open economies worldwide and provides tax and other incentives, such as the absence of formal exchange controls, which provide a high degree of capital mobility (Carling and Bercuson 1995). This is also evidenced by the country being second only to Hong Kong when it comes to economic freedom with high scores in all four assessed areas of rule of law, limited government, regulatory efficiency and open markets (Heritage 2014d).

Singapore`s status as a global city and its consumption opportunities make it an attractive expatriate and tourist destination (Chua 1998). On the downside, Singapore`s labour costs are high and the country itself has a small market size in comparison to the other ASEAN nations. An ever-increasing threat is the low birth rate and consequent population decrease. However, the country tries to counter by offering opportunities in high-technology industries and investing into ecologically sustainable industry parks, and infrastructure systems in its further city development (GTAI 2013b).

2.3.3 Malaysia

The Federation of Malaysia, with a population of 29.3 million people and its capital Kuala Lumpur, is a multi-ethnic and multi-religious nation (BBC 2014a). The country shares borders with Singapore, Thailand and Indonesia (ASEAN 2013). The former British colony has evolved to a middle-income country, diversifying its economy from the export of raw materials to an emerging multi-sector economy. The country is aiming to reduce its export-dependency by increasing domestic demand and attracting further high value-added industry to complement its electronics, oil and gas, palm oil and rubber industries (CIAFactbook 2014c). In Malaysia, the public sector is very strong, and the national level institutions greatly influence the business system in the country. However, Malaysia has shown willingness to adapt its private sector solutions to achieve "best value" (Rowley and Warner 2006). Hence, the country allows 100 % foreign ownership in certain industries (ASEAN 2013). Malaysia has increased its FDI stock from 54.2 billion US Dollar from 1999 to 116.1 billion US Dollar in 2011 (Ramstetter 2012). In the meantime the country has seen a reduction in FDI stock/GDP ratio coming from 67.49 % in 1999 to 46.88 % in 2011 (Ramstetter 2012). Moreover similar to Singapore, the country has been able to attract ever increasing inward FDI on an annual basis, although on a lower overall scale (UNCTAD 2014).

Since its independence, Malaysia has been a unique case in combining a high economic growth rate, while introducing affirmative action programs in order to combat unequal ethnic economical development, through policies such as the New Economic Policy (NEP) (Snodgrass 1995). The country has achieved economic growth while ameliorating the twin economic problems of poverty and racial inequality through a rise in overall living standards and a more equal income distribution (Athukorala and Menon 1999). The economic policies since its independence have varied to a certain degree, as early *laissez-faire* policies and post-colonial economic diversification, combined with limited import-substituting industrialization and rural development ended with the 1969 "racial riots" (Sundaram and Wong 2008). This was followed by a period of larger state intervention, evidenced by the previously mentioned NEP, in order to further develop rural areas and equalize ethnic economic development. Although export-oriented manufacturing and larger oil revenues allowed this policy to continue for some time, eventually high foreign debt levels and an economic slowdown have led to ever increasing economic liberalization and privatisation efforts (Sundaram and Wong 2008). According to the World Economic Freedom Index, Malaysia still has some work to do in order to achieve a higher position, currently being 37th on a worldwide basis. Nevertheless, the country has achieved improvements in 7 of the 10 economic freedoms, most notably investment, financial, labour and business freedom (Heritage 2014b). The biggest hindrances to further success are relatively high corruption and consequent uneasiness about the rule of law, further by certain non-tariff barriers that hinder agricultural and automobile imports, while FDI rules have been liberalized, although manufacturing project screening persists (Heritage 2014b). Athukorala and Menon (1999) view the upgrade of the educational level of the workforce as another main factor in order to achieve the desired step towards entering high-tech and human-capital intensive business areas in the nearby future.

Withstanding those limiting factors; if Malaysia can further build on its strengths of an opening economy, a young relatively educated workforce, and an improving infrastructure, the country may well become such an attractive FDI target as predicted by the World Investment Report. This report lists the country in the TOP 20 of prospective host economies (GTAI 2013a) (UNCTAD 2013).

2.3.4 Cambodia

The Kingdom of Cambodia, with its capital Phnom Penh, is home to a population of approximately 15 million (ASEAN 2013). The inhabitants are predominantly Khmer (90 %) who follow the Buddhist religion and are organised in a hierarchical society with a collective focus (ASEAN 2013). The country shares borders with Thailand, Lao PDR and Vietnam, and profits from the irrigation of the Mekong River and a tropical climate (ASEAN 2013). Cambodia`s economy is heavily dependent on garment production, construction, agriculture and tourism (CIAFactbook 2014a). The growing tourism sector, with up to 2 million foreign visitors per year and the increase in the garment industry, supplies 70 % of the nation’s exports, and account for most of the 7 % annual GDP growth rate between 2010 and 2013 (CIAFactbook 2014a). However, the nation faces numerous challenges such as a poor and uneducated population, limited basic infrastructure, especially in rural areas, and a high income inequality

(CIAFactbook 2014a). This is also evidenced by its lowly standing in the Index of Economic Freedom, being placed as the 108^{th} on the list. The country is considered “mostly unfree”, with its main weaknesses being corruption, limited business freedom and a weak and inconsistent judiciary system (Heritage 2014a).

Consequently, Cambodia is among the lowest recipients of FDI in SEA ranging at levels below 5.000 million US Dollars per year from 2007 until 2011, with a high dependency on FDI inflows from China (ASEAN 2012) (Freeman 2002). Moreover, the country still suffers long-term consequences from the Khmer Rouge era under Pol Pot. He and his Khmer rouge comrades, persecuted non-Khmer ethnicities and foreigners, while force-evacuating city dwellers and intellectuals, in order to impose his ideal of a simple Khmer peasant (Bergin 2009). In the process a quarter of the population died from starvation, torture or labour in an effort to collectivise the entire nation into a communist farming state (YaleUniversity 2014). Since 1998, the country is run by prime minister Hun Sen, whose politics and long-term grip on power have come under scrutiny, while recently violent labour protests from garment workers for higher wages and better living conditions have been reported (Spiegel 2014) (O' Keefe and Wong 2014). Nevertheless, since the 1990`s the country is moving for a triple transition from war to peace, authoritarian rule to democracy and has developed since, embracing a market-based economic system in the 1980`s and increasing global trade relations through normalization of relationships with the USA and EU nations. By doing so, the country has gained market access to these regions (Gill, Huang, and Kharas 2007) (Hughes 2012). Having achieved an average annual growth of 8 %, the country expects to move forward from being a mostly agricultural society to a more developed nation; becoming a World Trade Organization member in 2004 (Gill, Huang, and Kharas 2007).

2.3.5 Myanmar

Myanmar, also known as Burma, with its capital Rangoon (Yangon) is the second-largest nation in SEA with a population of approximately 54 million inhabitants (ASEAN 2013). The nation is situated among China, India, Bangladesh, Lao PDR and Thailand, and offers a large potential for tourism, covering diverse interests with religious temples, beaches and mountains (ASEAN 2013). Most of the population are of Burmese decent, and Buddhism is the main religion although a large proportion of the population continues to live in ancient cultures and has yet to be touched by Western civilization (ASEAN 2013).

The former British colony has been under military rule since 1962 and the country still suffers the economic repercussions of the "Burmese Way to Socialism", a self-reliant and inward-looking policy used until 1988 (Steinberg 2001) (Thein 2004). Since 1988, a market oriented period under military rule followed. Due to the ruling military`s disregard for democracy and human rights it has been avoided by international trading partners and hindered by international sanctions (Steinberg 2001) (Rarick 2006). The country changed to a civilian government in 2011 under Thein Sein, and has since released a number of former political prisoners, most notably Noble Peace Prize winner Aung San Suu Kyi. By doing so, the country fulfilled conditions for the lifting of the imposed international trade sanctions (Topich and Leitich 2013). Numerous countries, such as the USA, have allowed their companies to openly invest resources into the country and Myanmar has since begun to attract FDI and re-connecting its economy to the world (Topich and Leitich 2013) (CIAFactbook 2014d). The Wall Street Journal has since named Myanmar as the "Final Frontier", since companies aim to establish themselves in this new market with large growth potential, also evidenced by the country surpassing Cambodia`s FDI levels in recent years (UNCTAD 2014) (Barta 2012).

The country still struggles with the transition from military rule to a civilian government and faces ethnic struggles between the predominantly Buddhist majority and the Muslim-minority Rohingya (Schulz 2013) (Perez 2014). It is the lowest placed country in our study, ranking 162 in the Index of Economic Freedom (Heritage 2014c). The country also ranks 36th out of 42 in the Asia-Pacific region, as it struggles with key indicators such as rule of law, regulatory efficiency and the government`s and public enterprises influences on developing an open-market economy. However, the military`s previous spending and budget deficits have contributed to high inflation levels throughout the years (Heritage 2014c) (Dapice 2003).

Myanmar can also report progress after having reversed conditions for international assistance and donor organizations while its abundant natural resources and young workforce have attracted substantial FDI in the years 2012 and 2013. The country will however need substantial time to counter its lack of basic infrastructure, the problem being an uneducated workforce and endemic corruption (Dapice 2003) (Heritage 2014c).

To summarize the annual inward FDI stock to the ASEAN region as a whole, and the host countries in this thesis, we have included a table below:

Annual Inward FDI Stock in million US Dollar				
Inward FDI	**2009**	**2010**	**2011**	**2012**
Cambodia	5 176	5 958	6 850	8 413
Malaysia	78 995	101 620	115 064	132 400
Myanmar	7 958	8 752	9 667	11 910
Singapore	480 202	593 593	625 745	682 396
ASEAN	875 086	1108 916	1200 860	1319 242

Source: UNCTAD (2014)

2.4 The Concept of Culture

Culture is a broad concept, and despite extensive research, an explicit definition of "culture" does not yet exist. Without an operationalized definition, the concept is difficult to measure and quantify (Sekaran 1983). Many of the cultural definitions refer to culture as a set of shared values, beliefs and practices (Van Oudenhoven 2001). Ralston et al. (1996) state that "culture may be viewed as those beliefs and values that are widely shared in a specific society at a particular point of time" (Grenness 2003, 10). Other researchers emphasize the dynamic aspects of culture. Fukuyama (1996, 211) claims that "…culture is not an unbending, primordial force, but something shaped continuously by the flow of politics and history".
According to Hofstede (2014b), "Culture is what enables a group to function smoothly". Furthermore, Hofstede (2014b) upholds that there are different levels of culture that people relate and adjust to: the national level, the organizational level, the occupational level and the gender level.

Organizational culture is defined as "the collective programming of the mind that distinguishes the members of one group or category of people from others" (Hofstede, Hofstede, and Minkov 2010, 6). Organisational researchers use culture to define the various similarities and differences that have an effect on people´s behaviour (Sekaran 1983). While organizational cultures are rooted in practices, national cultures, in contrast, are rooted in values (Hofstede 2014b) (Van Oudenhoven 2001). Existing research indicates that national culture will to some extent be reflected in the organizational cultures of companies (Van Oudenhoven 2001). However, organisational culture is also considered to be unique within each organization. It is assumed that organizational culture characteristics will vary to a smaller degree on a national level, and indicate greater variations on a cross-country level. Several other factors are considered to exert an influence on organizational culture as well, such as differences in size, industry, and branch and region. These factors may even reduce the influence of national culture (Van Oudenhoven 2001).

Culture may have an affect on both situational perception and behaviour (Hall 1976). There is reason to believe that culture has a considerate impact on organizations, as norms, roles, routines and values are embedded in social behaviours and the development and structures within all organizations (Sekaran 1983). Cultural differences can represent a barrier to the internal knowledge flow (Ambos and Ambos 2009), performance (Morosini, Shane, and Singh 1998), entry mode strategy (Kogut and Singh 1988a) and the transfer of organizational practices (Kostava 1999). Therefore, MNCs have to adapt their entry strategies, organizational forms, and internal procedures to successfully manage these differences (Johanson and Vahlne 1977). The discussion mentioned above leads us to the assumption that the national cultural characteristics of Germany and Norway may play a role in company behaviour when investing in foreign territories. This leads us to the foundation of our research; whether German and Norwegian cultural traits are embedded in the companies' organizational cultures, and how this influences foreign investments in SEA.

2.5 Decision-Making Process

Here, we will explore the decision-making process that occurs during FDI projects. Initial research on this topic uncovered the FDI decision-making process to be a highly complex social process, containing various individual and organisational behaviour sub contexts, which is influenced by prior internationalization experience and predictions for the future (Aharoni 1966). While there is continuous debate amongst researchers on triggers of FDI, increased commitment during information seeking stages, or the prevalence of the initial form of investment, relative unity perseveres in the form that an FDI project is a strategic decision (Larimo 1995) (Aharoni 1966) (Wahab 1977).

In this section, we will therefore elaborate on the second (alternative consideration and information collection) and third stage (evaluation, choice and authorization) of Mintzberg, Raisinghani, and Theoret (1976) strategic decision-making framework, with a specific focus on the information channels used, the organizational structure envisioned and the subsequent autonomy of the new FDI subsidiary.

In the information seeking stage, Larimo (1995) found that most companies focused on country, target company/JV partner and locational information, which was later to be screened with its internationalization or case specific policy. In previous research, companies are found to engage in an active information search and employing various information channels (Larimo 1995) (Seringhaus and Mayer 1988) (Haley and Tan 1996). One of those channels are trade missions, which provide information about the relevant market and have the additional benefits of a known profile and a network within the target market. However, not all companies use this opportunity, as they either prefer to invest into other consultancy or have the required experience and resources to tackle the emerging issues on their own. The more experienced companies become, some view the involvement of a trade mission as a hindrance in flexibility and independence (Seringhaus and Mayer 1988).

In the specific region of SEA, with its different cultural and economic developed nations, information is a scarce resource according to Haley and Tan (1996), who attribute this to the three specific clusters of government enterprises, high involvement of expat Chinese businesses with paternalistic and hands-on decision making and multi-national corporations. This has led to different decision-making styles in the region, which may differ substantially from the Western-focus on holistic extensive data and information source appraisal that may puzzle unaccustomed executives to the region (Haley and Tan 1996). This contributes to the importance of gaining access to experienced sources and networks within the region. Thus our proposition is:

P1: The German and Norwegian companies will seek different information channels in order to make informed decisions in the diverse environment of SEA

After the initial stage of information gathering, companies must decide which role their FDI project or subsidiary is to play in the organizational structure. The prevalent literature discusses multiple models of hierarchy and heterarchy, and global strategies which form a basis for this decision, while considering the prevailing local circumstances in the host nation (Birkinshaw and Morrison 1995) (Porter 1986) (Doz and Prahalad 1984) (Prahalad and Doz 1999) (Hedlund 1994). In essence, three archetypes are commonly used within literature: local implementer, specialized contributor and global mandate (Birkinshaw and Morrison 1995). The local implementer is limited to a single country, and has a constrained product and value-adding scope, and is often described as a "miniature replica" (Poynter and White 1984). A specialized contributor subsidiary is specialized in a certain activity with vast expertise. Also, being highly integrated within the multinationals corporate framework and thereby representing the archetype of Porter's "pure global" strategy (Porter 1986) (Birkinshaw and Morrison 1995). The third archetype is connected with headquarters to implement global strategies, often being globally or regionally responsible for an entire business or product line, with an unconstrained product and value-adding scope (Poynter and White 1984). Henceforth, we arrive at the following proposition, for the organizational structure for FDI projects in SEA:

P2: The German and Norwegian companies will use different organizational archetypes to integrate their FDI projects in SEA into their overall company structure

The choice of organizational structural archetypes is closely linked to the autonomy granted towards the FDI project/subsidiary both in its initiation stages as well as in its further operation stages. This autonomy may vary according to the control mechanisms employed by the company, which are commonly categorized into bureaucratic or cultural control of either outputs or behaviour desired by the subsidiary. Depending on environmental factors, the role of the subsidiary and its current performance, both the bureaucratic and cultural control hold various advantages and disadvantages in allowing more or less autonomy to the subsidiary

(Baliga and Jaeger 1984). The challenge for the executive management is to allow the local FDI project enough autonomy to adjust for local specificities while simultaneously ensuring an integration to broad guidelines to secure the group's overall global competitiveness (Doz and Prahalad 1984). Henceforth, we propose the following statement:

P3: The German and Norwegian companies will offer different levels of autonomy to their foreign subsidiaries, with higher autonomy expected in lower risk environments

2.6 Country Risk and Foreign Direct Investments

In order to explore and evaluate the reasoning behind the decision-making process in our featured Norwegian and German companies, it is paramount to have a clear understanding of which factors that influence FDI. Furthermore, FDI is generally incorporated into the overall business internationalization strategy of a company, deeming the decision in which country to invest. A review of FDI determinants and internationalization modes with a special focus on country risk is presented below.

Before focussing on other commercial and strategic determinants, it is essential not to underestimate the effect of country risk on the eventual decision. Defining country risk is challenging due to the complexity of the several factors that can be linked to the term (Bouchet, Clark, and Groslambert 2003). Usually, country risk is based upon the assumption that different countries have unique risk profiles, and that variations in the economic, political and social environment are likely to increase the risk of FDI inflow (Bouchet, Clark, and Groslambert 2003). The lack of a conceptualization of the term creates difficulties to identify the relevant variables related to country risk. According to Hillson (2009, 7), "risk is uncertainty that, if it occurs, will affect achievement of objectives". Nordal (2001, 198) states that country risk is "the unique part of the investment's risk caused by the location within national borders". Cross border investments and country risk are closely associated, and is a great concern for international business, especially financial institutions (Canuto, Santos, and Porto 2004). Nordal (2001) suggests the following variables of country risk: economic risk, commercial risk and political risk. Economical risk includes components such as contract viability, profits repatriation or payment delays (Busse and Hefeker 2007). Commercial risk refers to the risk related to specific foreign investments, including fulfilment of contracts with both local partners in a specific market or MNCs (Nordal 2001). Political risk is the likelihood that political decisions, events, or conditions in a country will have a negative affect on the business environment (Howell and Chaddick 1994). However, political risk and country risk are closely correlated and partly overlapping, and the terms have been used interchangeably (Bouchet, Clark, and Groslambert 2003). Busse and Hefeker (2007) found three indicators of political risk that are closely associated with FDI: government stability, religious tensions, and democratic accountability. Corruption is also considered as an important determinant, whose level of importance for FDI flows is debated amongst researchers (Busse and Hefeker 2007). Corruption is one of the most challenging obstacles to economic growth for developing countries, including the ASEAN members (Quah 1982). The institutional environment in a given country affects the level of corruption, which also influences the level of local attractiveness. Risk assessment is furthermore influenced by the distance between investor and host nations (Ionascu, Meyer, and Estrin 2004). Researchers have distinguished between institutional, psychic, and other forms of distances. Prevalent models include important work from Ghemawat (2001), Kostava (1999), Johanson and Vahlne (1977, 24) and Scott (2013).

The way MNCs approach and consider country risk differs greatly. While some MNCs set up an own staff department fully committed to the task of assessing the risks of each country, others merely rely on brief country evaluations and standard financial proposals (Leavy 1984). Blank (1980) found that MNCs engaged in systematic assessment of country risk tend to focus on the following variables in order of importance; stability, FDI climate, exchange controls, taxation, political attitudes to FDI, social unrest, administrative practices, and public sector industrial activities (Blank 1980; Leavy 1984, 143). We therefore suggest the following proposition:

P4: The German and Norwegian companies' risk assessment of FDI opportunities will differ in form and standardization

In order to give an impression of the country risks present in SEA, we have summarized the results of relevant agencies below.

Sovereign risk can be defined as "credit risk associated with operations involving credit for sovereign states" (Canuto, Santos, and Porto 2004, 5). The purpose of the credit rating agencies, including the three main agencies Standard & Poor´s, Moody´s, and Fitch, is to measure a country´s level of sovereign risk (TheGuardian 2013). Therefore, the various sovereign ratings are crucial for international capital market activities of the private sector (TheWorldBank 2011). Loosing a rating or being downgraded can have a severe effect on the country´s ability to borrow money (TheGuardian 2013). Yet, several developing countries are not rated by the three main international rating agencies (WorldBank 2011). Myanmar is amongst these countries that are currently without a rating (TheGuardian 2013).

Euromoney Country Risk (ECR) rates a country´s credit score based upon the following main indicators: economic characteristics, political characteristics, structural characteristics, debt characteristics, access to capital and credit ratings (ECR 2014b). The credit rating score assigned to any country are scaled from 0 – 100, where 0 = maximum risk, and 100 = no risk. The ECR scores can then be categorized into five Tiers. Singapore can be found in Tier 1 with an ECR score of 87.48. This Tier can be equated with a credit ranking AA and above (ECR 2014d). Malaysia can be found in Tier 3 with a score of 64.75. This Tier can be equated with a credit ranking of BB+ to A- (ECR 2014c). Both Cambodia and Myanmar can be found in tier 5, the lowest Tier. Cambodia has an ECR score of 26.45 (ECR 2014a), and Myanmar has an ECR score of 21.38 (ECR 2014). This Tier can be equated with a credit rating of D to D-. There are great difficulties finding data from these countries.

A great issue in SEA is the high level of corruption. Transparency International's Corruption Perceptions Index 2013 ranks countries and territories based on how corrupt their public sector is perceived to be. Corruption is measured on a scale of 0 – 100, where a score of 0 indicates a high level of corruption, and a score of 100 indicate that a country is perceived as very clean (TransparencyInternational 2014). Here, Malaysia has a score of 50, Cambodia has a score of 20 and

Myanmar has a score of 21. In contrast, Singapore has a score of 86, and has the fifth highest ranking out of 177 countries included in this index (TransparencyInternational 2014).

In addition to country risk, the predictability of a nations attractiveness as a target for FDI is a complex issue evidenced by the large body of literature. Beginning with the question: “Why nations trade?”, Ricardo (1955) established the notion of a nation’s competitive and comparative advantage in producing a specific good. Since the FDI decision is generally not made by a nation, but of an individual company, it is easier to predict which given circumstances would diminish host nations attractiveness. A country being more distant and more stringent in its rules on foreign investments is therefore perceived as unattractive (Caves 1996).

With the exception of Singapore, the countries included in our research are all emerging nations, and therefore the focus will lie on the determinants of FDI in these environments. Historically, FDI were contrary to the capital-arbitrage rule, mostly observed between the so-called “triad” of the United States of America, Western Europe and Japan (UNCTAD 2013). In recent times, the number of recipients has broadened substantially with the developing world receiving approximately an equal share of FDI inflow. On the other hand, FDI sources remain closely connected to the developed world, who contributes the majority of the investment outflows (UNCTAD 2013). This is mirrored in the prospective FDI investments of transnational companies whom are most likely to invest in a number of developing nations according to the World Investment Report. Here, an assessment of which is mirrored in the AT Kearney FDI Confidence Index 2013 where developing nations are far more numerous with eight Asian nations in the TOP 20 (UNCTAD 2013) (ATKearney 2013).

In the opinion of Caves (1996), FDI investments occur due to three main reasons. Firstly, in the case of natural resource companies, the foreign subsidiary is used to integrate the resources vertically into the company. Secondly, the subsidiary is established to serve the local market. Thirdly, it serves the role as an export hub. In the two latter cases, the relative small market size of most developing economies leads to an extensive use of one of the two options, but it is rarely observed that a developing market is both used as a market and as an export hub.

In terms of domestic oriented subsidiaries, the difference between industrialized and developing host nations seems to be little when determining where to invest. The company looks for congenial industries in the host nations and tariff incentives in industries that depend on proprietary assets (Nankani 1979) (Morley and Smith 1971). These subsidiaries are especially drawn to countries with high growth rates in domestic demand and a reduction in protective tariffs. On the other hand, export oriented subsidiaries are more concerned with tax rates and quality adjusted labor costs (Lecraw 1991). With this in mind, we see reason to assume that our findings may support the following propositions:

P5: The German and Norwegian foreign investments may function as a local market provider and focus on increasing the national presence in both high and low risk environments

P6: The German and Norwegian foreign investments may function as a coordination centre and focus on developing the overall SEA region with a preference for low risk environments

Further to explore the FDI projects in our research effectively, it is paramount to understand which other reasons and purposes underlie the FDI projects. Early internationalization theory, such as the Uppsala model, suggests that the more experienced a company becomes (and hence gains a competitive advantage) the more likely it is to further invest in a destination (Johanson and Vahlne 1977). A company evolves from servicing a market through exports or licensing agreements to establishing its own base (Blonigen 2005). This may also happen directly as a company may be inclined to protect intangible assets, such as technologies or managerial skills (Blonigen 2005). This is strongly connected to the transaction cost approach, meaning that a company will only choose to internalize an activity, when the transaction costs of the approach are lower than the previous at arm’s length operation, e.g. change from independent local distributor to own sales department in a foreign country (Williamson 1981).

In this event, a company is afraid to be harmed by possible market failure, which can be ruled out through internalizing the transaction (Blonigen 2005). This approach is also present in the OLI framework, or eclectic paradigm, by Dunning

(2000), which helps explain a company's choice to internationalize. In the ownership sub-paradigm, the companies choose a country where their competitive advantage is greatest, especially in regards to the local competition. In the locational paradigm, the company will choose to undertake its operations in the certain region or country if the needed natural or created endowments for the value adding process are immobile. Lastly, the internalization sub-paradigm showcases the different ways a company may organize the exploitation of the present resources (Dunning 2000). A company can therefore have four objectives when internationalizing through FDI: 1) market seeking FDI, to satisfy a foreign market or region, 2) resource seeking, to gain access to a certain resource, unskilled labour or natural resources, 3) efficiency seeking, to achieve an efficient allocation of labour or specialization in between the multiple plants of the company, and 4) strategic asset seeking, meaning that it seeks a protection of the specific competitive advantage the company has gained or the reduction of the competitive advantage of a competitor (Dunning 2000).

In addition to the three propositions suggested in this part, we will showcase further factors that although they are not the main parts in our research are too important to be ignored. We therefore have summarized these below as they add to the understanding of the companies´ behaviour.

Blonigen (2005) argues that companies are affected by a number of factors, starting with the exchange rate between the company's home market and the FDI location. Numerous researchers provide evidence that currency depreciation in the target nation will lead to increased inward FDI (Froot and Stein 1991) (Klein and Rosengren 1994). The logic behind this effect is if FDI by a company is motivated to acquire assets that are transferable within a company across many markets without a currency transaction (e.g., company-specific assets, such as technology, managerial skills, etc.), and then an exchange rate appreciation of the foreign currency will lower the price of the asset in that foreign currency. However, it will not necessarily lower the nominal returns (Blonigen 2005). Another factor that is mentioned throughout the relevant literature is taxation. However, since investing companies underlie at least two taxation systems, their parent and host country systems, the effects of taxes on FDI can vary substantially by type of taxes, measurement of FDI activity, and tax treatment in the respective tax systems

(Blonigen 2005). At this moment in time it is therefore difficult to quantify the overall affect of taxation on FDI projects.

Two other factors that are to be considered in a FDI project are the host countries institutions and its trade protection policies, which are closely connected to country risk as discussed above. The quality of institutions is an important factor for a multitude of reasons, particularly for developing nations, such as ASEAN states that are examined in this paper. First, poor legal protection of assets increases the chance of expropriation of company assets. Poor quality of institutions hinders the development of a well-functioning market. This and the potential occurrence of corruption, increases the cost of doing business. Second, inefficient institutions extent into a poor infrastructure, which again decreases the potential profit from a FDI project (Blonigen 2005). While these basic hypotheses are non-controversial, estimating the magnitude of the effect of institutions on FDI is difficult (Blonigen 2005).

Most trade economists see the hypothesized link between FDI and trade protection as fairly clear (Blonigen 2005). Higher trade protection measures are likely to influence companies to substitute affiliate production for exports to avoid the costs of trade protection. This is also known as tariff-jumping FDI (Blonigen 2005). Finally, the author notes that trade effects are the most commonly cited motivation for FDI, as it substitutes for exports to a host country (Blonigen 2005). One can think of exports as involving lower fixed costs, but higher variable costs of transportation and trade barriers. Servicing the same market with affiliate sales from FDI allows one to substantially lower these variable costs, but likely involves higher fixed costs than exports (Buckley and Casson 1981). Other researchers also point to the strategic pressure within the company's industry, and the company´s own capabilities when determining its internationalization steps, with one example being Solberg´s nine strategic windows (Solberg 1997).

2.7 Foreign Entry Mode And Operation Organization

In order to succeed in a new market, the selection of entry mode and subsequent operation organization has to consider the company´s objectives and resources, the characteristics of the market and the competitive environment (Solberg 1994). The choice between the generic entry mode types needs to be in line with the company's overall strategy for the target country or region. The decision has to be taken under the consideration if the unit is to be used solely in market seeking terms or if sourcing motives are also taken into account (Asmussen, Benito, and Petersen 2009). When market seeking is the main motive for venturing abroad, the individual foreign market may be an acceptable unit of analysis, especially when the company pursues a multi-domestic strategy and treats markets on a case-by-case basis (Bartlett et al. 1995). However, a company whose global strategy requires a stringent coordination of spatially dispersed activities may find it beneficial to analyse the interdependencies between those units when establishing a foothold in a new market (Asmussen, Benito, and Petersen 2009). The foreign operation mode (FOM) choices can be interlinked when the choice in one country affects the relative attractiveness of the options for the other. The primary reason is that there is scarcity of inputs (managerial, financial and physical resources) that are required for the undertaking of FDIs in most companies. In order to use these limited inputs in the most beneficial fashion, a company may therefore seek to standardize their FOM, thereby benefiting from economies of scale (Asmussen, Benito, and Petersen 2009). This standardization also engineers intra-mode learning (Padmanabhan and Cho 1999), as the units in different countries may learn amongst each other while using the same FOM.

Kale, Dyer, and Singh (2002) point out that the continuous use of JV partners in different nations, may increase the company's alliance capabilities, increasing its expertise in JV management and speeding up future market entry endeavours. The decision and which mode to choose, may also be influenced by the 1) general knowledge from operating internationally, and 2) the market-specific knowledge present within the company. While Johanson and Vahlne (1977) argue in their first model that the higher the specific knowledge of a market becomes, the higher the subsequent commitment of a company. Hence, the focus is drawn towards market-specific knowledge. One may also take into account their revisited model, where they argue that not only the initial "foreignness" of a company may be a hindering source, but to be in the relevant networks is crucial (Johanson and Vahlne 2009). This is in line with Clark, Pugh, and Mallory (1997), whom emphasize that prolonged prior international activity will give a company more knowledge of the process of internationalization and furthermore a development of networks. Based on these pre-conditions the company may also answer the question differently on how to allocate the managerial capacity needed for the project and how much decision making power to entrust on its local unit managers. In the organizational design literature, two main avenues are discussed. First, a delegated approach in which lower level managers is given decision-making power concerning their areas of responsibility (in this case: FDI project, country strategy). The second approach being a "rules-based configuration" where the local management is to follow a strict pattern set in place by higher management (in this case: HQ, top management or regional HQ) on how to successfully establish the project (Chandler 1990) (Child 1972) (Hage 1965) (Zeffane 1989). With this in mind, we may find support for the next proposition:

P7: The German and Norwegian companies have developed different standardized paths when establishing their FDI projects in SEA

It is essential to bear in mind that the FOM decision is not static, but may evolve during the business operations in the foreign market. The business decision to change FOM can be based on a number of factors, and prior research has indicated that some companies move along sequentially from one stage to the next in developing their international activities (Calof and Beamish 1995). Cavusgil and Nevin (1981) note that further management commitment to or change of a FOM will be determined by internal company factors such as the differential company's advantages, management aspirations for certain business goals (e.g. market development), management perceptions of further international business results and the organizational commitment to international business activity. The company evolves internally to accommodate for further internationalization or foreign market commitment, for instance moving from an experimental exporter to a committed market presence (Cavusgil 1984). Companies may increase their commitment to international business gradually as evidenced by the research of Johanson and Wiedersheim-Paul (1999), who found that Swedish companies and companies from smaller home-markets tended to internationalize gradually and in relatively comparable patterns. Contrary evidence exists as well, suggesting that step-wise internationalization is not necessarily the norm. Numerous researchers point out that companies from a variety of home-countries and investing into a multitude of host economies either skipped certain steps or moved more aggressively than suggested by the stages approach. Examples include UK companies in the United States (Newbould, Buckley, and Thurwell 1978), Swedish companies in Japan (Hedlund and Kverneland 1985) or UK companies in the European Community (Millington and Bayliss 1990). A reason why companies may not follow the strict step-by-step patterns can be attributed to the external environment they encounter when establishing operations in a foreign market. In their research of Canadian companies, Calof and Beamish (1995) name numerous external stimuli for FOM changes: government policy changes, competition intensification or acquisition opportunities, which influenced management´s original intentions. Another important factor is the actual performance of the foreign business entity in its current format, which may lead to actions by management if not performing as desired (Calof and Beamish 1995). Hence, it is prudent to assume that management decision about the original FOM and continuous alternations of the operation mode, are indeed influenced by a number of internal and external stimuli (Calof and Beamish 1995). In line with Calof and Beamish (1995), we therefore propose the following:

P8: The German and Norwegian companies will be influenced to different extents by internal and external stimuli during their stepwise approach in SEA

2.8 Propositions

The propositions have been developed throughout the processes of writing the theory platform. The purpose of these propositions is to aid us to answer the research question.

Here, the propositions are repeated in the exact order they have been presented in the theory platform, and will feature in the following analysis and discussion:

P1: The German and Norwegian companies will seek different information channels in order to make informed decisions in the diverse environment of SEA

P2: The German and Norwegian companies will use different organizational archetypes to integrate their FDI projects in SEA into their overall company structure

P3: The German and Norwegian companies will offer different levels of autonomy to their foreign subsidiaries, with higher autonomy expected in lower risk environments

P4: The German and Norwegian companies' risk assessment of FDI opportunities will differ in form and standardization

P5: The German and Norwegian foreign investments may function as a local market provider and focus on increasing the national presence in both high and low risk environments

P6: The German and Norwegian foreign investments may function as a coordination centre and focus on developing the overall SEA region with a preference for low risk environments

P7: The German and Norwegian companies have developed different standardized paths when establishing their FDI projects in SEA

P8: The German and Norwegian companies will be influenced to different extents by internal and external stimuli during their stepwise approach in SEA

CHAPTER 3: METHODOLOGICAL APPROACH

Before venturing into the analysis and discussion, we will summarize the used methodology.

3.1 Research Design

Yin (1994, 20) defines research design as “a logical plan from getting from here to there, where here may be defined as the initial set of questions to be answered, and there is some set of conclusions (answers) about these questions”. Frankfort-Nachmias and Nachmias (1992, 77-78) state that research design “guides the investigator in the process of collecting, analysing, and interpreting observations. It is a logical model of proof that allows the researcher to draw inferences concerning causal relations among the variables under investigation”.

There are three main purposes of research design: exploratory (understand), descriptive (develop) and explanatory (discover) (Marshall and Rossman 2011). The selection of research design must be both feasible and fit the purpose of the research. Due to the lack of existing literature on the topic of this thesis, we have selected an exploratory research design. This design is suitable for studies that have a broad focus, but where important variables may be undefined (Cooper and Schindler 2011). Exploratory research aims to broaden the general understanding of the selected research topic, and aids us to find answers to our research question:

“How does the course of action vary for Norwegian and German companies when investing into different risk environments in South East Asia?”

However, it is necessary to be aware that any research design comes with its limitations. As stated by Patton (2002, 223), “There are no perfect research designs. There are always trade-offs”.

3.2 Qualitative Research

According to Payne and Payne (2004, 34), qualitative research “assume that sociological understanding should be based in the meaning that social actors themselves bring to particular social interactions. Understanding and theories grow inductively out of what is studied”. Qualitative research can deploy a wide-range of empirical materials, such as case study, observation, interview, focus groups, personal experience and cultural texts, amongst others (Denzin and Lincoln 2011). According to Yin (1994), the use of numerous sources of information is one of the strengths of qualitative studies. Qualitative techniques are also considered to be more suitable for topic exploration (Cooper and Schindler 2011, 143).

3.2.1 Case Study Strategy

Case studies can be defined as “an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not clearly evident” (Yin 1994, 13). The case study approach allows the researcher to analyse complicated circumstances, and categorize these into specific thematic categories and concepts, so that it creates a foundation for new theory (Eisenhardt and Graebner 2007). Both qualitative and quantitative methods can be used in case studies.

Yin (1994) further describes three conditions that are relevant when selecting the research strategy. A case study is the best-suited strategy when (a) the research question takes form as “how” or “why”, (b) the study focus on relevant behavioural events that cannot be manipulated by the researcher, and (c) the focus is on current events (Yin 1994, 5).

These prerequisites fulfil the purpose of our research, and we have therefore opted to use the case study approach.

3.2.2 Multiple-Case Study Design

Our research has a multiple case study design. Multiple-case studies are based on the logic of replication, and consists of carefully selected cases that either predicts similar results or contrasting results with predictable reasons (Yin 1994). Our study consists of four cases, which is considered to be few cases by Yin (1994). However, if the cases are carefully selected, a low number is not considered a weakness. In regards to two-nation studies, as long as the cases are carefully systematically integrated and analysed, it is not discouraged (Sekaran 1983). Harley (1999) further states that multiple-case studies consist of a thorough investigation of two or more organizations, or groups within organizations, that will provide an analysis of the context and the processes involved in the phenomenon that is being researched. The results from multiple-case studies are considered to be more robust and compelling than single-case studies (Herriott and Firestone 1983).

3.2.3 In-depth Interviews

We have chosen to gather our main information from the case study partners through in-depth interviews. In-depth interviews have been described as "a construction site of knowledge" where relevant topics are discussed (Kvale 1996, 2).

In-depth interviews are one of the most important sources of data in case studies as they can provide information that is not accessible through secondary sources (Yin 1994). Marshall and Rossman (2011) support this, and state that direct communication (e.g. interview) is important if a deeper understanding of the research topic is needed. The authors further claim that in qualitative case studies, the main sources of data are both thorough literature searches and in-depth interviews (Marshall and Rossman 2011). However, there are some weaknesses related to the use of in-depth interviews. First, there is a danger that the information gathered in interviews might be biased, as the interviewee may also give inaccurate answers that can result from bad recall or misinformation. The interview object may also attempt to give answers based on what he or she believes are the answers the researcher wants to hear (Yin 1994).

3.2.4 The Interview Guide

In order to counter the weaknesses mentioned above, the use of an interview guide is considered appropriate. Patton (2002, 341-347) categorises three general types of interviews: 1) the informal, conversational interview 2) the standardized, open-ended interview, and 3) the interview guide. The interview guide is a more structured approach, where the interview is scheduled and the questions and/or topics are prepared. The interview object may or may not have seen the interview guide beforehand. In our case, we sent out the interview guide beforehand to ensure that the interviewees were familiar with our research topics. This approach is common in qualitative research (Patton 2002). When conducting a multiple-case study, using an interview guide is useful to ensure a structure with cross-case comparability (Yin 1994).

3.3 Data Collection

In case studies, the data analysis is an ongoing process. In the early phases of the study, existing literature will contribute to the development of the theoretical framework, and shape the design of the specific case study (Yin 1994). It is therefore crucial to develop the theory before the collection of case study data. One strength with case studies is the possibility to use several sources of information, which allows the researcher to investigate a broader range of issues, while the findings are considered more accurate and convincing (Yin 1994). Moreover, in-depth interviews are considered to be one of the most important sources of information in case studies (Yin 1994). This, combined with a through literature research, have allowed us to identify and investigate a broad range of issues related to our thesis.

In total, we conducted four in-depth interviews. Three of the interviews were done over the phone, as we were located in Oslo while our interviewees from Evonik and Jotun were positioned at the foreign offices in SEA. In the case of Volkswagen, the interviewee was located at the HQ in Germany. The fourth interview with DNV GL was conducted face-to-face in Oslo.

3.4 Data Analysis

Analysing evidence for a case study can be challenging. Therefore, it is particularly important to keep in mind how that data is to be analysed even before the collection of data (Yin 1994). Otherwise, there is a risk of collecting data that is not possible to analyse. Yin (1994, 111-116) suggests three general strategies for data analysis: 1) relying on theoretical propositions, 2) thinking about rival explanations, and 3) developing a case description. We have selected the first strategy, relying on theoretical propositions, as our case study is based upon certain propositions. Yin (1994) recommends the selection of an analysis technique that can be used together with the selected strategy. We will conduct a cross-case synthesis, a technique that is suitable if a study has more than two cases (Yin 1994). Furthermore, we believe that this technique correlates with our research design and qualitative research, and enables us to compare and contrast our information in the best way possible.

Through our interviews, we have generated information about Norwegian and German foreign investments in Malaysia, Singapore, Myanmar and Cambodia. Based on this, we were capable of evaluating our previously mentioned propositions. Apart from the main cross-case synthesis of the home country comparison, we were also able to gain some insight into the market risk comparison.

3.5 Evaluation Of Methods

One can determine the quality of research designs by using specific logical tests of reliability and validity (Yin 1994). This is necessary throughout the whole process in order to ensure the quality and credibility of the study.

3.5.1 Validity

Validity is described as the fit between selected theories, models or concepts and the description of reality (Gummerson 2000). Opposed to quantitative research, qualitative research cannot control various threats beforehand by the use of, for example, sampling strategies or statistical manipulations. In qualitative research, the validity threats have to be dealt with during the research by the use of the collected data evidence (Maxwell 2005). There are no methods that can guarantee or ensure that a research has captured the relationship between the conclusions and reality (Maxwell 2005). Therefore, Maxwell (2005, 109- 114) has defined a "checklist" consisting of several strategies that can be used to rule out validity threats and increase the credibility of the conclusions in qualitative research. This "checklists" include intensive and long-term involvement, rich data, respondent validation, and comparisons, which we have used throughout or research.

3.5.2 Reliability

Reliability refers to the degree of which a test is free of measurement error (Pedhazur and Schmelkin 2013). "Is it possible to replicate the results?", is the question that is commonly asked. Similar to validity, to which it is closely connected, issues of reliability may be complex (Pedhazur and Schmelkin 2013). In an exploratory case study, we face the issue of replicating the setting and conversation. We are aware that each interview was open to changing responses to the same questions; hence an exact replication is unfeasible. However, we are confident that within the short timeframe, most of the subjects would give the same answers to the discussed issues. We also try to ensure this by providing an interview protocol to each interviewee in the short timeframe after the original conversation to ensure no important points were missed.

Yin (1994) proposes the following reliability measures, which we have done to the best of our abilities. These include:

- An overview of the case study project (objectives, issues, investigated topics)
- Case study questions (specific questions used by the researcher during data collection)
- Field procedures (check of credentials of information source)
- A guide for case study report (outline, narrative format)

With this, we have followed the important elements that make a case study reliable (Yin 1994).

CHAPTER 4: CASE STUDY COMPANIES

Similar to our previous country section, here we will give a concise overview of our case study partners, by introducing each company in a short summary.

4.1 Volkswagen AG

The Volkswagen Group with HQ in Wolfsburg, Germany is one of the leading automobile producers in the world and the largest automobile producer in Europe (Volkswagen 2014c). The company began its internationalisation due to the success of its first iconic automobile model, ”the Beetle or Käfer”, which was sold in foreign markets as early as the 1950s (Rana, Mowla, and Mowla 2005). In contrast to the other members of the German Big Three, BMW and Daimler, Volkswagen´s product development and market concentration was not limited to Germany (Pries 1999). Whereas BMW and Daimler used to sell their premium models sporadically and in niche quantities, Volkswagen focused on the middle and lower car segments, mainly through the ”Käfer” and began early CKD (complety-knocked-down) production at an early stage in Brazil (1953), Mexico (1954) and South Africa (1956) (Pries 1999). Today Volkswagen AG consists of two main business areas, the ”Automotive” Division in addition to the Financial Services Division (Volkswagen 2014d). The Group consists of 12 brands, originating in seven European nations. The brands Volkswagen, Seat, and Skoda are volume car brands. While Audi, Porsche, Bugatti, Lambhorgini and Bentley are premium car brands, which in addition to motorcycles from Ducati form the passenger car offering. Scania, MAN and Volkswagen Nutzfahrzeuge are found in the commercial vehicle and power engineering offering (Volkswagen 2014d).

The Volkswagen Pkw brand itself, is one of the most successful volume producers worldwide, with 70 car models sold to customers in 150 countries, with the majority of sales achieved in China, Germany and Brazil (Volkswagen 2014e). Volkswagen Group´s cars are produced in 106 production plants worldwide, and the brand achieved 5,9 million deliveries in 2013 (Volkswagen 2014e). The Volkswagen brand uses the slogan ”das Auto”, and aims to stand for innovative, value-holding and reliable cars (Volkswagen 2014e).

CEO Prof. Dr. Winterkorn is quoted that through the desire for innovation, perfection and responsible behaviour Volkswagen Group wants to be at the top of the automobile industry by 2018, both on economically and ecologically terms (Volkswagen 2014e). In order to achieve this goal The Volkswagen Group strategy 2018 has four main sub-goals (Volkswagen 2014b):

1) Volkswagen wants to be the world's best at customer satisfaction and quality
2) Volkswagen wants to achieve a yearly sale of over 10 million cars until 2018
3) The pre-tax return on sales should achieve a minimum of 8 %
4) Volkswagen wants to become the most attractive employer in the automobile industry

One of the sub-goals of 10 million sales per year is to be achieved through an expansion in North America, increased market penetration and a more balanced global footprint, through emerging market expansion, such as SEA (Volkswagen 2014e). This would build on Volkswagen´s current success in Asia, where its two major markets are China and India. Since the opening up of the People's Republic of China 30 years ago, Volkswagen has become the largest automobile seller in China with a market-share of 20,8 % and sold 2,8 million cars in 2013 (Volkswagen 2014e). The other major market for the Volkswagen Group is India, where its brands Volkswagen and Skoda operate factories in Aurangabad and Pune (Volkswagen 2014a). The Volkswagen Group began its quest to increase its presence in SEA in 2012 (WallStreetJournal 2012). Volkswagen is currently operating a production site with DRB-Hicom, assembling Jetta and Polo for the Malaysian car market (Volkswagen 2012) (Handelsblatt 2012a). Moreover, Volkswagen has set-up distribution channels in the Phillipines and its Group production chief Michael Macht is quoted in the Malaysian Insider that Volkswagen will become an active player in the ASEAN region, and is "very much on the road" to achieve this target (MalaysianInsider 2013). Lastly there are plans to establish a production site in Indonesia, according to the Jakarta Globe, who quote the Indonesian industry ministers that a plan to have a running plant in West Java in 2017 is currently being assessed and investment is set to begin in 2015 ((JakartaGlobe 2013).

4.2 Evonik Industries AG

Evonik Industries is headquartered in Essen, Germany and has its core business in specialty chemicals, which it produces in 24 world-wide locations, serving its consumers on a global scale (Evonik 2013). The chemical core business of Evonik is split into three major units, each encompassing other sub units. The Consumer, Health & Nutrition segment focuses on producing chemicals for animal farming, and human health care. While the Resource Efficiency segment provides customers with chemical solutions, such as silica for the tire and automotive industry in the inorganic material unit and the coatings & additives units provides customers with specialized coating and paint solutions. The third and final main business segment is Specialty materials, where the foremost focus is on polymer materials and intermediaries mainly used in the plastic and rubber industry (Evonik 2014c).

Evonik has bundled its strategy into “Evonik 2016”, which consists of three main areas. Growth is the first pillar, and Evonik aims to invest 6 billion Euro to strengthen its market-leading position. It aims to increase its sales in Asia significantly and also wants to offer customers a wider area of products. Meanwhile Germany remains a strategic nucleus, with approximately half of the investment to go into German sites. The second pillar of Evonik`s strategy is Efficiency, where the company has introduced a cost-saving module named “On Track efficiency enhancement program”, which so far has achieved lesser expenditures of 500 million Euro. The company has set up a procurement program specified at investment sites (Best Cost Country Sourcing) and aims to increase plant productivity (Evonik 2014a). Finally, the company aims to achieve this by trusting its values as it aims to be a reliable partner to its customers, while maintaining high levels of diversity and acting as a responsible global citizen (Evonik 2014a).

Evonik Industries makes roughly 25 % of its revenues in Germany. The other major pillar is the Asian market, where it is investing heavily (Handelsblatt 2012b). The company has invested in Singapore, China, South Korea, Japan and India and employs roughly 14 % of its workforce in the region. The company foresees increasing growth potential in the region, which already contributed to 20 % of revenues in 2012, whereof 50 % in China. Asia as a region is responsible for

40 % of overall specialty chemical demand and with annual growth forecasts of 3 to 3 ½ %, the region will be evermore important in the future (Wirtschaftswoche 2012a). However, Asia offers a challenging environment since there is a large diversity between developed nations, such as Japan and Taiwan, middle technology countries like China, and South Asian countries, such as Indonesia, which are aiming to counterbalance their disadvantages (Wirtschaftswoche 2012a). The company`s overall aim is to provide high specialty markets such as Japan, Taiwan and Korea with state of the art technology, while it aims to use its Singaporean site to offer solutions to emerging ASEAN nations such as Indonesia, which offer large natural resources and have large populations with constant growth rates (Wirtschaftswoche 2012a).

Singapore is one of the world`s most important locations for the chemical industry, and is developing constantly (Wirtschaftswoche 2012b). Evonik Industries, whose predecessor Degussa has a long history in the region, is setting up a large animal nutrition chemical plant in Singapore and aims to use its facilities to serve as a hub to the (South East) Asian market (Wirtschaftswoche 2012b). Evonik has two main business units operating in and out of Singapore. One is the Energy Business Area that was established in 2000 and is to evaluate and analyse the market for power plant projects in SEA (Thailand, Vietnam, Philippines, Indonesia and Malaysia). The other is the previously mentioned Chemical Business Area, which on the one hand centres on the subsidiary RohMax Oil which provides customers with high-performance lubricants, while the location is also used as the main hub for marketing and sales activities in SEA (Evonik 2014b).

4.3 Jotun Group

The Jotun Group is headquartered in Sandefjord, Norway, and the company supplies decorative paints and performance coatings within the segments marine, protective and powder coatings, and targets both consumer and business segments. The history of Jotun started in 1920 when the company´s founder, Odd Gleditsch, started a combined paint and ship supply store in Sandefjord, Norway. Based on the potential in paint manufacturing, Jotun Kemiske Fabrik A/S was founded in 1926 (Jotun 2014a). The internationalization process of Jotun started with the establishment of a paint factory in Libya in 1962. Based on the experiences from Libya, Jotun entered SEA by opening another paint factory in Thailand in 1968. The first powder coating factory outside Norway was founded in Thailand in 1978 (Jotun 2014a). Now, Jotun consists of 70 companies in 44 countries and 36 production facilities in 21 countries. In total, the company is present in over 90 countries (Jotun 2014).

The company has a matrix structure that is divided into seven regions that are responsible for the sale of the various products Jotun offers. The company is also structured into four main divisions: Jotun Coatings, Jotun Decorative, Jotun Paints and Jotun Powder Coatings. Jotun has a set of core processes that are implemented across the company, linking the various departments together, helping the company to reach their goal and vision (Jotun 2014c).

Jotun referes to their company culture as “the penguin spirit”, and the penguin has become a unique symbol for the company as it represents both the company´s culture and values. The company puts great emphasis on its company culture, which is also considered to be a key success factor for the company (Jotun 2014c). The use of the penguin spirit aids Jotun to highlight important aspects of the company and how they want to be perceived. The use of the penguin, as an animal mascot, is primarily to help and stimulate internal communication (Jotun 2014b). The company strategy consists of three main elements; 1) Organic growth, with a focus on developing new and existing markets, 2) Four segments, including decorative paints, protective coatings, marine coatings, and powder coatings, and 3) Differentiated approach, combining a global view with a regional and local focus (Jotun 2014c). One important aspect of the strategy of Jotun is to set up manufacturing sites in the individual countries they operate in. Local production enables the company to better adapt to local market demands, and tariffs related to import and export also play a key role for setting up local production (Nilsson 2006). Local production also enables Jotun to compete on high quality, R&D, and customer cooperation, as local national brands usually compete on price.

SEA is one of the main markets for decorative paints besides Scandinavia and the Middle East. Also, powder coatings, protective coatings, and marine coatings are other segments that perform well in the region. Jotun has established manufacturing sites in Indonesia, Malaysia, Vietnam, and Thailand. In addition, the company has sales offices in Cambodia, Philippines, and Singapore (Jotun 2014d). Of the ASEAN countries, Thailand is the largest market, followed by Malaysia. Jotun is experiencing high growth rates in both Vietnam and Indonesia. SEA represents a great potential due to the region´s economical development and rising prosperity, paint consumption is on the rise (Nilsson 2006).

4.4 Det Norske Veritas GL

DNV GL is the world's largest ship and offshore classification society, and it is one of the top three certification bodies in the world (DNVGL 2014a). The foundation opened its first surveyor in China in 1888, and today DNV GL is present in 100 countries with more than 16.000 employees worldwide (DNVGL 2014f).

Norwegian insurance companies founded DNV GL in 1864 as an alternative to foreign classification societies (DNVGL 2014). The foundation was at first rooted in the marine sector, but today DNV GL consists of four main business areas: Maritime, Oil and Gas, Business Assurance and Energy. DNV GL also has independent business units, DNV Petroleum Services (DNVPS) and DNV Software. These units are a part of DNV Oil and Gas (DNVGL 2014f). Another independent unit is Software, which is DNV GL´s in-house software section.

The HQ of DNV GL Group is located in Oslo, Norway. Each of the business areas has an organizational structure with divisions covering all continents. The business areas have different locations for their HQ: Maritime (Oslo, Norway), Oil and Gas (Hamburg, Germany), Business Assurance (Milano, Italy) and Energy (Arnhem, The Netherlands) (DNVGL 2014f).

The foundation has grown rapidly within the last couple of years due to several acquisitions: Cortest Columbus Technologies (CCT) in 2005, Global Energy Concepts in 2008, Behnke, Erdman and Whitaker Engineering (BEW) in 2010, and finally 74,3 % of the shares in KEMA in 2012 (DNVGL 2014). In 2013, DNV merged with Germanischer Lloyd (GL), a German classification society, and the new company operates under the name DNV GL (DNVGL 2014e).

The growth strategy and purpose of DNV GL is based on "Safeguarding life, property and the environment" (DNVGL 2014g). The vision is to create a "Global impact for a safe and sustainable future" (DNVGL 2014g). Conducting business ethically is essential for the foundation, and the purpose and core values of DNV GL clearly reflects the standpoint of never compromising on integrity (DNVGL 2014c). The foundation´s four values focus on fostering a culture of integrity, anti-corruption, and reporting of misconduct (DNVGL 2014c).

SEA is an area of strategic importance to the foundation, as the region is a large hub for international shipping companies, and complex offshore activities. Also, the region is hosting a large maritime cluster (DNVGL 2013). DNV GL recently opened the new HQ for the Asia Pacific region in Singapore, where all of the foundation´s key business areas, namely Maritime, Oil & Gas, Energy and Business Assurance, will be located (DNVGL 2014d). The merger between DNV and GL created a need for better-integrated operations in SEA (DNVGL 2014d).

The table below summarizes the main facts of the case study companies in this section:

Company Overview	Employees	Markets	Products	Revenues 2013	Profit bef. tax 2013
Volkswagen AG	572.800	153	Automobiles	197 bill. EU	12,4 bill. EU
Evonik Industries AG	33.000	100	Speciality Chemics	12,7 bill EU	836 mill. EU
Jotun Group	6.695	90	Paints & Ship Coatings	2049 mill. USD	203 mill. USD
DNV GL	10.532	100	Safety Auditor	12850 mill. NOK	1163 mill. NOK

Source: Volkswagen (2014c), Evonik (2013), Jotun (2013) and DNVGL (2014b)

CHAPTER 5: ANALYSIS

The results of our case studies will be presented in this chapter. Each proposition will be presented and analysed separately, and ends with a conclusion which we have drawn from the analysis.

5.1 Cultural Premise

In the conducted interviews we found evidence that home country cultural traits are embedded in all companies, and in turn influence their actions. All companies consider their strong international presence to be reflected in the company culture. However, we discovered that the emphasis on company culture, and its importance, differed between the Norwegian and the German companies. The Norwegian companies had a strong focus on values, purpose and vision. Norwegian cultural characteristics such as informality, work-life balance and fellowship are observed. The German companies, on the other hand, seemed to be more focused on other tasks that were enabled due to their strong international position, such as innovation, quality, customer orientation, and work accuracy. These findings show support for our initial premise, that German and Norwegian cultural traits are present in the evaluated companies, and in the following propositions we discuss how their culture also plays an important role in their pursuit of different FDI objectives.

5.2 Proposition 1

P1: The German and Norwegian companies will seek different information channels in order to make informed decisions in the diverse environment of SEA

Volkswagen

As an Original Equipment Manufacturer (OEM), Volkswagen sees the presence of well-known suppliers in a market as highly important as the company's investments into a production site is a long-term step. This is therefore part of its information gathering. In the planning process, the company tries to gain a thorough market understanding using consultancy firms, automobile organisations, state-owned and semi-state owned agencies, administrations, legal firms, banks, and if present own local people (e.g. sales management or import agent). Volkswagen always dispatches a "field team" in order to secure this understanding, and all information is presented to the TOP management involved in the relevant project. Volkswagen further makes extensive use of the German Chamber of Commerce (DIHK), as it sees DIHK expertise as one of the first stepping-stones in order to gain in contact with local administrators and potential suppliers. DIHK is highly valued, and was instrumental when Volkswagen established its sales organisation in Malaysia prior to the current FDI project.

Evonik

Evonik tries to gather its information through employing people and setting up primary market research function in which it explores the market. Furthermore, Evonik uses a mix of private and public experts to gain an understanding of the market, relying on industry peers, public authorities, and the national chamber of commerce. The presence of other German companies is not a key criterion for the company as the overall market development and technological infrastructure play a more important role. The interviewee also noted that a high level of expertise acquired in Asia allows the company to make an educated estimation of the information relatively quickly.

DNV GL

Before entering a new market, and during the entry process, DNV GL uses both internal information and own experiences in addition to external actors when gathering information. Structures set in place by the Norwegian government will be used if applicable, such as Innovation Norway. DNV GL has its own legal team, but for certain markets local teams are also involved in the process. If the foundation does not have the required competencies, this will be acquired from outside players. DNV GL is therefore reliant upon several local actors in the markets in which they are present. The existence of other Norwegian companies in ASEAN is considered a plus, however not a driver.

Jotun

Jotun uses a variety of different information channels. The company always use local, reputable legal firms in order to be familiarized with the legal situation in the market. In order to gather up-to-date market information, the company participates at regular business expos and conferences organised by the Norwegian embassies in the region, where Jotun plays the role as middleman.

Jotun pays special attention to Statoil and Telenor in the region. Internally, the organization culture aids the communication process and information sharing through countries and departments.

P1 Conclusion

Our findings show that both the German and Norwegian companies use an extensive arrangement of information channels in order to make educated decisions in their FDI projects. The presence of other companies from the same nation plays a role for both one German and one Norwegian company. The Chamber of Commerce is used by both German companies and also aids the Norwegian company Jotun, while DNV GL does not use this channel extensively. Overall, the companies from both nations also prefer to have their own expertise teams on the ground, in addition to the above similarities. To conclude, we do not find support for our proposition that German and Norwegian companies will seek different information channels in the different environments in SEA. Instead we find that individual industry sources and public offerings, e.g. Chamber of Commerce, are used to certain degrees.

5.3 Proposition 2

P2: The German and Norwegian companies will use different organizational archetypes to integrate their FDI projects in SEA into their overall company structure

Volkswagen

Volkswagen`s FDI project in Malaysia can be characterized as a local implementer since the production of three automobile models (Passat, Jetta and Polo) is limited to the Malaysian market. This means that both a constrained product and value-adding scope are given. Even though, the interviewee explains that Volkswagen may begin production in other ASEAN countries. Currently, no plans regarding parts and components production in Malaysia exist. From an ownership perspective, the interviewee expressed confidence that Volkswagen with its large product offering would have a competitive advantage within the Malaysian market; hence producing certain models locally. From a locational perspective, Malaysia offers robust automobile demands driven by its prolonged annual growth rates, natural resources and large population. In regard to internalization, the company opted to relinquish full ownership of the production plant in favour of reaping the rewards of a JV with an experienced local partner. An important sub point of the overall Volkswagen Group strategy is to be present with ones own production capacity in all the major automobile market regions, such as ASEAN, with an expected sales of approximately 2.5 million units as an overall market.

Evonik

Evonik´s regional headquarter is a global mandate archetype, as the unit is responsible for the business development in SEA. It therefore fits the description of often being globally or regionally responsible for an entire business or product line, with an unconstrained product and value-adding scope. The choice of Singapore is evidently influenced by locational factors to a large extent, such as an ideal geographic location, excellent infrastructure and cost-effective transport. Looking at internalization, the company is in sole control of its regional coordination centre and also appears to have a high internalization of its global production capacities.

DNV GL

DNV GL´s regional HQ in Singapore can be characterized as a "global mandate" as its role is to create better synergies across the foundation´s four main business areas, namely Maritime, Oil & Gas, Energy and Business Assurance, in the region. The regional HQ is responsible for the business and service lines with an unconstrained value-adding scope. The ownership of certification expertise in the main business areas provides DNV GL with a competitive advantage. The choice of Singapore is evidently influenced by locational factors to a large extent, such as an ideal geographic location and excellent infrastructure. A high standard of living and a highly educated workforce also make this the ideal business environment for DNV GL. The regional HQ is also internalized

Jotun

The two FDI projects explored in this thesis, are local implementers, and fit the term "miniature replica", as both paint plants will offer the whole product range to the local market only. Although, not the focus of our study, it is also important to mention that both these projects are coordinated by a "global mandate". Jotun´s regional HQ for SEA is located in Malaysia, and is responsible for the overall business, brand and research development within the ASEAN region. Jotun´s FDI projects are aligned with the company´s strategy of having local production in each market. From an ownership perspective, Jotun expects to be able to showcase its paints expertise more efficiently and also gain larger customer trust in the process. In regard to locational factors, the two markets offer distinct advantages with Cambodia profiting from brand awareness and subsequently high revenue growth. Myanmar offers a large potential, following a successful first-mover entry in addition to its attractive marine industry. Internalization is a key factor with Jotun aiming to become the sole operator of both future production plants.

P2 Conclusion

Our findings show that our explored FDI projects showcase signs of different organizational structure archetypes. The production plants in the countries associated with a higher risk environment can be classified as local implementers. Interestingly, all but one company have a global mandate with their regional headquarter; the exception being Volkswagen at present date. Our findings indicate that no direct correlation between importance of certain OLI factors and nation of origin exist. In the cases of Evonik and DNV GL, the locational factors influence their choice of regional HQ location. In contrast, ownership and internalization factors are more relevant in the cases of Volkswagen and Jotun. Based on this, we do not see a substantial difference in organizational structure archetype use from German and Norwegian companies when conducting FDI projects in ASEAN. Instead, we tentatively suggest that the specific business industries and company strategies have a larger influence on the importance of each factor.

5.4 Proposition 3

P3: The German and Norwegian companies will offer different levels of autonomy to their foreign subsidiaries, with higher autonomy expected in lower risk environments

Volkswagen

Volkswagen’s decision-making on FDI projects takes a top-down direction, with HQ prioritizing which FDI projects to pursue. Within the implementation and running of the FDI subsidiary, the tight-knit control is slightly more flexible with the FDI subsidiary management having the autonomy to make decisions, which occur on a frequent basis. In spite of this, differences in actual sales volume to planned volume should not be able to be countered with the price reductions and marketing efforts designed by the FDI subsidiary. The information is rather passed on quickly towards the HQ. An important factor in the explored FDI project is the presence of JV partner DRB-Hicom, which limits the possibility of following this strict top-down approach, requiring more communication between the FDI project and both JV partners.

Evonik

Evonik`s regional headquarter has a comparatively high level of autonomy in its decision-making power within SEA. The interviewee explains that the basis for this is that the local expertise and connectedness to the ASEAN markets is more advanced in the regional headquarter than in the global HQ in Essen. In the majority of cases an iterative process takes place whereby the majority of ideas and concepts are generated in Singapore. Only the major decisions are being controlled in Germany, and approximately 80 % are implemented without further changes. The interviewee went on to explain that this is due to the high confidence in the regional HQ, without which the set up of such an entity would also be meritless in his opinion.

DNV GL

DNV GL has different levels of decision-making; a high-level strategy and global strategies for the next five years. Here it is decided which service lines the foundation will focus on and further develop, but the regional offices has the autonomy to decide how these plans will be executed. This is defined in an annual operating plan or a two-year tactical plan. These plans are then reviewed and a line of agreement between the foreign office and HQ is formed. The regional HQ has the autonomy to decide what they believe is best for the markets. The regional HQ is not under formal control, but everybody within the foundation will know what to expect. The interviewee explains: “the decision is made together, and that alignment must consist". This mixed strategy of high local autonomy and stringent overall goal alignment, requires constant communication; a fact the interviewee believes sets DNV GL apart.

Jotun

The interviewee explains that previously, each market in ASEAN ran their business independently from one another. High growth resulted in the need of improved control and balance within the region. Consequently, the regional HQ in Malaysia was set up. The regional HQ was also a response to the previous time-consuming bottom-up process within the company, resulting in a standardization and more efficient brand building process. The company uses the original team as a hub to oversee and review the operations, in Myanmar and Cambodia. The FDI projects do align their decisions on R&D, brand building with the regional HQ, who in turn is responsible for the whole region. Jotun therefore gives a high degree of autonomy to the regional HQ, where the individual market has lesser decision-making power.

P3 Conclusion

Our findings indicate that there is a clear distinction between production plant FDI and coordination centre autonomy. All the coordination centres have large decision-making power, whereas the production sites from Volkswagen and Jotun are limited in their autonomy. This can be seen as a step to counter the relatively high risk of establishing a production site in Malaysia and Myanmar/ Cambodia. On the contrary, the regional HQs of Evonik and DNV GL are strategically placed in a low risk environment, permitting a higher autonomy level. Interestingly, both Norwegian companies employ a mixed strategy from top-down and bottom-up communication with a high focus on goal alignment. In the case of Volkswagen, top-down management is observed, while Evonik uses bottom-up information from the regional HQ. In conclusion, we find support for our proposition that German and Norwegian companies will offer different levels of autonomy in various risk environments, with a higher autonomy expected in lower risk environments. Furthermore, we see a varying pattern of autonomy in different FDI operation forms.

5.5 Proposition 4

P4: The German and Norwegian companies' risk assessment of FDI opportunities will differ in form and standardization

Volkswagen

Volkswagen has a complex standard in order to minimize business risks in its FDI projects. The company distinguishes between quantifiable risks and process risks. The quantifiable risks are being tested in a number of scenarios in order to gain the best possible impression before project implementation begins. The process risks are countered through a tight-knit schedule in the planning during the implementation stage and the operation stages of the project while continuous communication to the local bureaucracy is maintained.

Evonik

Evonik aims to minimize its exposure to business risks associated with FDI projects, by benchmarking future projects across Asia in order to provide resources to the most successful ones. The company uses its extensive information gathered by their local teams to continuously benchmark the project during its implementation stage. Hence, ensuring long delays and other pitfalls are avoided as best as possible.

DNV GL

Before entering into a market, DNV GL evaluates a country´s political risk, legal environment and conducts a general market assessment. The interviewee points out corruption as a major challenge in ASEAN, and that the foundation is prepared to "walk away" from any business if corruption is discovered. In developing countries, the foundation runs the risk of not receiving payment. As these projects are seen as important investments and represent an opportunity by getting to know the players, gather information and get an understanding of the level of risk, DNV GL is still willing to operate under such conditions. Awareness and preparedness are considered crucial to deal with uncertain situations. The interviewee further states that any project will involve some level of risk, and it is necessary to move forward even when projects do not go according plan. Risk acceptance is needed in order for the foundation to move forward.

Jotun

Jotun uses a careful step-by-step approach to gather knowledge and become accustomed with new markets in order to limit unforseen risks. Market awareness is crucial, and local, reputable legal firms are used in order for the company to familiarize itself with the legal environment. The aim is to reduce the non-compliance risk and the local business risk. In the case of Myanmar, the company considered the risk to be greater if they did not enter the country rather than to miss the opportunity to get established with a first-mover advantage.

P4 Conclusion

Our findings show that a thorough risk assessment procedure takes place in all companies before entering into a market in SEA. The German companies' standard risk assessment is highly complex and focuses on the related business risks. The Norwegian companies also use numerous counter-risk measures, and both interviewees emphasized that besides the business risks, a major concern remains the ethical behaviour, such as the avoidance of corruption. DNV GL is even prepared to take on projects that do not entail a profit in order to gain access and knowledge of the market in order to avoid risks in its main projects. Hence, we find support for our proposition that Norwegian and German companies' risk assessment differs in standardization and form when evaluating FDI investment opportunities.

5.6 Proposition 5

P5: The German and Norwegian foreign investments may function as a local market provider and focus on increasing the national presence in both high and low risk environments

Volkswagen

Volkswagen has established a production site with an experienced local partner in order to increase its sales performance in Malaysia. The company has earlier been active with a sales organization in the country, but wants to increase its market share expecting further demand in the Malaysian market. This is in line with its "white spot" strategy of being present with production capacity in every major automobile region, which it expects ASEAN to become. From a market perspective, Malaysia shows high levels of economic growth figures, a large population and natural resource repositories that are beneficial for further mobility development. Due to the high-risk environment in Malaysia, Volkswagen established a JV-production with a Malaysian partner with high local expertise. The establishment of the JV plant was useful in terms of diminishing proceeds risks through currency fluctuations. It takes into account the high tariffs and import quotas present in Malaysia and other ASEAN nations, which make an entry into the local automobile market more attractive with ones own production site. The interviewee summarized this point as following: “This means that, if I would like to sell cars in Malaysia, I can either import the cars, which will lead to high import tariffs and tax expenditures, making the price of my car uncompetitive. Or I can set up a local production site, and I will then benefit from reduced taxation levels and save on import tariffs, and will be able to compete successfully with my products in the market”.

Evonik

In this specific case, the company has not used the FDI project as a local market provider.

DNV GL

In this specific case, the company has not used the FDI project as a local market provider.

Jotun

Jotun is currently looking for manufacturing sites in Malaysia and Cambodia in order to increase sales and its market position in both markets. The company is currently present in the two markets with sales offices in the respective markets. The company used its key determinants for both markets; 1) population size, 2) political stability and 3) macroeconomic development, fine-tuning its strategy for Cambodia and profiting from its earlier experiences in Malaysia. In Cambodia, the company followed an initial customer request to introduce its paint products to the market, and has since taken a cautious step-by-step approach, which in turn will lead to the set up of a manufacturing site. On the contrary, in Myanmar, Jotun was able to use its preferred method of establishing its marine business as an anchor due to Myanmar's long coastline and subsequent marine industry before introducing its paint business. Despite the high-risk environment in Myanmar and

Cambodia, Jotun sees its practice of setting up local paint production plants. All manufacturing sites produce most of Jotun's product range since this provides long-term customer commitment and distinguish the company from its competitors.

P5 Conclusion

Our findings show that only two out of four companies in our study, Jotun and Volkswagen, focus on being a local market provider with their specific FDI projects. Both companies aim to become established and increase their sales in the particular markets despite the high-risk profile. In addition, local production is in line with both companies' overall strategy. Jotun furthermore tries to achieve a first-mover advantage in Myanmar. Volkswagen's decision for local production is equally influenced by closeness to its markets as well as the persisting entry barriers: tariffs, import quotas and currency fluctuations. Hence, we find support for our proposition that Norwegian and German foreign investments may function as a local market provider, and therefore focus on increasing the national presence in both high and low risk environments.

5.7 Proposition 6

P6: The German and Norwegian foreign investments may function as a coordination centre and focus on developing the overall SEA region with a preference for low risk environments

Volkswagen

In this specific case, the company has not used the FDI project as an export hub or a coordination centre.

Evonik

Evonik´s FDI project in Singapore fulfils the strategic responsibility of developing the SEA region and parts of China. The company sees the ASEAN nations as a regional cluster and the decision to place its regional HQ in Singapore supports this line of thinking. Singapore is geographically ideally placed in the region ensuring a comfortable reach to all nearby markets. In addition, Singapore offers an excellent logistic environment and technological infrastructure, which according to the interviewee leaves little to be desired. The production investments in Singapore, such as an amino acid plant, are integrated into Evonik´s global production network. This network supplies customers worldwide, and are consequently not under the direct influence of the regional HQ.

DNV GL

DNV GL`s decision to have its regional HQ in Singapore is connected to the presence of oil and gas, maritime and the cruise industry clusters that form its customer basis. The foundation also profits from the central geographic location, excellent infrastructure and business friendly environment. In addition, the interviewee points to the city's living conditions as attractive for Norwegian senior expatriates and the highly skilled workforce in the market. The foundation has decided to move its Energy HQ from Beijing to Singapore, emphasising the need to centralize business sectors under a regional HQ further. This also ensures a direct link to the various ASEAN and other Asian markets that would not be feasible from the HQ in Oslo. In order for DNV GL to gain a better understanding of the culture, and to keep up to date with changes in the market, it is crucial to be present in the various markets. It is not possible to operate Asian markets from Europe.

Jotun

In this specific case, the company has not used the FDI project as an export hub or a coordination centre, but the company does have such a regional HQ located in Malaysia.

P6 Conclusion

Our findings show that the FDI projects of Evonik and DNV GL serve as a coordination centre rather than a local market provider. Both companies are represented in Singapore with a regional HQ, and there are several reasons why the country is a suitable location. The strategic location and the excellent infrastructure are reasons that make Singapore a suited market in which to run a regional HQ from. DNV GL further emphasises the high standard of living, political stability, legal framework and government incentives as important factors. It is important to mention that all companies in our research consider SEA as a whole to be an important region, and Jotun has a regional HQ located in Malaysia, leaving only Volkswagen without a specific regional HQ. Thus, we find direct support in two of our cases, namely Evonik and DNV GL. Indirect support is provided in the case of Jotun, as German and Norwegian foreign investments may function as a coordination centre and focus on developing the overall SEA region with a preference for low risk environments.

5.8 Proposition 7

P7: The German and Norwegian companies have developed different standardized paths when establishing their FDI projects in SEA

Volkswagen

Volkswagen has a blueprint-standardized path when organizing FDI projects. This path of going through a number of committees such as car concept, economic feasibility and technical feasibility was also followed in Malaysia. The company used numerous scenarios in order to be prepared for all eventualities, as is standard procedure. Nevertheless, the resulting JV is an exception as the company normally prefers full control over its own production.

Evonik

Evonik does have global guidelines when conducting FDI projects. The interviewee pointed out that the regional HQ is relatively autonomous in their decision-making, and with the complexity within the ASEAN countries Evonik does not use a standard procedure. The decisions do not have to pass numerous committees in global HQ making the process less tight-knit then Volkswagen.

DNV GL

DNV GL aims to achieve a high level of goal alignment within the company, both in their overall global strategy and regional tactical implementation. Hence, the interviewee explains that a clear definition of what is to be done is shared, while the procedure of how this is to be achieved is a relatively autonomous decision by the specific region. It is important to emphasise that the standard procedures with a high sensibility to ethical behaviour are followed in all four business areas, and that the constant communication lines between HQ and the relevant projects ensures that those guidelines are followed.

Jotun

Jotun´s main concern when entering into new markets is to develop safe and feasible business projects. It follows a step-wise approach, focusing on entering Marine as its anchor business first. Once the company has become established within the marine segment, the company will extend into other segments in new markets in the following sequence; 1) household paints, 2) powder coatings, and 3) other businesses. However, in the explored markets the interviewee admits that the company deviated from this standard path, as in Cambodia the lack of coastline did not permit an entry into marine business as its standard procedure. Instead, Jotun focus on customer contacts. In Myanmar, the uniqueness of the market being “the final frontier” leads the company to speed up its process. The interviewee explained that the danger of losing the market to competitors is considered higher than the potential risks involved by the faster first-mover path that deviates from its otherwise more cautious approach.

P7 Conclusion

Our findings indicate that all companies have developed standardized approaches when entering and operating in new markets in SEA, having acquired this skill over the course of their prolonged internationalization. However, we also found that all companies’ showcase locally adapted implementations due to the complexity of the SEA region. They all act according to overall strategy, but make regional or local adaption when required. We can therefore conclude that German and Norwegian companies will follow a standardized path when establishing their FDI projects in SEA.

5.9 Proposition 8

P8: The German and Norwegian companies will be influenced to different extents by internal and external stimuli during their stepwise approach in SEA

Volkswagen

Volkswagen approaches its FDI project in Malaysia with a high amount of internal planning and information seeking, evaluating numerous scenarios before starting the actual implementation process. We have observed that the step-wise process is very much driven by internal stimuli, such as the results, which transpire in the relevant committees as well as the prior considerations of different circumstances that might eventuate. Nonetheless, the use of various information channels and the use of "field teams", are an important fact that point to the proper consideration of external stimuli within the operation. Another important external stimulus is the presence of the local partner DRB-Hicom. We assume this influenced the choice for a JV to a degree. In addition, Volkswagen sees it as a positive sign if known suppliers are already present in the market.

Evonik

Evonik`s steps to locating their coordination centre in Singapore is driven both by external and internal stimuli. External stimuli refer to the ideal business environment, the already existing chemical infrastructure and the geographic location. Internal stimuli refer to the desire to have an overall centre of responsibility within the region, thereby gaining a better overview and more specific decision-making force. It is also important to note that Evonik`s choice for Singapore strictly followed its main criteria, further pointing to the importance of internal stimuli. Evonik`s planning process in establishing other sites in ASEAN is rather complex. The company tries to take a calculated first step by employing some people, and setting up primary market research function and other activities in order to gain an understanding of the market. These external stimuli are then matched with the internal stimuli on the market perspective, before Evonik may establish a legal entity or consider production capacities. The interviewee further emphasizes that during the whole process maintaining one's own flexibility to business cycles and market developments is of vital importance.

DNV GL

DNV GL´s regional HQ is driven by both internal and external stimuli. Due to the recent mergers and acquisitions the foundation found it necessary to better align and coordinate its different business areas. This has resulted in the new regional HQ in Singapore. Another crucial internal driver for the foundation is the strong value foundation and selecting projects that are sustainable and according to their ethical guidelines. A highly important external driver for DNV GL is to always be present where their customers are located, as is the case in Singapore.

Jotun

Jotun follows a gradual and stepwise approach when entering a new market, building each step on information gathered in the process. We have observed that the company is mainly driven by external stimuli in both of their FDI projects. In the case of Cambodia, a customer request for their product initiated the entry into the marked. This was gradually increased upon further information gathered from customers, suppliers and local legal teams. In Myanmar, political changes, together with prior brand awareness amongst sailors, stimulated the entry into the country. Jotun has a strong focus on gathering market knowledge throughout its implementation processes, making them highly dependent on external information sources. The company also observes Telenor and Statoil in the region to better assess their own possibilities in new or existing markets.

P8 Conclusion

Our findings show that all investigated companies have thorough market assessment procedures in place. In the case of Jotun, both market entries initiated from external stimuli: a customer request in Cambodia and dramatic political changes in Myanmar. The other three companies initiated their projects due to internal considerations, whereby the coordination centres of Evonik and DNV GL found their best fit in Singapore. Volkswagen went through several internal stages, while the presence of a local partner can be seen as an important external stimulus. Overall, we find support for our proposition that German and Norwegian companies follow a stepwise approach in their FDI projects with a differing influence of external and internal stimuli. We tentatively suggest that our two explored companies from Norway were more influenced by external stimuli than their German counterparts.

CHAPTER 6: DISCUSSION AND CONCLUSION

The aim of this study has been to research how the course of action varies for Norwegian and German companies when investing into different risk environments in South East Asia. We were able to discuss and explore certain theoretical implications using four case study partners in different ASEAN nations. Through cross-analysis of the Norwegian and German companies, we were able to investigate the value of our propositions. The following discussion will go along the theoretical platform order, examining the proposition and shown literature.

6.1 Main Findings

In this section, we present our main findings in order of our theory platform.

The Concept of Culture

The examination of the cultural concepts in the case study companies, which is our initial premise, showcases that differences between the German and Norwegian company cultures exist. In line with Van Oudenhoven (2001), we found that the organizational cultures of the four companies have some unique attributes, but nevertheless clear signs of Norwegian and German heritage are present. The most persistent attributes on the German part, were the highly formalized and task-oriented approach to gain the desired levels of quality and efficiency in their FDI projects (Flamini 1997) (Schmidt 1999). The importance of precautionary action plans was present in both cases (Schneider and Littrell 2003).

In the Norwegian businesses, evidence for the influence of "egalitarianism", through delegation decision-making and a consensus-based approval of internal values was found in both companies, supporting prior researchers (Hofstede, Hofstede, and Minkov 2010) (Ekelund 2009) (Hampden-Turner and Trompenaars 1994) (Granli 2012). What is particularly interesting in the Norwegian businesses, is that both interviewees, who are foreigners employed by the companies have bought into the company values, maintaining that some collective programming of the mind, which distinguishes the company members from outsiders is evident (Hofstede 1991). Bearing this in mind, it also became apparent that other factors, such as size, industry and region (Van Oudenhoven 2001), also have significant influence on the approach the examined companies take when internal knowledge flows (Ambos and Ambos 2009), entry mode strategy (Kogut and Singh 1988) and transferring organizational practices (Kostava 1999) are concerned. This can also explain some of the differences observed in their strategic FDI decisions, as predicted by Johanson and Vahlne (1977).

Decision-Making Process

The analysis of our decision-making section shows that no support was found for propositions 1 and 2. Firstly, meaning that no significant differences in terms of information channel use were found, as both Norwegian and German companies use extensive information sources, attesting research from Larimo (1995) Seringhaus and Mayer (1988) and Haley and Tan (1996). In particular the use of internal “field teams”, “research teams” or otherwise named information gatherers that were established by all Norwegian and German companies prior to investment, also suggests that the information scarcity in SEA may indeed be countered as described by Haley and Tan (1996). Regarding proposition 2, we found that no difference in the use of organizational archetypes existed as examples of local implementers and global mandates were found in both sets of country of origin case sets, indicating the global applicability of Birkinshaw and Morrison (1995) concept for both examined nations.

The different levels of autonomy, with a higher degree of autonomy in lower risk environments, given to the FDI subjects showed support for proposition 3. The high level of autonomy and consensus-building found in all Norwegian FDI projects, may suggest that “cultural control” is more prevalent in this nation (Baliga and Jaeger 1984). “Bureaucratic control” was more observed in the German companies, in particular the case of Volkswagen (Baliga and Jaeger 1984). Interestingly, a higher level of autonomy was observed for all “global mandates” that are located in a lower risk environment. Integration into broad guidelines eclipsed adjustment to local specifies to ensure the desired competitiveness as suggested by Doz and Prahalad (1984) was observed in the case of Jotun and Volkswagen`s local implementer investments (Birkinshaw and Morrison 1995).

Country Risk and Foreign Direct Investment

The examination of country risk influence takes place in proposition 4 and important evidence from our analysis suggests that indeed differences in risk assessment standardization and companies are present in Norwegian and German companies. All case study partners, due to the high psychic, institutional distance between their host countries and origins have a high emphasis on risk assessment and invest considerable resources into counter-measures, in line with Blank (1980) Ghemawat (2001), Kostava (1999), Johanson and Vahlne (1977, 24) and Scott (2013). German interviewees showed a greater concern for economic and commercial risk, and to a larger extent viewed the political risk in terms of Howell and Chaddick (1994), meaning its affects on the business environment (Nordal 2001). The Norwegian interviewees share those concerns, but moreover emphasize the importance of “ethical behaviour” and steps to avoid corruption as a great concern to them, seconding Quah (1982), and questioning if indeed FDI flows at least from Norway might be more affected by corruption levels than Busse and Hefeker (2007) project.

Regarding the field of FDI theory, we aimed to increase our understanding through the two related propositions. Proposition 5 and 6 review the original purpose of the FDI projects as either a local market provider or export/coordination hub. The theoretical option of using FDI in order to gain control over a natural resource was not relevant in our research, since none of the investigated companies can be classified as a natural resource company (Caves 1996). Conversely, we found partial support for the local market provider option in the cases of Volkswagen and Jotun, whom in both cases were established to increase market penetration and profit from the high growth rates in the particular industry in Malaysia, Cambodia and Myanmar (Caves 1996) (Dunning 2000) (Lecraw 1991). In the specific case of Myanmar, Jotun emphasized the importance of “first-mover advantage”, in a country that has recently begun to alter its business and legal environment, and thereby decreases its perceived distance, in line with Caves (1996). Interestingly, the reason for Volkswagen establishing production in Malaysia, was also driven in part by the high tariffs persisting in Malaysia, and not as suggested by theory the earlier reduction of them (Lecraw 1991), instead showing support for the tariff jumping emphasized by (Blonigen 2005).

The proposition suggesting that FDI would be used in order to build a coordination centre was supported in the Evonik and DNV GL cases. Both companies aimed to organise their SEA operations more efficiently, in line with theory that increased commitment and experience in a region/country will lead to additional investment (Johanson and Vahlne 1977) (Dunning 2000) (Lecraw 1991). The importance of quality labour costs, was also prevalent in both cases, as the high salary structure in Singapore was willingly accepted by both companies, emphasizing the high education and qualification level of employees (Lecraw 1991). The importance of tax structure, was not directly discussed in any of the interviews, so that an evaluation of the topic is not feasible on this scarce basis (Lecraw 1991).

Finally, no evidence was found that an inherent difference concerning the OLI paradigm exists between German and Norwegian companies. Instead, our analysis suggests that factors discussed by Dunning (2000), such as competitive advantage, location specificities and internalization procedures, are strongly influenced by the company`s industry structure, size and strategic goals (Solberg 1997).

Foreign Operation Mode and Operation Organization

This section scrutinizes the companies' entry approach and subsequent FDI subsidiary organization in SEA. Our analysis indicates, in support of proposition 7, that a standardized path has been developed by all investigated companies, bearing in mind their own objectives and resources while slight adjustments are made for individual market characteristics and competitive environment (Solberg 1994). This seconds Bartlett et al. (1995) assumption, that companies will consider markets individually. Especially when experienced in the internationalization process, as is the case for our examined companies, a standard approach is developed over time and used (Asmussen, Benito, and Petersen 2009). The economies of scale advantages, such as an improved learning curve, envisioned by Asmussen, Benito, and Petersen (2009) are especially prevalent in the two local implementer cases Jotun and to a lesser degree Volkswagen. Moreover the two coordination centre companies, Evonik and DNV GL, point out their better preparedness to handle unexpected events through their standard approach.

We also find support concerning our proposition 8, that Norwegian and German companies will be influenced differently by external and internal stimuli throughout their step-wise approach in SEA. Evidently a higher regard on internal stimuli is found in both German case study partners. In both companies, competitive advantages and management aspirations have a significant impact on the further commitment in SEA, as suggested by Cavusgil and Nevin (1981) and Cavusgil (1984). External stimuli, while not unconsidered in the two German companies, for instance the presence of a local partner in Volkswagen`s case may have been significant, appear to play a relatively larger role in the two Norwegian companies. In particular the factors government policy changes (Jotun in Myamnar) and acquisition opportunities (DNV GL), mentioned by Calof and Beamish (1995) were identified. Especially Jotun`s expansion was driven by external stimuli, with a customer request in Cambodia and the envisioned opportunities in Myanmar.

6.2 Conclusion

This study answers our research question "How does the course of action vary for Norwegian and German companies when investing into different risk environments in South East Asia?" We found evidence that the home country's cultural traits are prevalent in the organisations and influenced parts of their FDI decision-making.

We found support for six of our eight propositions. Our research shows that higher autonomy levels are found in lower risk environments. Risk assessment of FDI opportunities differ in form and standardization. In both high and low risk environments we discovered that foreign investments function as local market providers and focus on increasing the national presence. In low risk markets, the foreign investments function as a coordination centre with a focus on developing the SEA region. The standardized approaches in German and Norwegian FDI projects in SEA differ from one another. Also, the consideration of internal and external stimuli in the companies' steps in the FDI process differs.

No support could be found in terms of the information sources and channels used as both Norwegian and German companies use similar and extensive information sources. We also did not find support for differing organizational archetypes based on investor nation as these were more directed towards operation mode.

In conclusion, we therefore see, that the course of action varies for Norwegian and German companies; both in terms of FDI process and when faced with different risk environments.

6.3 Managerial Implications

Our study is applicable to both German and Norwegian companies, as well as other companies present in the SEA region. As already mentioned, this thesis aims to give an overall picture of Norwegian and German FDI into SEA, and may therefore provide useful information for companies or organizations considering to enter the region, or are already present, as well as we attempt to draw a clearer picture of the region´s challenges and complexity.

6.4 Limitations

This study includes four different companies that are present in the SEA region. Our aim was to compare and contrast how German and Norwegian companies operate in the region with our selected cases. Due to limited time and recourses, we were not able to find four companies that had a similar basis of comparison, such as operating within the same industry or having the same type of operation mode in the host country. Also, as a foundation, DNV GL operates on different terms than the three other companies included in the study. These factors may reduce the specificity of our study. In addition, one of the inherent weaknesses with using the case study approach is a possible lack of generalizability (Yin 1994).

Three of the interviews were conducted over phone, as the interviewees were located in one of the various host countries. The fourth interview was conducted face-to-face in Oslo. We are aware of the fact that information gathered through interviews may be biased, or even misunderstood over the phone.

Regarding the sample number, one can discuss whether a more comprehensive case study including more cases and more nations could have provided better results. However, if the cases are well-selected and cross-analysed, a low sample number is not discouraged (Yin 1994) (Sekaran 1983). It was also challenging to find cases that are representative for a national sample (Sekaran 1983). With this in mind, we have compared and matched the investor nations with each other, as this is considered the best way of dealing with this particular challenge.

Finally, the four countries where the FDI projects were present give a good initial overview of SEA. However other specific challenges and national features may be encountered in the other nations that form ASEAN.

6.5 Future Research

As we have selected an exploratory research design, one of the key aspects of an exploratory study was to identify the areas where further research is required. Based on our results, we believe several interesting areas can be considered for further investigation. First, all our case study partners, although having cultural traits embedded in their organizational culture, were already rather internationalized. One could question if the importance of investor culture might be of similar significance to small and medium sized businesses. Second, the standardization of FDI process might also have been influenced by the prevailing broad global presence within our sample. Researchers may want to explore if this is influenced by risk perceptions in the home country, internationalization of the company or industry complexity. The similarities in organizational archetypes and information seeking might also be attributed to the fact, and bearing in mind their differences; Norway and Germany are Western-European cultures with distinct similar influences on their decision-making. A broader sample involving investor companies from other non-Western European cultural backgrounds may increase the understanding of this area. Last, but not least, a repetition of our research with a host region, that showcases other attributes than SEA, may lead to further findings.

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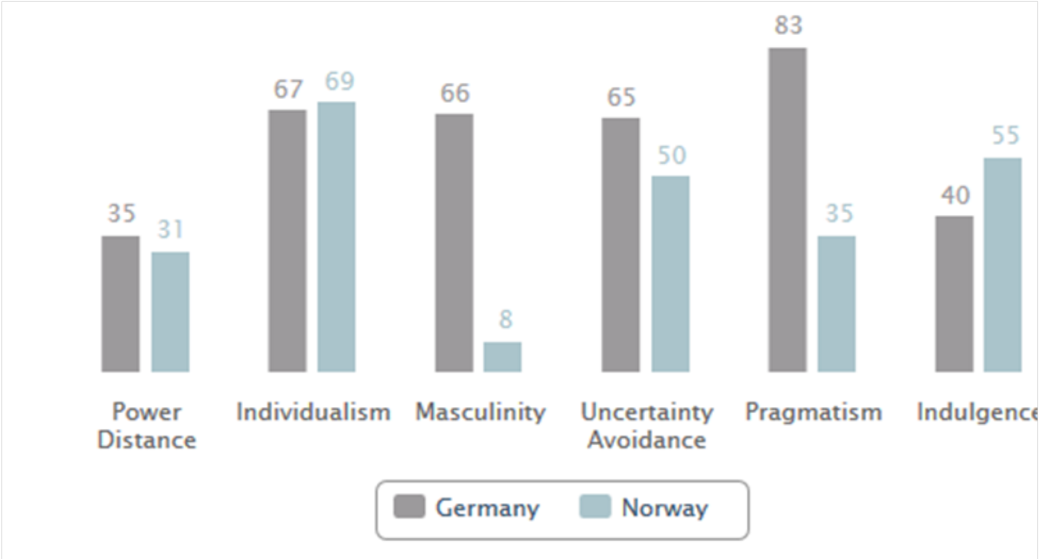
APPENDIXES

Appendix 1: Cultural Dimensions: Germany & Norway



Source: Hofstede (2014)

Appendix 2: Interview Guide

Interview Guide

Company name:

FDI project:

Interviewee:

Company & Project Analysis

2.1 Company Culture

- How does the company define its company culture?
- How does the company perceive itself (Norwegian/ German/ international)?
- What characteristics/strengths/weaknesses are shown through this culture?

2.2 Internationalization process

General internationalization history /strategy (countries, entry modes) (Desk Research + Interview)

- What are the companies prior internationalization experiences?
- Why SEA? FDI Determinants/ Goals of FDI project/ local rules and regulations
- *Has the large cultural distance between SEA and Germany/ Norway been an important factor when selecting entry/ operation mode?*

2.3 Country/FDI project

- In the establishment process, which operational challenges did the company encounter and how did it deal with them?
- Would you describe the solutions where unique to the project/ as usual for the company?
- Is the presence of other German/ Norwegian companies in SEA important for the company?
- How does the company compare itself with other German/ Norwegian companies?

2.4 Risk management in FDI project and company

- What is the Company attitude towards risk, and how does it deal with?
- How does the company deal with the overall risk in FDI projects (preparation, analysis of risk…)?
- What are the main challenges/ risks in SEA with market entry and current operations?
- What was the main risks in this specific FDI project?
- How does the company deal with unpredicted events, such as crisis/ unmet deadlines/ cost & corruption increases?

2.5 Decision-making process

- How is the organization structured?

- How are decision made in an internationalization establishment process? (Top-down or bottom-up decisions/Internal vs external influence/Long-term strategy vs. Short-term opportunities)
    - **Does the company have a "standard procedure" when conducting such projects?**
- What degree of influence do the subsidiaries have on the overall decision-making of the company/ local regions once it is established?
- Trust
- Who were important players in the project?
    - Top management, project management, board
    - External state-owned players (home country e.g. Innovasjon Norge)
    - External state-owned players (host country e.g. permit giving guys, government)
    - External private players (consultants, lawyers, banks, suppliers)
- How was trust formed within the overall project and with the above players?

Appendix 3: Interview Protocol Volkswagen

Interview Protocol

Company name: Volkswagen AG
FDI project: Volkswagen/DRB-Hicom SKD production Malaysia
Interviewee: Claus Groezinger
Date: 28 March 2014

Company & Project Analysis

2.1 Company Culture

Volkswagen`s internal culture relies on quality and consumer orientation, and this is also reflected in the internal work setting. For instance, when conducting investment planning and developing documents, a high level of accuracy is desired, so that resilient information is obtained.

Volkswagen has experienced a change towards a more international culture within the company, based on European roots. This is emphasized as the company due to its internationalization, now being active in over more than 100 nations, is more and more concerned about taking local characteristics into account. At the core there still remains the European business culture and the brand Volkswagen Pkw certainly still has German values, and these values and culture are used where it is perceived as helpful. On the other hand when one deems these prerequisites to potentially become a source of conflict, local adaptations are sought.

These values and the structured and highly accurate way of working, does have both weaknesses and strengths when it comes to business internationalization projects. The lead time for setting up production sites in certain markets, involves a highly structured approach, which generally involves around 1 to 2 years in preparation, limiting flexible and quick reactions to market fluctuations. The lead-time for setting up sales channels, while also being structured, is however not as time consuming.

On the other hand this highly accurate approach, leads to more resiliency in the results and also a more foreseeable economic viability and economic calculation of projects, which makes them less vulnerable in the long term.

2.2 Internationalization Process

The overall Volkswagen Group has a long history of early internationalization, evidenced by the example that Volkswagen was one of the first industrial companies to set up production sites in Brazil, South Africa and Mexico during the 1960`s. In the end of the 1980`s a second internationalization wave to China took place, at a time when numerous industry experts thought Volkswagen was crazy. Today Volkswagen is the largest automobile producer in China, and one can therefore speak from a long history and also large experience is present within the Volkswagen Group but also the Volkswagen Pkw brand, when it comes to business internationalization.

Currently one of Volkswagen`s growth focuses lies in the ASEAN region. This has a number of reasons. One of them is that Volkswagen in line with its 2018 strategy, aims to be the world`s largest automobile producer by that stage. This entails that Volkswagen therefore should also be present with production capacities in all the relevant worldwide automobile markets. Therefore when looking at the global map, it is obvious that Volkswagen has been present and very successful in Europe, and is achieving the same kind of success in China, while also having a long presence in North and South America. In the South East Asian nations, although having been present for a number of years, Volkswagen`s sales volume is relatively small. Bearing in mind that Volkswagen expects the overall automobile market in ASEAN to reach yearly sales of approx. 2, 5 million units, it therefore makes sense to increase its production assets in the region in order to fulfil on its global market presence. This reasoning can be summed up under the "white-spot" analysis, meaning where we, as Volkswagen, do not have a presence yet, but should have one.

The other is the market-oriented perspective. Here most ASEAN nations have the factors of strong US Dollar incomes, natural resource repositories, prolonged high-level economic growth figures and large populations. These factors lead to a high demand for technology and especially automobile technology, which the Volkswagen Group thinks it can supply. Moreover Volkswagen is confident to fulfil this demand, but also to have the more specific automobile solutions, which are desired by the ASEAN customers, than its competitors.

Hence from both the "white-spot" and the market oriented perspective, the ASEAN nations are very interesting for Volkswagen.

2.3 FDI Project: Malaysia

The Malaysia project is in essence influenced by the fact, that almost all South East Asian have relatively high market entry barriers into their automobile markets. These barriers are not made up in the majority by high tariffs or import quotas, but rather by relatively high local taxation levels on individual cars, which one can basically only diminish through the set up of local production entities in those nations.

"This means that, if I would like to sell cars in Malaysia, I can either import those cars, which will lead to high import tariffs and tax expenditures, making the price of my car uncompetitive. Or I can set up a local production sites, and I will than benefit from reduced taxation levels and save on import tariffs, and will be able to compete successfully with my products in the market."

Another point is that Volkswagen has learned over the course of its internationalization that by having a local production site the company is less vulnerable to currency fluctuations, as one has its dependencies majorly in the local currency. As opposed to importing the car, and having the whole proceeds risk dependent on the final sale.

The economic model chosen by Volkswagen in Malaysia was to establish a CKD (completely-knocked-down)-production with an experienced local partner (DRB-Hicom). Thereby Volkswagen sends automobile construction sets to Malaysia, these are than processed in the local plant, going through production steps such as car body construction, paint finishing system and final assembly, and are than sold as completed automobiles in the Malaysian market. Volkswagen has deliberately chosen an experienced, local partner since it believes that it cannot gain the necessary local market knowledge, just through home desk research. Furthermore through the knowledge and information sharing from DRB-Hicom, Volkswagen expects to decrease its lead time, meaning that it will face less bureaucratic and other issues, and is hence accelerating the beginning of car deliveries to the Malaysian market.

The decision process used to establish this operation in Malaysia, has been the same as the decision process used when setting up earlier operations in Asia, following a certain Volkswagen blueprint. This means that the concept has to pass through a number of committees, such as car concept, economic feasibility and technical feasibility.

A unique component for Volkswagen in Malaysia was that they choose to use a partner, rather than setting up its own production facilities under own management as it normally does. This was due to the still relatively limited car volume and the Malaysian market characteristics. Therefore the cooperation with DRB-Hicom was established.

Hence one can conclude that the decision process itself followed through all the “blue print” structures, but the choice of economic operation mode was adjusted to the local market conditions.

This production site will first only serve the Malaysian market. Although all the ASEAN markets have a common market place in some business areas, there are certain taxes and protectionist mechanisms, which make it difficult for a car manufacturer to build cars in one ASEAN country and consequently export them to the rest of the region. This leads to a solution of local-for-local production, used by most car manufacturers, and in some cases a production network is than established. This production network essentially means that one type of car is produced in Market A and another type of car is produced in Market B, since these two types fit the relevant market best. At a later stage the two car types would be exported to market A and B respectively, hence meaning that a product exchange or product network is established.

Volkswagen is currently in progess of assessing if a further manufacturing site should be opened in Indonesia and/or Thailand, and considers Malaysia as an initial step in the region. But that assessment is a continuous process at Volkswagen, which is not unique to the ASEAN cluster.

For Volkswagen as an OEM (Original Equipment Manufacturer), the presence of suppliers in markets is of high performance. One can link it to the “Egg-Chicken-Synonym”, as sometimes the suppliers have entered a market first, or when Volkswagen or other OEM`s enter a market, a large pull effect on suppliers and competitors is noticeable. Therefore it is always an important indicator, if well-known suppliers are already present in the market, since it helps dealing with currency fluctuations and other issues that directly affect economic feasibility. This is due to the fact that Volkswagen takes a long-term approach when setting up a local production site, and that makes it attractive for suppliers to come to the market as well.

2.4 Country Risk

When assessing risks in internationalization projects Volkswagen distinguishes between directly quantifiable risks and process risks.

Quantifiable risks can be the changes to the investment sum, due to supply price fluctuations or plan restructuring, changes of operating costs and market price opportunities, which Volkswagen simulates in different scenarios before entering into a project.

Process risks such as administrative delays are difficult to quantify.

However Volkswagen does have a tight-knit reporting schedule both in the planning, implementation and operation stages of an internationalisation project, where relevant issues are brought in front of the relevant committees, in order to assure that the local management is on track to meeting the set goals concerning economic success and long term economic improvement.

When it comes to direct reactions to failings, one can for example showcase that a difference in volume to the planned volume, will lead to different reactions such as price reductions, product altercations or more intensified marketing efforts.

2.5 Decision-Making Process

Volkswagen uses a variety of players when entering into an internationalization project. Again a distinction is made that different players are involved in the planning process and the implementation process.

In the planning process Volkswagen tries to gain a thorough market understanding, through the use of consultancy firms, automobile organisations, state-owned and semi-state owned agencies, administrations, legal firms, banks and if present once own local people (e.g. Sales Management or Import Agent). Moreover Volkswagen always sends a "Field Team" in order to secure this understanding. It is important to note that the results of this research are always directly sent to the Top Management involved in the project.

During the implementation stage Volkswagen tries to maintain a thorough and continuous dialogue with administrators in the host nation, and state-owned enterprises in order to secure a project progress. Moreover Volkswagen aims to build up a local entity, in this case Volkswagen

Malaysia, which is not only responsible for assessing the market but also to hold the connections to the important players during the realization stage.

During the planning process Volkswagen employs both a Top-Down-prioritazation and a Bottom-Up-Information feedback. This means that due to the limited resources at Volkswagen`s disposal a strategic Top Down decision is taken which region or market to put into entry consideration. However, since market changes occur on a frequent basis there is always information feedback to HQ about possible opportunities, which have materialised in the short term. For instance this could be information about import taxes, which may make it more profitable to invest into a local production although the majority of projects are realized through the Top-Down approach.

Once the actual planning process is finished and the implementation stage is reached, Volkswagen employs also a mixed strategy. The team, which is responsible to establish the project, is certainly autonomous in its decision-making when it comes to daily and frequent decisions. Having said this, should there be important and serious issues, which arise during the establishment, the information is quickly passed on to the next level and in a subsequent step to HQ Top Management. Consequently, if this occurs improvement advice are quickly passed onto the local establishment team.

Since the specific project in Malaysia is a joint effort between Volkswagen and DRB-Hicom, trust was an important part in the project.

Volkswagen realised that the European and specifically the German social and business culture is quite different from the Asian and specifically Malaysian social and business culture. Exemplary Malaysian business is very hierarchical, whereas Germans tend to employ expert groups, which have the same amount of legitimacy between each other. This means that a culture clash was possible.

In order to avoid such a culture clash and subsequent project failure, cultural trainings were given to the negotiators and the sensibility towards the Malaysian culture, such as its Muslim religious influence, was build amongst the team members, in order to build respect for that culture.

This was further developed through the use of local experts, early deployment of expatriates to Malaysia, both in order to gain access to relevant people and networks, since in ASEAN, and in Malaysia it is not feasible to conduct successful business without a long-term trust, that has to be established before any business is discussed.

Volkswagen did not use other German companies expertise, since this holds the danger of going into unsure waters in a legal perspective.

Therefore Volkswagen rather facilitates a constant dialogue and exchange of personal, for instance Malaysian Volkswagen employees are trained in Germany in order to understand the ”Volkswagen way” better and the other way round.

When it comes to the use of the DIHK (German Chamber of Commerce), a quick and thorough information exchange is sought after by Volkswagen. In the concrete case of Malaysia this was used extensively when the Sales Organisation was established a few years back, while this organisation had gained enough expertise, when it came to realizing the factory development. In other ASEAN markets, however, DIHK expertise is one of the first stepping-stones used by Volkswagen in order to get in contact with local administrators and potential suppliers. And hence, DIHK is a very valued organisation in the eyes of Volkswagen.

Appendix 4: Interview Protocol Evonik Industries AG

Interview Protocol

Company name: Evonik Industries AG

FDI project: South East Asia Regional Headquarter Singapore

Interviewee: Mr Meinhausen

Date: 3 April 2014

Company & Project Analysis

2.1 Company Culture

Evonik sees itself as an innovative provider for solutions in speciality chemicals. Evonik makes roughly 70 % of its revenues overseas, and hence considers itself as a multinational company, although it places its roots in Germany and is headquartered in Essen, Germany.

2.2 Internationalization Process

Today`s Evonik is a connection of former traditional speciality chemical companies, e.g. Hüls AG or Degussa AG, which back in the day already achieved around half to two thirds of their revenues abroad. Looking back many internationalized firstly in Europe, than North America and South America and with the economic opening of the People`s Republic of China at the end of the 1980´s and beginning of the 1990`s Asia became more important, although the first expansion into Asia came before this into Japan, however the People`s Republic of China was the main target market at the main stage of internationalization into Asia, and although some of the former traditional companies did have operations in South East Asia, these were more opportunity driven, rather than the main strategic focus which was and still remains in China.

The business environment has become more challenging as China has developed over time, and moreover Evonik believes that it is important to keep in mind the states which surround China, and sees the South East Asian nations as a regional cluster, which it looks upon holistically and tries to increase its business, keeping in mind that for some parts of its business a “light-entry” into the Asian market is likely to be easier in some of these South East Asian nations.

It is however important to note that all three of the Evonik chemical business divisions are active in Asia and in South East Asia, although not all of them have production facilities in that region, since it is not always sensible to make those investments, bearing in mind natural resources, IT security concerns, legal concerns and other important questions concerning such steps.

2.3 FDI Project: Singapore

Evonik predecessors, notably Degussa AG has been active with some projects in Singapore from the beginning of the early 1970´s, whereby Evonik has established Singapore as a regional headquarter for the whole South East Asia, also including Australia and New Zealand, since 2009.

The choice of establishing Singapore as the regional headquarter for South East Asia was made due to a number of different reasons. Firstly Singapore is geographically ideally placed in the region, since one has flight connections to Indonesia (2 hours); Ho Chi Minh City, Vietnam (2 hours); Bangkok (2 hours); Philippines (3 ½ hours) and even Australia is reachable relatively quickly, so that due to Singapore lying in the geographic centre of the region, one can reach all destinations comfortably and in a reasonable amount of time. Secondly the Singaporean infrastructure offers an excellent logistic environment, which leaves little to be desired ("Top of the Pops"). For instance a container to the South of China, Guangzhou, travels quicker from Singapore than from Shanghai and is furthermore more cost effective, meaning that also goods travel quickly and effectively from Singapore. The presence of other German companies such as suppliers or clients was not essential for Evonik, as the main drivers for its entrance are the market developments in the region, the connectivity to those markets and a business and technologically sound infrastructure.

These key criteria make it reasonable to place the Regional Headquarter, which also supplies many of the South East Asian markets and Asia overall, here. However when it comes to the production investments in Singapore, such as the newly established amino acid plant, these are generally incorporated into the global group network of Evonik and are hence capable to supply customers worldwide. However this specific amino acid plant being placed in Singapore is due to the fact, that the greatest opportunities and coming demand growth for the product are seen in Asia.

In conclusion it is therefore save to say, that the production assets in Singapore are integrated into Evonik`s global production network. Whereas the Regional Headquarter in Singapore is responsible for the strategic development of the South East Asia region and parts of China.

Does the company have a "standard procedure" when conducting projects in South East Asia?

It is difficult to use a standard corporate policy in South East Asia, since the markets in that region are quite different and unique, however Evonik does have corporate standards when setting up legal entities in markets, which are also taken into consideration by the Regional Headquarter in Singapore. For instance the set-up of a legal entity in Malaysia, would both be decided and driven from the regional headquarter in Singapore, bearing in mind certain global structures which are put in place in the overall headquarter in Germany. This is due to the fact that one needs the local knowledge and connectedness to the markets in South East Asia, and therefore the regional headquarter in Singapore is relatively autonomous when making these kind of decisions, although it does involve an iterative process whereby the majority of ideas and concepts are generated in

Singapore and brought to the global headquarter in Essen, Germany where around 80 % of them are accepted. Of course it also happens that ideas generating from the global headquarters are discussed and put in place. But the regional headquarter in Singapore is trusted with its decision-making, as it would otherwise not be sensible to set up such an entity, if one would not trust its decisions.

2.4 Country Risk

Evonik tries to compare both the opportunities and risks involved when setting up structures in South East Asia. A key component is to benchmark the opportunities, for instance against opportunities in China, which means that an either this project or that project decision has to be made at times, since one has to keep in mind that not all business divisions do have the resources to create and manage projects both in China and in South East Asia, this can be a difficult balancing act at times.

This is also influenced by the fact, that although the ASEAN member states are in the process of creating a “common market place” amongst each other, one has to be aware that there is a wide range between the development present in differing member states, this can for instance be shown by the gulf which persists for instance between a nation such as the LAO PDR and Singapore, where per capita income, as one important measure, differs substantially.

Hence Evonik `s challenge at times lies in making resources available to single local markets, and at other times markets and demand patterns stretch over multiple countries in relatively similar fashion (e.g. paint producers with similar demands in Vietnam, Thailand and Indonesia), adding to the complexity of developing the region.

2.5 Decision-Making Process

Evonik`s planning process in itself is rather complex, whereby Evonik tries to take a calculated first step by employing some people, and setting up primary market research function and other activities in order to gain an understanding of the market. On the basis of this information, Evonik tries to evaluate the perspective for this market, and should this perspective be positive one may establish a legal entity and at a later stages, after a certain amount of stability is detected, one may than opt to put production assets into that market.

During the whole process, maintaining one´s own flexiblity to certain business cycles and market developments is vital. A good example is Thailand, which in a recurring time-frame faces either natural disasters and/or political upheavals, but if one knows the market than one can be relatively certain that the people on the ground are capable of handling those circumstances. The current political tensions in Bangkok, do not affect the chemical industry to such a large degree as some might expect, as most of it is located in the South of Thailand were the situation is stable.

While doing the necessary research before and during such projects, Evonik uses a mix of private and public experts, and ideally also one`s own source of information, to gain an understanding of the market. Evonik furthermore believes that it is vital to have talks amongst industry peers or public authoririties in order to compare one`s own information and benchmark this against information from peers, chambers of commerce and public authorities.

Since this is a large amount of players involved in a project, Evonik believes that one cannot have the ultimate objectivity when conducting such a project. Therefore Evonik relies on it´s long experience when conducting these projects, and even if a clear coordination might be desirable that is often not feasible, since each player does of course have its own agenda.

Instead one might want to use a structural approach, of laying facts next to eachother and breaking them down, as then certain patterns are relatively easy to spot.

Once the planning process of such a project is finished and it comes to the implementation and realization of projects, it is difficult to give a general answer. For instance when conducting an investment one does have to have more control about the whole process, whereas if only a certain market analysis is to be conducted, than those are to very distinct things, and hence difficult to answer in general terms.

Appendix 5: Interview Protocol Jotun Group

Interview Protocol

Company: The Jotun Group
Projects: Myanmar and Cambodia
Interviewee: Sean Cheang
Title: Regional Business Support Manager Jotun SEA & Pacific (SEAP)
Date: 27 March 2014

Company & Project Analysis

2.1 Company Culture

Jotun has a strong company culture that the employees in Jotun refer to as "the penguin spirit". The company culture is based upon the company's four core values; boldness, loyalty, care and respect. New employees, or "new penguins", are being "penguinized" when they start to work at Jotun. Here, the new employees, or penguins, are trained, and the values of the company are clearly shown. As part of the penguin spirit, the Jotun employees greet each other by calling each other penguins. Example: "hello penguin" or "good morning penguin". The interviewee stated that despite feeling a little odd by addressing other staff as penguins in the beginning, it is considered to be an important part of Jotuns´ culture.

It is crucial to have a strong company culture, and the penguin spirit is implement in all of Jutun´s markets. This spirit is very strong in Norway, and in offices where Jotun has been present in over a longer period of time. Implementation of the company culture, or "penguinization", is however demanding in new entities.

The company, its culture and the core values are considered to be very international. However, the interviewee is open for the fact that the penguin spirit may have originated in Norway. In Jotun, the values loyalty and care are especially incorporated.

the strong implementation of the penguin spirit and the long-term focus are considered strengths with Jotun's culture. The employees often choose to stay with Jotun for a long period of time, and the company is considered to be successful to build up new markets. The interviewee pointed out that the careful entry strategy of Jotun into new markets could be considered both as strength and a weakness of the company. Careful and gradual market entries are an important factor the Jotuns´ international success. The company could however be braver when selecting and entering new markets.

2.2 Internationalization Process

Jotun has been present in Singapore for 45 years, and 60 years in Thailand. Subsequently, Jotun entered Malaysia, Indonesia and Vietnam. The motive for entering into to Singapore was the marine shipping business. Now, Jotun has a strong position and a bigger business size in Singapore and Malaysia than Thailand.

A part of Jotun's strategy is to enter selected markets and establish production facilities, opposed to concentrating the manufacturing facilities and export to other markets. However, the production facilities in Singapore were closed down three years ago due to increasing costs and changes in the regulations. Most of Jotun's production facilities produce almost all of the company´s product range (household paints and specialized coatings), and production is "nearly" standardized across countries.

The key determines for entering new markets are; (1) population size, (2) political stability and, (3) macro economical development. A big population size is not a key factor for success without the latter two determents.

The SEA region contributes a great deal to the total revenue of Jotun. The company is present in nearly all countries in the region. The Asia pacific region (including China and India) consists of countries with a big population size and growing GDP. The business prospect China and India are very promising.

Jotun operates in the segment of suppling paint to vessels and ship construction. Jotun has followed its customer base within shipbuilding and other main businesses into Asia. Many of these customers were previously located in some European countries. Jotun is present in both South Korea and China, which are the largest, and the second largest shipbuilding countries in the world. Singapore is also a major market for shipbuilding. Jotun will with its strong presence in SEA be closely located to other important markets within the marine industry.

Marine is an anchor business for Jotun. Once the company has become established within the marine segment, the company will extend into other segments in new markets in the following sequence; 1) household paints, 2) powder coatings, and 3) other businesses. In order to achieve growth, Jotun adapts to the local environment of new markets, and this sequence is only followed if it is in coherence with the country characteristics. This entry sequence was not strictly followed in Myanmar and Cambodia. In these markets, population size and macro economic factors were important, as these countries do not have an established marine sector.

The internationalization approach of Jotun is considered to be careful and gradual. The four core values play an important role when selecting and entering new markets. Jotun does not consider their approach to be unique compared to other Norwegian companies. Their main aim is to create and develop feasible and safe business opportunities.

2.3 FDI projects: Cambodia and Myanmar

Cambodia

Despite the medium sized population, Cambodia is relatively politically stable and open for foreign investments. The Cambodian business environment is experiencing many new entries. The country does not have many restrictions on money transfers in and out of the country, and Jotun considers the free market economy in Cambodia as positive.

The entry in Cambodia has many similar characteristics with the Malaysian market entry. Still, entering this market has forced Jotun to "fine-tune" their strategy (Jotun did not follow the entry sequence mentioned above). The country does not have a long costal line, and therefore the marine industry is nearly non-existing in the country.

The main reason for Jotun to enter Cambodia was that customers from the country had visited Thailand, Malaysia and Singapore, and introduced the Jotun brand to the Cambodian market. The customers eventually requested to bring the Jotun brand to Cambodia, and Jotun was first sold in stores offering household paints. Jotun is accepted as a premium brand in Cambodia. This lead to the start of a distributorship in the market, and then a small branch was set up. The operation in Cambodia was controlled by Jotun Thailand. Jotun had two of its own staff represented in Cambodia, and eventually new staff was requited, trained and "penguinized". This process started five years ago. Subsequently, as the trend in Cambodia increased, the branch was converted into a legal entity; Jotun Cambodia Ltd. More staff was recruited, and investments were made in the legal entity. Jotun is now considering setting up a production facility in the market. The sales in Cambodia nearly doubled from 2012- 2013.

Myanmar

Jotun have just opened a small office consisting of five people in Myanmar. Here, Jotun is following their careful and gradual approach when entering new markets. However, they are trying to reduce the timeframe as Myanmar is one of the last frontier markets in SEA. Therefore, Jotun is aiming to create a first-mover advantage in the country. The faster establishment process is possible for Jotun as they can draw upon the experience from Cambodia. Myanmar's risk profile is higher than Cambodia in terms of market entry and the market readiness. Myanmar does not have a developed bank system, and therefore only cash is accepted. Jotun had to hire a cashier in order to conduct business. General structures in the country are also lacking. However, Myanmar represents higher potential returns than Cambodia. In order to enter the market faster, Jotun is applying what they learned in Cambodia, as the two countries have similarities. Myanmar has a long coastline, which makes the country interesting for the marine segment of Jotun. The company found that many sailors from the country were familiar with the Jotun brand. In addition, Myanmar has a high population and huge oil and gas reserves.

Jotun is currently looking for land for manufacturing sites in both Myanmar and Cambodia. Jotun does not export product to new markets, but prefers to have local production. Not many actors in the paint industry are willing to do that, and this is a way for Jotun to differentiate itself. Local production also helps Jotun to win more customers and help to help the process of recruiting more penguins, and start the penguinization process. This process will help Jotun to be a long-term player in the market.

Despite the risks of being present Myanmar at this stage, Jotun believes it will be an even greater risk not to take the opportunity to get established in the market. If Jotun would wait, its competitors would get a foothold and this would damage the first mover advantage Jotun is likely to get today.

2.4 Country Risk

When entering new markets, Jotun use a careful step-by-step approach. By doing this, they can limit the risk of entering new markets. It is crucial to be familiar with local rules and regulations, and to be extremely careful with corruption. Jotun always use local, reputable legal firms in order to be familiarized with the legal situation in the market, and create awareness of which areas Jotun needs to be aware of. This reduces the non-compliance risk. To reduce the local business risk, it is important to communicate with the people on the ground, distributors, customers, and potential customers, and learn from these. This contributes to avoid misunderstandings in new markets.

2.5 Decision-Making Process

Jotun rarely have contact with state-owned entities. When this occurs, it usually happens through the local legal firms. To get up to date market information Jotun participates at business expos and conferences organised by the Norwegian embassy. At these events, the embassy works as a middleman between the local and international companies.

There are many Norwegian companies present in the SEA region. The interviewee was not very familiar with other Norwegian companies, with the exception of Telenor and Statoil. In some situations, Jotun have observed these two companies when considering own strategic steps and approaches. In the case of Telenor, the telecommunication industry deals with large populations, revenue per head and usage. Population size is an important success factor for both the telecommunication industry and the marine industry. Therefore, it is interesting for Jotun to pay attention the markets Telenor are present in and consider entering in SEA. Statoil deals with the oil reserves of various countries, the size of capital investments into certain markets, and the costs of oil and gas extraction. As Jotun provides steel-protecting products for companies within the oil and gas industry, it is interesting for Jotun to be aware of the movements of these companies as well.

When Jotun started its operations in SEA, each country separately ran its business independently. As business was growing, Jotun realised that they needed to improve the control and figure out how to check the balance in the region. Therefore, a few years back, the regional hub was set up in Malaysia, consisting of various departments, such as regional HR, regional R&D, and regional marketing, amongst other. Together, these departments work towards a standardization of Jotun´s brand building, purchasing exercises, and even R&D formulations. This is the approach Jotun is taking to indirectly control the business process of the legal entities in SEA. Jotun is using the original team as a hub to oversee and review the operations.

Initially, the decision-making process in Jotun could be described as bottom-up, as the various legal entities worked on a highly independent level. However, it was too time consuming and inefficient with the foreign entities reporting to HQ, and then wait to receive the decisions from HQ. As a response to this, the regional office in Malaysia was set up. The purpose was to give the regional office the right to make decisions. Today, the regional office in SEA decides the marketing, product assortment, R&D projects, investment projects and various other activities. The regional office has a strong decision-making power, but also has to report to HQ, and get approval of HQ to continue any activity. Despite the power and the influence of the regional office, HQ has the final say.

The penguin spirit positively aids the communication between regional teams and the global HQ. The strong company culture helps neutralize disagreements as everybody is working towards the same goals and objectives. There are regular meetings amongst departments and regional departments that enable people to meet face-to-face to discuss various business prospects and issues. These meetings help employees to solve disagreements and issues between countries.

Gaining trust is simple, but loosing trust is also very easy. The most important thing is to be sincere. It is important to set the standard rather than following local standards. This way, one can not only gain trust, but also respect. Trust and respect is a crucial factor when developing the Jotun brand. The importance of trust is can also be seen in the long-term profitability. The interviewee finds Jotun to be very honest, and that this is important for the company. The local legal firms that Jotun cooperate with carefully advise them how to proceed in any market, and Jotun fully complies with this.

Appendix 6: Interview Protocol Det Norske Veritas GL

Interview Protocol

Company name: DNV GL
FDI project: Singapore
Interviewee: Dr Sanjay C. Kuttan
Title: Director and Country Manager, Clean Technology Centre Energy
Date: 9 April 2014

Company & Project Analysis

2.1 Company Culture

The interviewee has a strong feeling of working in a Norwegian foundation. Many of the senior managers are Norwegian, and this is reflected within the foundation. In comparison to other companies the interviewee has worked at, DNV GL has a very strong focus on work-life balance. In contrast with other international companies, DNV GL actually “walks the talk”, and family is very important. The working environment at DNV GL is informal, and there is a positive mix between professionalism and having fun. However, weaknesses identified within the organisation culture is that it can be too naïve and too trusting.

DNV GL is very strict with which project they take on, and which ones they stay away from. The foundation is very honest about their philosophy, and DNV GL is annually investing five per cent into R&D. The core values of the foundation are very much reflected in the culture, and there is a strong focus on doing “the right thing”. The foundation is not driven from returns and pressures from the stock market. The financial perspective of DNV GL is to make enough so that business is sustainable. The areas of focus are on the code of ethics, business behaviour, and saving lives and respect the environment. To illustrate this, DNV GL does not take on projects that include nuclear power. One contrasting perspective within the foundation is that DNV GL should take on nuclear projects as they have a unique competence and experience with high-risk projects and risk management. With its high competence, the foundation could actually contribute positively to the nuclear industry.

When developing a new foreign office it is challenging to transfer and implement the company culture. Therefore, it is important that the local employees have similar values as the foundation even before they work for DNVGL. Employees are not “converted” after joining the company, they are already there themselves when it comes to the culture and values. This can be descried as a natural attraction between the employee and the foundation, and the employees in DNV GL strongly identifies with the foundation´s values, purpose and vision. This was the reason for the employees to join the foundation in the first place, and it is also an important reason for them to stay. The payment structure in DNV GL reflects the fact that it is a foundation, and not a company. Employees, who initially thought that they had a great “fit” with the foundation, but eventually were more focused on personal gains and were money driven, tend to leave the foundation after a short period of time. The people who do stay with the foundation really believe in what they are doing.

The last two years have been the most challenging for the identity of DNV GL. This is due to the recent mergers and acquisitions where the new "personalities" has to be incorporated into the foundation.

2.2 Internationalization Process

In the establishment phase of a new office, many foreign managers are involved in the process. These managers are familiar with the company culture and how the foundation operates. Local talents are trained and developed, and they will eventually take over more of the operations of the new office. This "transition" period is very important, as there may be a mismatch between the local culture and the company culture. Many foreign offices are located far away from the global HQ (HQ is located in Oslo), and it is important to develop an understanding for the local culture, and at the same time implement the company culture. DNV GL always operates to localize as fast as possible in new markets. DNV GL defines their entering strategy as more conservative, and finds themselves "in the middle" of the companies who enter new markets. Using Myanmar as an example, DNV GL is observing and monitoring the market despite the rapid entry of many international companies.

The different business sectors of DNV GL are set up and operate accordingly to their customers, and where the customers are. The foundation´s values, purpose and culture are the basis of all activities, but the different business sectors are to a certain extent based upon industry characteristics.

As a classification society, DNV GL follows the maritime industry. The main goal for DNV GL is to create a footprint, and to serve their clients and customers the best way possible. The only way to create profit is to be present in the specific region where their customers are located. SEA is an important region within this industry, and is closely located to other major shipbuilding nations in Asia, such as South Korea and China. If the customers have their regional HQ in one location, then DNV GL would like to be present in the same market with their regional HQ. This is because one would like to be close to where the decisions are being made.

Patience is necessary when learning to understand a new culture, and therefore a long-term view when entering a market is essential. To develop a cultural understanding, one has to be present in the market and experience the culture first hand. This is not knowledge that can be acquired in a classroom, and employees have to "learn by doing" in foreign markets.

2.3 FDI Project: Singapore

Singapore has one of the busiest and largest ports in the world, and the country has a very international business environment. Oil and gas, the maritime industry, and the cruise industry are some of the major industries in Singapore. The country has a central positioning in SEA, and DNV GL has been present here for almost 100 years. The regional HQ is located in Singapore due to the country´s important role within the maritime industry.

DNV GL has a number of global business lines, such as maritime, oil and gas, and energy. Prior to the acquisition of KEMA, the agency HQ of oil and gas was in Singapore. When KEMA was acquired, the HQ for energy was based in Beijing, but the operation was moved to Singapore one year ago. Singapore is an attractive for locating the regional HQ. The government is very business oriented, and creates many incentives that attract international companies. When big companies, such as DNV GL, set up the regional HQ in Singapore, it will reflect positively on the country.

There are several reasons for moving the regional HQ to Singapore. First, from a positioning standpoint, Singapore is well placed geographically, and is highly interconnected between the countries in SEA. Second, the political stability and safety in the country allows international companies to operate there. The country offers an advanced infrastructure, modern communication technologies and a modern lifestyle. Many MNCs are sending out expats and senior managers with families, and family safety and heath safety are therefore major criteria for relocation. The set up of a regional HQ requires senior managers from other countries to relocate that specific location. These managers often have families, and one big challenge is that relocation will not happen unless their spouse and families are happy. The legal framework and tax incentives are other important factors. Lastly, Singapore also has a highly skilled workforce. Other cities with similar competencies as Singapore are Hong Kong and Kuala Lumpur.

Asia is a very diverse continent, and this makes the continent a challenging area to operate in. One of the main differences between Asia and Europe is that Asia is not landlocked. There are many different languages in Asia, but compared to Europe, it is not common to speak several Asian languages. This could be due to large geographical distances, and the independence of many young nations. Education in Asia is primarily in English. If people are without education, they most often speak their own language. In order for DNV GL to gain a better understanding of the culture, and to keep up to date with changes in the market, it is crucial to be present in the various markets. It is not possible to operate Asian markets from Europe.

DNV GL is faced with some challenges with the regional HQ in Singapore. One issue is related to manpower. It is crucial to have the "right" people, but it is not sustainable to only have Norwegian expats and managers in a foreign office, as the costs will be too high. The problem is to figure out whether there is enough local manpower to employ, and to groom for leadership. This problem remains to be a challenge. Another issue is that unlike most other expats, Norwegian expats are extremely homebound. Therefore, it can be challenging to get Norwegian managers to Singapore. It is also demanding to encourage Norwegians to stay in Singapore for a longer period of time, despite the country's high standard of living. Yet another challenge is the many languages that are spoken in Singapore. Even if a local Singaporean is employed, there will still be challenges related to understanding all the languages spoken in Singapore. It is also crucial to understand the culture.

Finding employees that have the good language skill, and that also has an understanding of the culture, is difficult.

2.4 Country Risk

Before entering a market it is necessary to evaluate the country's political risk, legal environment and conduct a general market assessment. Corruption in SEA is widespread, and one has to admit that not all sectors can be entered due to the high risk of corruption. If corruption is discovered, DNV GL will walk away from business immediately. This is one way the foundation deals with the risk of unexpected events. Safety for employees is also crucial. Another threat in SEA is the political instability, including the political turmoil and changing laws in different countries. Despite the complex and changing political situations in the SEA region, DNV GL is able to predict the risk in the various countries. This can be done as DNV GL has a lot of experience of operating in the region, and there are also certain factors in these markets that remain fairly constant.

One of the challenges DNV GL is faced with when entering developing markets is the insecurity with receiving payment. Therefore, DNV GL is working with the World Bank, the Asian Development Bank and other financial institutions. DNV GL is using a careful step-by- step approach when entering into developing markets. Often, DNV GL tenders for various financial institutions and organizations, such as US Aid, various European funds and Norfund. These projects aim to help and build up the development countries. The challenge with these projects is the very low rates, and DNV GL often has to go really low or take a loss when working with these projects. However, the projects are seen an investment as they represent an opportunity to enter new markets, get to know the players, gather information and get an understanding of the level of risk.

2.5 Decision-Making Process

Before entering a new market, and during the entry process, DNV GL uses both internal information, knowledge from previous experiences, and external actors when gathering information. Innovation Norway exists for that purpose, and is being used if applicable in new markets. Other existing structures set in place by the Norwegian government are also being used to gather information. DNV GL has its own legal team, but for certain markets local teams are also involved in the process. If DNV GL does not have the competencies required, the foundation has to acquire this from external players. As an international foundation, DNV GL relies on many local actors in the various markets.

For DNV GL the presence of other Norwegian companies in market is considered a plus, but it is not a driver. The driver is to be located in the markets where the customers are present. The interviewee believes that the company considers itself as a Norwegian company, despite the strong international presence. This is based on the Norwegian leadership, and that HQ is located in Norway. DNV GL is representing Norwegian interests when abroad, and participates in events through the Norwegian Business Association.

Within DNV GL, there are different levels of decision-making. The foundation has a high-level strategy, and global strategies for the next five years. Which service lines the foundation will focus on and further develop will be defined of the mentioned strategies. How the foreign offices execute these plans is defined in an annual operating plan or a two-year tactical plan. These plans will be reviewed, and a line of agreement between the foreign office and HQ is developed. Foreign offices have the autonomy to decide what they believe is best for their market. The foreign offices are not under control, but everybody within the foundation will know what to expect. The decision is made together, and that alignment must consist. The foreign offices are free to manoeuvre and make things happen.

When things are not going as expected, it is especially important to be clear on why certain decisions have been made. Often, decisions were made based on long-term visions in the market, and things do not change over night. It is therefore very important to make sure that people understand the reasoning behind the decisions and the regional assumptions that have been made. There is always risk involved, and it is necessary to communicate this throughout the hierarchy. In all organisations, aligning the expectations throughout the organisation, and understand the rationale behind individuals, is crucial. A good leader understands that decisions are based on the information that is available. If one were to stop every time something goes wrong, the foundation would never move forward.

DNV GL is now going through the largest integration in the foundation´s history due to the recent mergers and acquisitions. The foundation has grown rapidly, and when the interviewee started working for DNV GL three years ago, the foundation had 8000 employees. Since then, DNV GL has changed dramatically, and the number of employees has doubled. The merger and acquisitions do represent an element of opportunity for DNV GL. The maritime industry was for a long time the core business for the foundation, but DNV GL became involved in the oil and gas industry in the 70s. Around year 2000, the foundation nearly went bankrupt because both the maritime market and the oil and gas market had collapsed. The maritime market is defined by its ups and downs, and therefore it was important for DNV GL to establish a foothold in other industries in order to have more feet to stand on when the maritime industry was going through downturns. Therefore, power and renewable energy became a new area of focus for the foundation, as the foundation´s values and purpose fitted this industry.

When a company has entered a new business area, it can either grow organically or through acquisitions. DNV GL growth is based on the latter, namely through acquisitions. This way of growing is preferred as the foundation was able to build a strong foundation within the industry. KEMA was acquired based on its competence within the power industry. GL came up for sale, and the GL management decided that DNV was the most attractive foundation to sell to. Interestingly, DNV and GL have been fierce competitors for more than 100 years. A similar situation occurred with the acquisition of KEMA: it was the shareholders of KEMA that approached DNV. Acquisitions have been a very important way for DNV GL to grow and to get established within new industries and markets. Now, DNV GL has to make the acquisitions and merger to work together. Looking at GL, both foundations share visions and purpose. The company culture of the two organizations is very different, and represents a challenge.

Trust is crucial for DNV GL and the way they operate. Trust is the only asset the foundation has in the market. Gaining trust is demanding and it requires a lot of work. Trust is crucial amongst people, corporate, departments, and companies. The interviewee refers to an equation for trust (with reference to The Trusted Advisor). This formula of trust consists of credibility, reliability and intimacy divided by self-orientation. The empowerment between regional offices and HQ has taken time to develop. As one gets to know the individuals in the foreign offices, more responsibility is given. This process of trust develops over time.

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Content List

Abstract

The intent of the Master Thesis is to study the effects of national culture on the decision-making characteristics in Foreign Direct Investments. Explorative case studies among Norwegian and German firms investing and operating in South East Asia will be conducted, in order to estimate if such characteristics exist when investing and operating in varying country risk environments.

1. Introduction to the Research Topic

It is assumed that culture is an important aspect of international business, and culture should not be underestimated when investing into foreign markets. There is also reason to believe that company strategy and behaviour reflects the culture of its home country. In our opinion, when firms decide to internationalize, it is equally important to be aware of one´s own culture, as it is necessary to analyse the cultural aspects of foreign markets. We would like to further explore the differences in firms' operation modes in regards to national culture, when confronted with country risk investment levels. Hence in this thesis, we will conduct a case study of Norwegian and German firms and their foreign direct investments (FDI) into South East Asia (SEA). With this, we will attempt to identify specific Norwegian and German company characteristics. We will evaluate how these companies deal with different economic environments, a tested relatively risk free investment host (Singapore), and 4 less ventured countries in ASEAN, which have higher inherent country risk.

1.1. Research Question

Based on our interest in how national culture can affect firm strategy, and the gaps in literature on this topic, we wish to explore the following;

Does the course of action vary for Norwegian and German firms when investing into different risk environments in South East Asia?

1.2. Managerial and academic relevance

We believe that our findings will be of interest to both German and Norwegian companies that either consider, or are already present, in SEA. With this, there is also reason to assume that our research can add to the literature, and stimulate future research.

2. Country Analysis

2.1. Investor Nations

As we have selected to focus on German and Norwegian countries in SEA, we first will give a brief introduction of Norway and Germany. Norway and Germany have strong political and economical ties. Also, the cultural work of Gert Hofstede shows that the culture of the two countries can be considered relatively similar, with some exceptions (Hofstede 2014).

2.1.1. Germany

Germany has the largest economy in Europe, and the fifth largest economy in PPP in the world. The country is a large exporter of machinery, vehicles, chemicals, pharmaceuticals and household equipment (CIA Factbook 2014). In regards to culture, Germany has a high score on masculinity (66) on Hofstede´s cultural dimensions. Despite having a relatively low score on power distance (35), the typical German business structure is highly hierarchical, and the roles within a company are clearly defined. The high score on masculinity can be seen in relation to this, where status and performance are highly valued (Newcomers-Network 2014). Germans are typically known for their “live to work” attitude, which also can be seen in relation to the high emphasis on masculinity.

2.1.2. Norway

Norway is heavily dependent on natural resources, such as petroleum, fish, forests and minerals (CIA Factbook 2014). The petroleum industry is particularly important as it accounts for a considerable part of the country’s export revenues. Further, Norway is the third-largest gas exporter and seventh-largest oil exporter in the world. In relation to Germany, Norway has a very low masculinity score (8) when looking at the cultural dimensions of Hofstede. This is reflected in both society and in national corporate structure; the main focus is more human-oriented, not status (Hofstede 2014). The company structure is typically flat, and informality and egalitarianism is a big part of the Norwegian culture.

2.2. Host Region- South East Asia

In our paper we want to explore the FDI decision making by German and Norwegian Firms when investing into South East Asia. Henceforth a compact overview over SEA is given. In the remainder of the text SEA will be used simultaneously with the Association of Southeast Asian Nations (ASEAN), which was founded in 1967 and has since developed into the regions community organization, discussing political, economic and socio-cultural issues among the 10 member states[1] (ASEAN 2014). The economic development in SEA has been heavily influenced by the inflows of FDI over the past, with annual inflow growth rates averaging 19 % over the last decade for ASEAN in total. Hereby the low-cost production base has helped to generate a substantial inflow of export-oriented FDI into the region in the past (Diaconu 2009). Moreover policy efforts to attract FDI into and within ASEAN were made by an early stage (Mirza and Giroud 2004). This process is deemed to be continued and strengthened by the introduction of the ASEAN Economic Community (AEC). The AEC is expected to begin in 2015, with the aim of a deeper regional economic integration, via a single market and production base. This shall enable ASEAN to be a highly competitive region, which is integrated into the global economy, while ensuring an equitable economic development for all the member states (ASEAN 2014). Numerous areas of cooperation have been established, such as human resources development, closer consultations on macroeconomic and financial policies, or intra-regional industry integration, to name just a few, which in short should transform ASEAN into a region with free movement of goods, services, investment, skilled labour, and freer flow of capital (ASEAN 2014). In the meantime there exists a common framework (ACIA) concerning FDI into the region; each member country can however maintain different strategies when aiming to attract foreign investors (Investing in ASEAN 2013). In order to maintain a reasonable scope and specificity of our research, we have decided to aim to extract information from only a limited number of ASEAN member states. We hope to find case study company partners in at least two of the following countries: Singapore, Thailand, Indonesia, Vietnam and Malaysia. Singapore will hereby be the proxy for a more conservative investment in terms of country risk and economic infrastructure whereas all the other 4 countries are considered to

[1] ASEAN member states: Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Phillipines, Singapore, Thailand in Vietnam (ASEAN 2014)

have more challenging business environments. The logic for attempting to gain case study partners in all the four latter countries is that they present different challenges and opportunities for potential foreign investors through differing political systems, cultural society mixes, geographic characteristics, varying market sizes and being at different stages in their economic development. A short introduction to each nation is given in the following paragraphs:

2.2.1. Singapore

The city-state of Singapore, with its 5.3 million inhabitants, is the most powerful economic nation in ASEAN. The former British colony profits from its thriving port through which a large portion of international trade passes through the Strait of Malacca (BBC 2014). Singapore has a highly developed free market economy, which heavily depends on the exports of consumer electronics and pharmaceuticals. More recently the nation also began to profit from the growth in the financial service sector (CIA Factbook 2014). The nation is the largest recipient of FDI in ASEAN having received approximately half of the FDI investments through to 2011 (ASEAN Chartbook 2014). This is further evidenced, as the country is ranked 8th on a global level for FDI Host nations. In contrast to the other examined nations Singapore itself, is also a large FDI investor country ranked 16th in the world (World Investment Report 2013). Singapore´s strengths include economy-friendly policies, and an excellent infrastructure which supported by a highly efficient and corruption free administration. In comparison to the other ASEAN nations labor costs are high and the country itself has a small market size. An ever-increasing threat is the low birth rate and consequent population decrease. However the country tries to counter by offering opportunities in high-technology industries and investing into ecologically sustainable industry parks, infrastructure systems in its further city development (Wirtschaftstrends Singapur 2013/2014).

2.2.2. Thailand

The Kingdom of Thailand, with a population of 69.9 million, is an economy driven by exports and its tourism sector (BBC 2014). The Kingdom was the only South East Asian nation not to be colonized in the past, and after citing with Japan during World War 2, became an US American ally, with Thai troops fighting in the Vietnam War (CIA Factbook 2014). The nation is predominantly Buddhist and the major languages include Thai and English (CIA Factbook 2014). The country forms the centre of the Indochina Peninsula, and shares borders with Lao PDR, Cambodia, Myanmar and Malaysia (Investing in ASEAN 2014). In the past Thailand has achieved a steady growth rate, coupled with a low unemployment rate thanks to a well-developed infrastructure and a free-enterprise economy which is supported through pro-investment policies and by strong export industries mainly in agricultural commodities, automobiles and parts and electronics (CIA Factbook 2014). The country eased access for investors in 1999 with the Foreign Business Act, allowing for 100 % foreign ownership in certain industries. Furthermore the establishment of General Industrial Zones (GIZ) and Export Processing Zones (EPZ) makes special privileges and incentives available (Investing in ASEAN 2014). The easiest way for investors to gain information about Thailand is to contact the Thailand Board of Investment (BOI), which actively promotes the country as an investment location worldwide. These measures have led Thailand to experience an average FDI Stock/GDP ratio of 36.53 % between 1999 and 2011, while its inward FDI Stocks increased from 37.3 US Dollar Billions to 120.6 US Dollar billions in the same period (Ramstetter 2012) (Appendix 1). The country is positioned third inside of ASEAN with 11,3 % of Total FDI inflow in the period between 2006 – 2011, a trend that is likely to continue according to the World Investment Report were Thailand is ranked 8th for prospective FDI host economies for the coming years 2013-2015 (ASEAN Chartbook 2012) (Appendix 2) (World Investment Report 2012) (Appendix 3). This outlook is supported by German Trade & Invest analysis, which sees Thailand´s strengths in a diversified portfolio in leading export industries, a favourable geographic position and relatively low labour costs. Although the country also faces weaknesses such as an unstable political outlook, low growth rates compared to China and India; and hitherto threats ranging from high dependency on the world economy, labour shortages and an ageing society, it also offers plenty of opportunities. Hereby the further integration and development of ASEAN coupled with the goal-oriented policies of BOI are likely to benefit the country. The abundance of natural resources and the continued investment in a modern infrastructure add to Thailand's prospects (Wirtschaftsdaten Kompakt Thailand 2012).

2.2.3. Indonesia

The Republic of Indonesia, with its capital Jakarta, is the most populous of the ASEAN nations encompassing 242.8 million inhabitants. Indonesia being, the largest Muslim democracy country in the world, the nation consists of 17.000 islands (BBC 2014, Investing in ASEAN 2014). The country shares borders with Timor-Leste, Papua New Guinea and Malaysia (ASEAN 2014). The former Dutch colony has become an attractive investing target due to its large consumer base, natural resources availability and political stability in the Post-Suharto era (BBC 2014). Indonesia also allows for 100 % foreign ownership in certain industries, and offers a wide range of tax incentives including VAT and import duty exemption for companies operating in Free Trade Zones (Investing in ASEAN 2014). The country increased its cumulative FDI Stocks from a mere 26.8 US Dollar Billions to 86.6 US Dollar Billions from 1999-2011 (Ramstetter 2012). While FDI Stock/ GDP ratio is the lowest in the compared economies with an average of 10.6 % in the same period (Ramstetter 2012). The country´s future is harmed by its inherent weaknesses of a high dependency on natural resources, a low industrial basis and export orientation, combined with large informal unemployment. Moreover the country is threatened by its low competitiveness in comparison to its neighbours and a low education level. However the sheer size of its domestic market, the largest in ASEAN attracting many foreign companies, a stable fiscal policy and a young, consume-oriented population, may indeed warrant the country future FDI potential, since it is predicted as the 4th most prospective host economy for the 2013-2015 period (Wirtschaftstrends Kompakt Indonesien 2013) (World Investment Report 2012).

2.2.4. Vietnam

The Socialist Republic of Vietnam, with its capital Hanoi, is home to 89.7 million inhabitants. The country is situated in the east of the Indochinese peninsula bordering China, Lao PDR and Cambodia (Investing in ASEAN 2014). The country is mainly non-religious and is dominated by the Viet (Kinh) people, who make up 80 % of the population (CIA Factbook 2014). The country was reunified in 1975, following French colonization and the Vietnam War. Initially the country struggled with a collectivist agricultural model, before opening to international trade in the 1980, and has since become one of the fastest growing economies worldwide (BBC 2014). The country joined the World Trade Organization 1997 and has since become a competitive export-driven economy (CIA Factbook 2014). In 2006 Vietnam changed its investment law, which now allows foreign investors to participate in most economic activities. The country has also established "Key Economic Zones" and "Open Economic Zones" (Investing in ASEAN 2014). These changes in legislation have had an effect on FDI inflows, when comparing for the period 1999-2011. From 1999 to 2005 the FDI stock inflows increased from 13.4 US Dollar Billions to 22.5 US Dollar billions, while since 2006 the country has seen an increase from 24.9 US Dollar billions to 64.6 US Dollar Billions in 2011 (Ramstetter 2012). The FDI Stock/GDP ratio has been on 47.63 % on average for the 1999-2011 periods (Ramstetter 2012). According to ASEAN Chartbook 2012, the country hence received 9.3 % of the cumulative FDI inflows in the period 2006-2011 (Appendix 2). According to Rowley and Warner (2010) those and other policies that positively promoted FDI were likely to result in further exports, again stimulating economic growth in Vietnam. Furthermore, investments in infrastructure and education would make a stronger basis for higher levels of FDI in the country. When contemplating the future German Trade & Invest sees Vietnam's strength in a stable government, aiming for more development and a young population with low wage demands. The country is also likely to experience more FDI (mainly from Japan & Korea), while the domestic retail sector and the foreign exports are likely to remain growing and modernizing. However the country also has some inherent weaknesses, such as changing economic policies, no independent judicial system and a limited infrastructure and supply of skilled labour. A number of potential threats may further limit the country´s potential, such as the corruption and slow bureaucracy prolonging essential reform steps and high debt risks at the dominant state-owned enterprises (Wirtschaftstrends Vietnam 2013). Nevertheless the country is still positioned 11th in the prospective FDI host countries for the period 2013-2015 in the eyes of the World Investment Report 2012.

2.2.5. Malaysia

The Federation of Malaysia with a population of 29.3 million and its capital Kuala Lumpur is multi-ethnic and multi-religious nation (BBC 2014). The country shares borders with Singapore, Thailand and Indonesia (Investing in ASEAN 2013). The former British colony has evolved to middle-income country, diversifying its economy from the export of raw materials to an emerging multi-sector economy. The country is aiming to reduce its export-dependency by increasing domestic demand and attracting further high value-added industry to complement its electronics, oil and gas, palm oil and rubber industries (CIA Factbook 2014). In Malaysia, the public sector is very strong, and the national level institutions greatly influence the business system in the country. However, Malaysia has shown willingness to adapt private sector solutions to achieve “best value” (Rowley and Warner 2006, 394). Hence the country allows 100% foreign ownership in certain industries (Investing in ASEAN 2013). Malaysia has increased its FDI stock from 54.2 US Dollar billions from 1999 to 116.1 US Dollar billions in 2011 (Ramstetter 2012) In the meantime the country has seen a reduction in FDI stock/GDP ratio coming from 67.49 % in 1999 to 46.88 % in 2011 (Ramstetter 2012). If Malaysia can further build on its strengths of an open economy, a young relatively educated workforce, an improving infrastructure, and an abundance of natural resources while decreasing its dependency on oil and gas revenues, limits its budget deficits and the departure of educated workers, the country may well be such an attractive FDI target as predicted by the World Investment Report, where it is listed in the TOP 20 of prospective host economies (Wirtschaftstrends Malaysia 2013) (World Investment Report 2013).

2.2.6 Cambodia

The Kingdom of Cambodia with its capital Phnom Penh is home to a population of approximately 15 million. (Investing in ASEAN, 2013). The inhabitants are predominantly Khmer (90 %), who follow the Buddhist religion and are organised in a hierarchical society with a focus on the collective (Investing in ASEAN, 2013). The country shares borders with Thailand, Lao PDR and Vietnam, and profits from the irrigation of the Mekong River and a tropical climate. (Investing in ASEAN 2013). Cambodia`s economy is heavily dependent on garments production, construction, agriculture and tourism. (CIA Factbook) The growing tourism sector with up to 2 million foreign visitors per year and the increase in the garment industry, which supplies 70 % of the nation’s exports, account for most of the 7 % annual GDP growth rate between 2010 and 2013 (CIA Factbook). However, the nation faces numerous challenges such as a poor, uneducated population, limited basic infrastructure especially in rural areas and a high income inequality (CIA Factbook). Consequently Cambodia is among the lowest recipients of Foreign Direct Investment in South East Asia ranging at levels below 5.000 million US Dollars per year from 2007 until 2011 (AEC Chartbook 2012). Moreover the country still suffers long-term consequences from the Khmer Rouge era under Pol Pot, when a quarter of the population died from starvation, torture or labour in an effort to collectivise the entire nation into a communist farming state and has recently seen violent protests from garment workers for higher wages and better living conditions (Spiegel 2014) (Wall Street Journal 2014).

2.2.7 Myanmar

Myanmar, also known as Burma, with its capital Rangoon (Yangon) is the second-largest nation in South East Asia, with a population of approximately 54 million (Investing in ASEAN 2013). The nation is situated among China, India, Bangladesh, Lao PDR and Thailand, and offers a large potential for tourism with religious temples, beaches and mountains a potential attraction for diverse interests (Investing in ASEAN 2013). Most of the population are of Burman decent, and Buddhism is the main religion, although a large proportion of the population continues to live in ancient cultures and has yet to be touched by western civilization (Investing in ASEAN 2013). The country changed to a civilian government in 2011, and has since begun to attract Foreign Direct Investment and re-connecting its economy to the world (CIA Factbook, 2014). The Wall Street Journal has since named Myanmar as the "Final Frontier", since companies aim to establish themselves in this new market with large growth potential (Wall Street Journal 2012). The country still struggles with the transition from military rule to a civilian government and faces ethnic struggles between the predominantly Buddhist majority and the muslim-minority Rohingya (Spiegel 2013) (NY Times 2013). However, Myanmar can also report progress since its abundant natural resources and young workforce have attracted substantial Foreign Direct Investment in the years 2012 and 2013, although the country still lacks basic infrastructure and faces the problem of an uneducated workforce and endemic corruption (CIA Factbook 2014).

3. Theory Platform

3.1. Foreign Direct Investment and Business Internationalization Strategy

In order to explore and evaluate the reasoning behind the decision-making process in our featured Norwegian and German companies, it is paramount to have a clear understanding what factors influence FDI. Moreover FDI is generally incorporated into the overall business internationalization strategy of a company. Hence a research review of FDI determinants and internationalization modes is presented below.

3.1.1. FDI Determinants

The predictability of a nations attractiveness as a target for FDI is a complex issue, evidenced by the large body of literature. Beginning with the question: "Why nations trade?" David Ricardo established the notion of a nation's competitive and comparative advantage in producing a specific good, determining that France is fittest at producing wine, while Poland is more capable of producing corn (Ricardo 1819). Building on this concept the Heckscher-Ohlin model suggests that a nation should produce a good for that requires factors that the country owns in abundance, and should refrain from producing goods where its factor endowments are scarce (Caves 1996). Since the FDI decision is generally not made by a nation but an individual company, it is easier to predict which given circumstances would diminish a host nations attractiveness, those being the more distant and more stringent in its rules on foreign investment a country is perceived, the more unattractive it becomes (Caves 1996). In this particular case, since the 4 countries to be examined are all part of the growing number of emerging nations, the focus will lie on the determinants of foreign direct investments in these environments. Historically, FDI were contrary to the capital-arbitrage rule, mostly observed between the so-called Triad of the United States of America, Western Europe and Japan. In recent times the number of recipients has broadened substantially, with the developing world receiving approximately an equal share of FDI inflow, and even surpassing the developed world in 2012. On the other hand FDI sources remain closely connected to the developed world, who contributes the majority of the investment outflows (World Investment Report 2013, 13). This is mirrored in the prospective FDI investments of TNC companies, who are most likely to invest in a number of developing nations according to the World Investment Report, an assessment which is mirrored in the AT Kearney FDI Confidence Index (2012), where developing nations are far more numerous in the TOP 25, than developed nations, with 8 Asian nations in the TOP 20 (World Invest Report 2013 50) (AT Kearney Confidence Index Appendix 3/4). In Caves opinion, FDI investments occur due to three main reasons. Firstly, in the case of natural resource companies, the foreign subsidiary is used to integrate the resources vertically into the company. Secondly, the subsidiary is established to serve the local market, or finally as an export hub. In the two later cases, the relative small market size of most developing economies leads to an extensive use of one of the two options, but it is rarely observed that a developing market is both used as a market and as an export hub (Caves 1996) (Horst 1971). In terms of domestic oriented subsidiaries, the difference between industrialized and developing host nations seems to be little when determining where to invest. The firm looks for congenial industries in the host nations and tariff incentives in industries, which depend on proprietary assets (Nakani 1979) (Morley & Smith 1971). Moreover these subsidiaries are especially drawn to countries with high growth rates in domestic demand and a reduction in protective tariffs. On the other hand, export oriented subsidiaries are more concerned with tax rates and quality adjusted labour costs (Lecraw 1991). In order to attract FDI Reuber et all. (1973) summarized the prevailing government incentives in a 77-country study, showing that tariff protection on imported equipment; tax holydays; tariff protection and import-quota protection are most common.

3.1.2. Business Internationalization Strategy

In order to explore the FDI projects that will be examined at a later stage in our paper effectively, it is paramount to understand which reasons and purposes underlie the FDI projects. Early internationalization theory, as described in the Uppsala model, suggests that the more experienced a company becomes (and hence gains a competitive advantage) the more likely it is to further invest in a destination (Johansen & Vahlne 1977). A firm evolves from servicing a market through exports or licensing agreements to establishing its own base (Bloningen 2005). This may also happen directly as a firm may be inclined to protect intangible assets, such as technologies or managerial skills (Bloningen 2005). This is strongly connected to the transaction cost approach, meaning that a firm will only choose to internalize an activity, when the transaction costs of this approach are lower than the previous at arms length operation. (eg. Change from local distributor to own sales department in foreign country) (Williamson 1981). Or in the event that a firm is afraid to be harmed by possible market failure, which can be out ruled through internalizing the transaction (Bloningen 2005). This approach is also present in the OLI framework or eclectic paradigm, which helps explain a firm's choice to internationalize. In the (O)wnership sub-paradigm the firms choose a country where their competitive advantage is greatest, especially in regards to the local competition. In the L(ocational) paradigm, the firm will choose to undertake its operations in the certain region or country, if the needed natural or created endowments needed for the value adding process are immobile. Lastly in the (I)nternalization sub-paradigm showcases the different ways a firm may organize the exploitation of the present resources (Dunning 2000). A firm can therefore have four objectives when internationalizing through FDI: 1) market seeking FDI, to satisfy a foreign market or region 2) resource seeking, to gain access to a certain resource, unskilled labour, natural resources 3) efficiency seeking, to achieve a efficient allocation of labour or specialization in between the multiple plants of the firm 4) strategic asset seeking, seeks a protection of the specific competitive advantage the company has gained or the reduction of the competitive advantage of a competitor (Dunning 2000). After evaluating the internal reasons that are commonly associated with FDI projects, the external factors influencing a firm are presented below. In his paper "A Review of the Empirical Literature on FDI Determinants" Bloningen argues that companies are affected by a number of factors, starting with the exchange rate between the Company`s home market and the FDI location. Numerous researchers provide evidence that currency depreciation in the target nation, will lead to increased inward FDI (Froot and Stein 1991) (Klein and Rosengren 1994). The logic behind this effect is if FDI by a firm is motivated to acquire assets that are transferable within a firm across many markets without a currency transaction (e.g., firm-specific assets, such as technology, managerial skills, etc.), then an exchange rate appreciation of the foreign currency will lower the price of the asset in that foreign currency. However it will not necessarily lower the nominal returns (Bloningen 2005). Another factor that is mentioned throughout the relevant literature is taxation. The initial obvious hypothesis was that higher taxation discourages FDI. However since investing firms, underlie at least two taxation

systems, their parent and host country systems (the later might vary in numbers, according to the number of the firm´s multi-national sites), the effects of taxes on FDI can vary substantially by type of taxes, measurement of FDI activity, and tax treatment in the respective tax systems (Bloningen 2005). At this moment in time it is therefore difficult to quantify the overall affect of taxation on FDI projects. Two other factors, which are to be considered in a FDI project, are the host countries institutions and its trade protection policies. The quality of institutions is an important factor for a multitude of reasons, particularly for developing nations, such as ASEAN states which are examined in this paper. First, poor legal protection of assets increases the chance of expropriation of company assets. Poor quality of institutions hinders the development of a well-functioning market. This and the potential occurrence of corruption, increases the cost of doing business. Moreover, inefficient institutions extent into a poor infrastructure, which again decreases the potential profit from a FDI project (Bloningen 2005). While these basic hypotheses are non-controversial, estimating the magnitude of the effect of institutions on FDI is difficult. Most measures are some composite index of a country`s political, legal and economic institutions, come from surveys conducted among business people familiar with their particular country. This decreases the comparability across countries, as respondents therefore vary across nations. In addition to this, institutional change is challenging to achieve, so that institutions in general tend to be quite persistent within one country (Bloningen 2005).
The hypothesized link between FDI and trade protection is seen as fairly clear by most trade economists. Higher trade protection measures are likely to influence firms to substitute affiliate production for exports to avoid the costs of trade production. This is also known as tariff-jumping FDI (Bloningen 2005). Finally, Bloningen notes that trade effects are the most commonly cited motivation for FDI, as it substitutes for exports to a host country. One can think of exports as involving lower fixed costs, but higher variable costs of transportation and trade barriers. Servicing the same market with affiliate sales from FDI allows one to substantially lower these variable costs, but likely involves higher fixed costs than exports (Buckley and Casson 1981). Other researchers also point to the strategic pressure within the company's industry, and the firm´s own capabilities when determining its internationalization steps. Solberg identifies three different types of industry globalization 1) local 2) potentially global 3) global, and subsequently three stages of internationalization preparedness within the firm 1) immature 2)

adolescent 3) mature. The globality of the industry is influenced by the industry structure, the present globalization drivers and the interdependence of markets. The preparedness of the company can be broken down into its present international organizational capacity and its stable position in its reference market, indicated by its market share (Solberg 1997). In combining the two three set dimensions he points to 9 Strategic windows, in which a company can find itself, which consequently determine its possible internationalization and hence its FDI choices (Solberg 1997).

3.2. Foreign Entry Modes

In order to succeed in a new market, the selection of entry mode has to consider the company´s objectives and resources, the characteristic of the market and the competitive environment (Solberg 2009, 240- 242). The decision to expand beyond the domestic boarder of a firm is based often on the potential to increase revenues. According to Benito, Petersen and Welch (2009, 1456), traditional entry modes dominate the literature in international business. However, they further state that firms may not always behave as stated in the literature, but rather combine different modes to increase market performance.

Our research will focus on the behaviour of Norwegian and German companies when entering and operating in SEA. Therefore, we will briefly present foreign entry modes below.

3.2.1. Exporting

Companies in an early stage of internalization often select exporting as a first step to enter foreign markets (Doole and Lowe 2012, 220). One reason for this is that exporting required relatively low involvement, and limited risk. Exporting consists of several methods, which can be divided into direct and indirect exporting. Indirect export, such as piggybacking and trading companies, is suitable if a company has little international experience and limited recourses (Doole and Lowe 2012, 221). Direct exporting is a better-suited method if more long-term relationships and establishments in a foreign market are wanted (Doole and Lowe 2012, 224). Exporting is often a first step to develop and establish production in foreign markets (Hill 2009, 547).

3.2.2. Licensing

Licensing is a contractual agreement between the licenser, the owner of an activity or property, and the licensee, whom is given the rights to use or engage in the property or activity (Hill 2009, 494). This entry mode requires relative low levels recourses, and licensing agreements may be a suitable entry mode in markets where direct involvement is demanding (Doole and Lowe 2012, 233). Nevertheless, licensing agreements are associated with a high level of risk as lack of control may enable the licensee to gain important know-how and use this knowledge for own gain and purpose (Solberg 2009, 283).

3.2.3. Franchising

Franchising is similar to licensing, but reflects more long-term commitment (Hill 2009, 495). The franchiser can grant the rights of a brand name or trademark to a franchisee. For this, the franchisee has to pay a fee, but training and assistance approved by the franchiser is received. Franchising involves a relatively low level of risk and costs, but quality control can be a serious issue due to limited control of the franchiser (Hill 2009, 495). Franchising is considered to be a suited entry mode when higher market coverage is desired. However, international franchises are faced with different laws and regulations in different countries, and the trademark protection may vary amongst countries (Solberg 2009, 287).

3.2.4. Joint Ventures

A joint venture (JV) is a new company or manufacturing entity with shared ownership. Often, companies share the ownership 50/50. However, one party may have a larger ownership- share to increase the control of the entity (Hill 2009, 497). Some countries have local regulations that make JV the only possible entry mode. Therefore, JV makes it possible to overcome local restrictions and access to local market information. However, disagreements in regards to the objectives of the JV amongst the parent companies and unequally divided ownership may cause difficulties for the parties involved in a JV (Doole and Lowe 2012, 239).

3.2.5. Wholly Owned Subsidiaries

A wholly owned subsidiary is established either as a greenfield venture or an acquisition of an already established firm. The firm has full ownership of the entity, which gives the advantage of full control. This may be especially important in regards to technical know-how (Hill 2009, 497). However, wholly owned subsidiaries are considered to involve high risk, as they have high operating costs, and are less flexible. Wholly owned subsidiaries do represents long-term commitment that may be crucial in some markets (Doole and Lowe 2012, 239).

3.3. Operation Modes

After initial establishment of a FDI project, firms may come to the conclusion that a mode switch in the operational design of their activity is necessary. Sachse (2012) argues that those switches are due to internal or external pressures from stakeholders. Moreover he points out that the management´s global mindset will be influenced by internal or external factors and contributes to a potential adjustment of operation modes. Hence it is prudent to assume that *"Firms switch foreign operation modes for two reasons: either as a correction of managerial misjudgements or as an adaptation to new circumstances as foreign operation evolves"* (Welch, Benito and Petersen 2007, 363). The main internal reasons for a firm to redesign their foreign operation mode lie within an overall corporate strategy change or a change in corporate resources (Calof and Beamish 1995). On the other hand, external reasons for a mode switch may be overall changes in the host country; such political, economic or legal changes may lead to a re-evaluation of the uncertainty connected with the FDI project (Puck, Holtbrügge and Mohr 2009). Knickerbocker (1973) also points out that a firm may also try to imitate its competitors, and hence in line with Yiu and Makino (2002) management only has a bounded rationality when deciding about both possible entry and later operation modes. Lastly from a strictly rules based economic approach, a company should of course always alter its operation mode when the cost of having a different operation mode is lower than the existing mode (Buckley and Casson, 1981). Indeed, it is however important to consider the switching costs associated with such a change. These switching costs can be divided into Take-down and Set-up barriers. Take-down barriers on a company level include: termination compensations, legal fees, revenue losses and reputation effects. Furthermore, former managers may fear: career-setbacks, loss of personal bonds and prestige decreases (Benito, Pedersen and Petersen 1999). Set-up barriers include the perceived risk with the new operation mode, which may be dauntingly high. In addition the restructuring of the business may lead to increased human resource and training costs, and the initial bumps associated with such a mode change may lead to customer losses (Benito, Pedersen and Petersen 1999).

3.4. The Decision-Making Process

Firms reach the decisions to enter and how to operate in a market in the ways described above. Aharoni (1966) began the research into this topic, and points out that, investments are rarely the results of a single clear-cut decision. On the contrary they tend to eventuate through a series of initiatives, explorations and commitments. A more insightful study tried to combine the two prevailing ways FDI is measured, the “objective” firm-level data and the survey based approach (Buckley et al. 2007) The authors hereby found evidence that FDI decision are indeed based on the calculative approach, where factors such as market size, wage rates or infrastructure are assessed (Woodward and Rolfe 1993). However, they also suggest that management`s decision-making is also influenced by such factors as prior investments or overall international experience (Buckley et al. 2007). In an experimental setting they let Danish, Australian and US-American management members, who had been involved in a real-life FDI project before, evaluate hypothetical FDI projects. The results suggest that managers in the first step tend to “consider” investment locations with a calculative approach, however once the actual “investing” stage is reached features of the “internationalization” approach are incorporated in the decision-making process. Hence there is evidenced that both the “firm-level” rationality and “individual managers” rationality are employed in international decision-making (Buckley et al. 2007). In our study we like to build on this previous research, by analysing potential differences in the Norwegian and German company´s decision-making process. First evidence that such differences could exist can be found in the attached Chamber of Commerce Interviews conducted with the Norwegian and German Thai Chamber of Commerce in Bangkok (Appendix 5).

Another important aspect of decision-making is firm’s willingness to take risks. One of the greatest challenges when allocating assets internationally is to correctly determine the risk of foreign markets (Erb et all 1995). This is especially relevant to emerging markets, as these markets are more unpredictable than developed markets. Harvey (1995) states that emerging markets represent high-expected returns, but also represent high levels of risk. Standard models often fail in emerging markets. Nevertheless, country risk indices give some indication of the challenges involved in these markets.

4. Methodology

When deciding on the topic on our master thesis in May 2013, we had a desire to incorporate the countries where we were going on exchange, Thailand and Germany, and our interest in the internationalization process of firms. We therefore settled on investigating whether German and Norwegian firms operate differently in SEA markets. We hope to use our experiences and learning's from our semester abroad in our thesis. While on exchange, we contacted several organisations, such as the Norwegian and German Centre of Commerce, and numerous German and Norwegian companies in Thailand. We also managed to conduct some interviews while on exchange. The information retrieved from this process, and talks with our supervisors, enabled us to define our research question for this master thesis.

4.1. Research design

The purpose of the master thesis is to better understand the differences in German and Norwegian firms´ behaviour and operation modes in SEA. It is important to select a research design that is both feasible and that fits with the purpose of the research. An exploratory research design is therefore suitable, as it has a broad focus and important variables may not be defined (Cooper and Schindler 2011). Exploration of a topic often relies on more qualitative techniques (Cooper and Schindler 2011). We will use a qualitative case study approach as we aim to gain more in-depth knowledge and improve our understanding of the selected research topic. We aim to compare the behavior of German and Norwegian companies. This includes how the companies deal with risk, uncertainty, and how they make decisions when entering and operating in SEA. We will also further investigate the selected SEA countries. As already mentioned, the countries we have included in our study have dissimilar cultural, political and economical environment. This is important in order to compare how German and Norwegian firms formulate their strategies both in "stable and predictable" countries as well as more challenging and uncertain markets.

4.2. Data collection

As we are going to perform qualitative case study, our main sources of data will be literature searches and in-depth interviews (Marshall and Rossman 2006). One of the strengths with that data collection in case studies is that it is possible to use numerous sources (Yin 2009). Qualitative research is a suitable way for us to perform the study, as our aim is to deepen our understanding of German and Norwegian FDI in SEA.

As a first step, we will collect secondary data that enables us to identify the relevant German and Norwegian companies. This includes research articles, annual reports, key information online and through contact persons, amongst others. Then, we will contact the companies and organisations in SEA that we first contacted during our exchange semester, and conduct in-depth interviews with key personnel from the relevant companies and organizations. These in-depth interviews are important, as they can provide us with information that is not accessible through secondary sources. Marshall and Rossman (2006) support this, and state that direct communication is important if a deeper understanding of the research topic is needed.

When evaluating country risk, there are several ways to find information and evaluate different risk levels in countries. Transparency International focuses on corruption, and offers an analysis and rating on corruption in more than 100 countries in the world. The organisation is an important educational platform in regards to corruption and how to work against corruption (Transparency International 2014). The World Economic Forum is an independent organisation that focuses on business, political and academic issues on both regional and global level. They also present various risks in relation to these topics, and in "Global Risk 2013- Eighth Edition" the forum reports 50 different global risks (World Economic Forum 2014). The Economist Intelligence Unit focuses on aiding business leaders to make better strategic decisions by offering analyses regarding country, industry and risk (Economist Intelligence Unit 2014). Another useful source is OECD, which offers a country risk classification that reflects the risk level in several countries (OECD 2014).

These sources, amongst others, will be useful when we will evaluate risk levels for the selected SEA countries in our research.

4.3. Limitations

As we are writing our master thesis, we are aware that the time and recourses we have are limited. One consequence of this is that it may be difficult to find highly relevant companies for our research. It may also be difficult to generate interest amongst companies and organization. Another challenge is the geographic distance between SEA and Norway. It will not be possible to conduct personal interviews face-to face with interview objects in SEA, and miss out on the advantages of this interaction. According to Simons (2009), personal interaction between the interviewer and the interviewee enables the researcher to observe feelings and behaviours of the interview object. This enables the researcher to adapt to the interview situation, and adapt to any issue that may occur during the interaction. Also, it may be difficult to further expand our network in the region. We therefore rely on using different media, such as e-mail and phone calls, to collect data from the organisations or offices located in SEA. We are aware that this may affect the response rate and make it more difficult to collect necessary data.

Despite the fact that we find a qualitative case study to best suit our research topic, we also face some challenges with this. Qualitative research has been criticized to have low external validity, and case studies can be problematic in terms of generalizability (Yin 2009). In order to generalize the results from a case study, several studies have to be conducted and confirm the same findings (Yin 2009). Therefore, in order to generalize our finding, future studies have to be conducted. Hence, our research can be used as a basis for future research.

5. Thesis Progression Plan

2014	**Literature Review**	**Reasearch Question Development**	**Develop Interview Guideline**	**Collect Primary Data**	**Data Analysis**	**Conclusion**	**Proof-reading**
January	X						
February	X	X	X				
March		X	X	X			
April				X	X		
May					X		
June					X	X	
July							X

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Appendices

Appendix 1: Foreign MNCs in East Asia´s Large Developing Economies

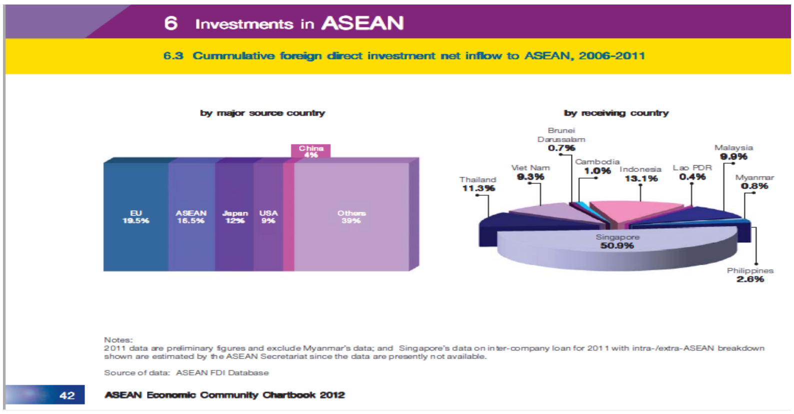
Table 1: Inward FDI Stocks and Ratios to GDP in Asia's Large Economies

Year	Advanced economies					Developing economies								
	Singa-pore	Japan	Hong Kong	Korea	Tai-wan	Ma-lay-sia	Thai-land	China	Indo-nesia	Philip-pines	India	Viet-nam	Paki-stan	Ban-gla-desh
FDI Stocks (cumulative flows from 1970, US$ billions)														
1990	27.7	4.8	27.3	5.3	6.7	15.2	8.3	18.6	6.3	3.5	0.2	0.2	1.5	0.0
1991	32.5	6.1	28.3	6.5	8.0	19.2	10.3	22.9	7.8	4.0	0.3	0.6	1.8	0.0
1992	34.7	8.9	32.2	7.2	8.9	24.4	12.4	34.1	9.6	4.2	0.5	1.1	2.1	0.0
1993	39.4	9.0	39.1	7.8	9.8	29.4	14.3	61.6	11.6	5.5	1.1	2.0	2.5	0.0
1994	48.0	9.9	47.0	8.6	11.2	33.8	15.6	95.4	13.7	7.1	2.1	4.0	2.9	0.0
1995	59.5	10.0	53.2	10.4	12.7	37.9	17.7	131.2	18.0	8.6	4.2	5.7	3.6	0.0
1996	69.2	10.2	63.6	12.7	14.6	43.0	20.0	171.4	24.2	10.1	6.6	8.1	4.5	0.1
1997	83.0	13.4	75.0	15.5	16.8	48.2	23.9	215.7	28.9	11.3	10.2	10.4	5.2	0.2
1998	90.3	16.6	89.8	20.9	17.1	50.3	31.2	259.4	28.7	13.6	12.8	12.0	5.7	0.4
1999	106.8	29.3	114.3	30.3	20.0	54.2	37.3	298.2	26.8	14.8	15.0	13.4	6.3	0.6
2000	123.3	37.7	176.3	39.6	24.9	58.0	40.7	336.6	22.2	17.1	18.6	14.7	6.6	0.9
2001	138.4	43.9	200.0	43.1	29.0	58.6	45.8	380.8	19.3	17.3	24.1	16.0	7.0	0.9
2002	144.8	53.1	209.7	45.5	30.5	61.8	49.1	430.1	19.4	18.8	29.7	17.4	7.8	1.0
2003	156.8	59.5	223.3	49.0	30.9	64.2	54.3	477.2	18.8	19.3	34.0	18.9	8.3	1.3
2004	177.8	67.3	257.4	58.3	32.8	68.9	60.2	532.1	20.7	20.0	39.8	20.5	9.4	1.7
2005	193.2	70.1	291.0	64.6	34.4	72.9	68.3	649.3	29.0	21.8	47.4	22.5	11.6	2.5
2006	222.6	63.6	336.0	68.2	41.9	79.0	77.7	773.4	34.0	24.8	67.7	24.9	15.9	3.2
2007	259.6	86.1	390.4	69.9	49.6	87.6	89.0	933.5	40.9	27.7	93.2	31.6	21.5	3.9
2008	271.4	110.5	450.0	73.2	55.1	94.8	97.6	1,109	50.2	29.2	136.6	41.1	26.9	4.9
2009	295.8	122.5	502.4	75.5	57.9	96.2	102.4	1,223	55.1	31.2	172.2	48.7	29.3	5.6
2010	344.5	121.2	573.5	76.6	60.4	105.3	112.1	1,408	68.5	32.9	196.4	56.7	31.3	6.5
2011	408.5	118.9	656.6	81.2	58.4	116.1	120.6	1,642	86.6	34.0	227.4	64.6	32.7	7.2
FDI Stock-GDP Ratios (percent)														
1990	71.21	0.16	35.48	1.95	4.08	34.62	9.72	4.76	5.02	7.09	0.06	3.75	3.11	0.06
1991	72.02	0.18	31.86	2.05	4.33	38.58	10.75	5.61	5.53	8.00	0.09	8.09	3.21	0.06
1992	66.81	0.23	30.95	2.13	4.04	40.68	11.38	6.98	6.26	7.23	0.19	11.07	3.54	0.07
1993	65.21	0.21	32.61	2.09	4.23	43.34	11.70	10.05	6.63	9.10	0.38	15.31	3.90	0.11
1994	65.52	0.21	34.64	1.97	4.42	44.67	10.82	17.06	7.00	9.96	0.64	24.34	4.53	0.13
1995	68.36	0.19	36.86	1.95	4.63	42.08	10.53	18.03	8.07	10.22	1.15	27.61	4.86	0.12
1996	72.71	0.22	40.02	2.21	5.07	42.03	11.00	20.02	9.66	10.77	1.76	32.96	5.84	0.15
1997	83.54	0.31	42.53	2.92	5.64	47.37	15.85	22.64	12.12	12.17	2.42	38.52	6.86	0.47
1998	106.18	0.43	53.78	5.86	6.20	68.69	27.92	25.45	27.17	18.40	3.03	44.17	7.56	0.88
1999	125.88	0.67	70.02	6.56	6.69	67.49	30.45	27.52	17.32	17.86	3.31	46.83	8.80	1.23
2000	130.77	0.81	104.22	7.42	7.64	61.85	33.16	28.08	13.44	21.06	3.90	47.28	8.88	1.81
2001	157.83	1.07	120.07	8.54	9.88	63.12	39.61	28.74	11.99	22.63	4.93	49.32	9.64	1.97
2002	159.77	1.36	128.05	7.90	10.12	61.25	38.71	29.58	9.92	23.11	5.82	49.69	10.71	1.98
2003	163.36	1.41	140.85	7.61	9.95	58.29	38.10	29.08	8.01	22.99	5.76	47.74	9.96	2.30
2004	157.76	1.46	155.15	8.07	9.65	55.20	37.31	27.55	8.06	21.87	5.78	45.10	9.62	2.88
2005	154.07	1.54	163.69	7.64	9.44	52.84	38.70	28.77	10.16	21.18	5.86	42.42	10.62	4.11
2006	153.16	1.46	176.93	7.16	11.13	50.30	37.53	28.51	9.32	20.26	7.46	40.79	12.48	4.92
2007	146.41	1.97	188.52	6.67	12.63	46.84	36.05	26.71	9.46	18.53	8.09	44.37	15.02	5.22
2008	143.32	2.26	208.96	7.86	13.76	42.54	35.80	24.53	9.82	16.83	10.92	45.55	16.44	5.77
2009	161.37	2.43	240.07	9.05	15.33	49.83	38.85	24.50	10.23	18.50	13.62	52.31	18.09	5.89
2010	154.68	2.22	255.50	7.55	14.04	44.25	35.16	23.95	9.69	16.48	12.03	54.77	17.70	6.16
2011	153.28	2.03	265.91	6.98	11.57	46.88	35.52	23.50	10.38	15.75	12.33	53.12	16.00	6.27
Addenda: Per Capita GDP (US$)														
2011	50,714	45,774	34,393	23,749	21,592	8,617	5,281	5,184	3,469	2,255	1,527	1,362	1,164	690

Notes: 2011 FDI flow estimates for 2011 extrapolated using grotwth rates for the first 3 quarters for China, the Philippines, India, Vietnam, and Pakistan, and growth rates for the first 2 quarters for Bangladesh.
Sources: Appendix Tabels 1, 2.

Source: Ramstetter (2012)

Appendix 2: **Cumulative foreign direct investment net inflow to ASEAN 2006 – 2011**



Source: ASEAN Chartbook (2012)

Appendix 3: TNC Top prospective host economies 2013-2015

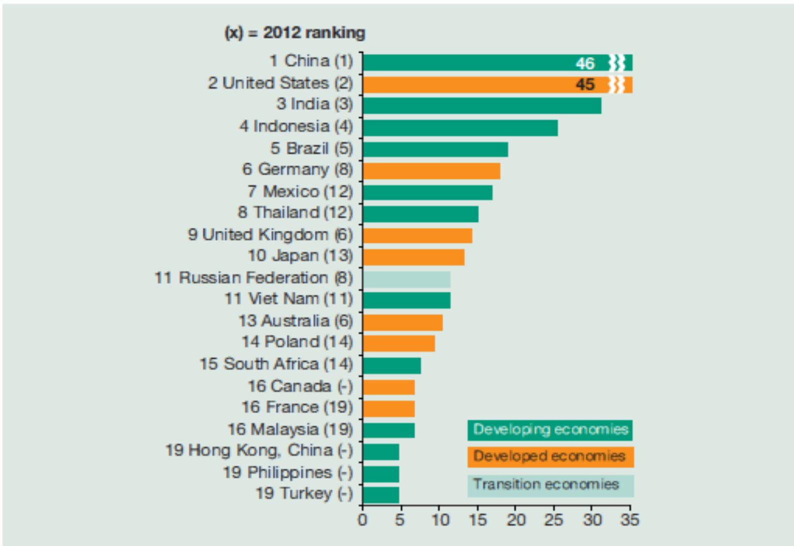
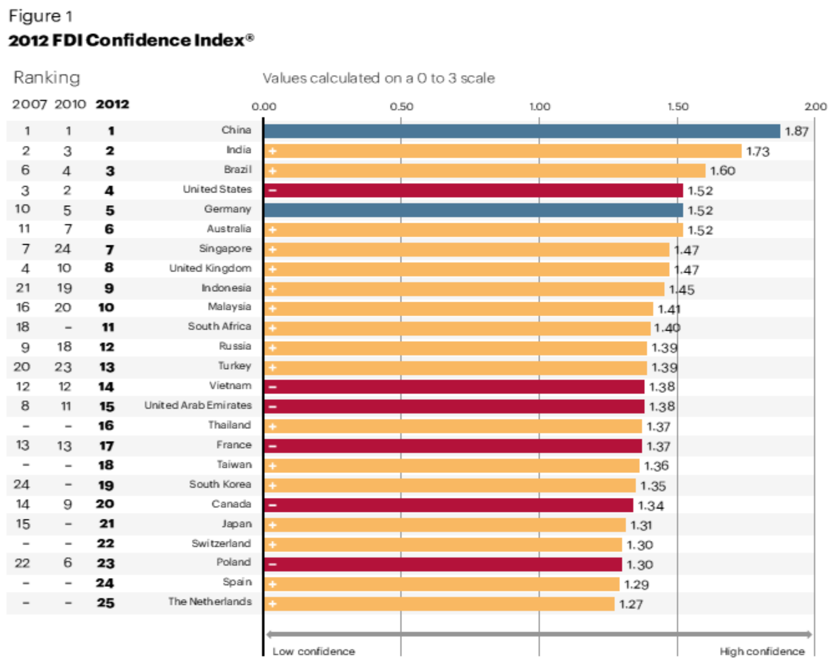


Figure I.25. TNCs' top prospective host economies for 2013–2015
(Percentage of respondents selecting economy as a top destination)

Source: UNCTAD survey.

Source: World Investment Report (2013)

Appendix 4: 2012 FDI Confidence Index



Source: AT Kearney (2012)

Appendix 5: Interview Notes

German Thai Chamber of Commerce Interview Notes

Mr Mehner German Thai CC

1) Entry Mode
- What are the main reason German companies have come to Thailand?
Früher war der Südostasien-Hauptsitz immer in Singapore, jetzt ist man breiter positioniert, dass bedeutet das man eine quasi-HQ in Bangkok bzw. Thailand.

Gründe:
Thailand hat sich als Wettbewerber ggü. Singapore positioniert bspw. Corporate Income Tax
Thailand Board of Investment mit sehr vielen Incentives, die sehr attraktiv sind, und die man tasächlich bekommen kann.

TBO ist selbstständig, ist nicht mit einem Ministerium verbunden, sodass diese da sehr eigenständig agieren können.

Thailand ist das Zentrum von Asean, und da diese Region eine der wenigen klaren Wachstumsregionen, sodass dort ein deutliches Interesse zu erkennen ist. Insbesondere mit dem Hinterland Kambodscha, Lao PDR und Myanmar.

Myanmar hat jetzt auch ein eigenes Büro, in Yangoon. Wo dort die Reise hingeht und wie viele Hickhups komen, wird sich zeigen, durchaus großes Potential erkennbar.
Große Wachstumsgeschichte, ein weißer Fleck der so selten noch auf der Weltkarte vorzufinden ist.

- What are the Strengths/Weaknesses German companies in general perceive in Thailand?
Stärken:
Logistik, zum einen durch die geographische Lage und den Connections zu den Partnerländer.
Weitere große Infrastrukturprojekte die Thailand in den nächsten Jahren weiter tragen werden. Die Möglichkeit das Thailand in Zukunft die Durchgangsstation zwischen China und Singapore sein wird. Dadurch entsteht ein großer Raum, wobei man sich hier auch nicht frei von politischen Gedankenspielen ist.

Heute sind schon viele Industrial Parks vorhanden, die sehr gute Anbindungen vorweisen. Insbesondere im Vergleich zu den anderen Asean-Ländern.

Corporate Income Tax: Hier ist für deutsche Unternehmen und mit dem BOI und den Industrial Estate Incentives, welche sich nicht ausschließen kann man diese kombinieren, und dadurch sehr gute Perspektiven haben.

In vielen Industrien, sind deutsche Unternehmen in der Weltspitze in Thailand, Food Processing, Autoindustrie und Elektroindustrie. Im Dienstleistungsbereich ist der Tourismus auch mit entscheidend, die für Thailand sprechen.

Es herrscht immer noch ein relativ moderates Lohnniveau in Thailand vor. Hier wird zumeist stark auf Automatisierung gesetzt.

In Thailand gibt es zudem ein relativ gesundes Bankensystem, was wohl nach der 1997 Krise verbessert wurde, und dadurch gibt es ein recht gesundes Banksystem. Bspw. Mitsubishi Bank kauft Ayuttaya Bank (Krungsri) gekauft. Auch ein grund um die japanischen Unternehmen kredite zu geben.

Für Japan ist Thailand ein großer Markt, insb. Wegen politischen Spannungen, Aging Population und als gegengewicht zu China.

Schwächen:
EU-Thailand FTA
- Anhebung des Mindestlohns, was im Vergleich zum Hinterland in andere Länder zu gehen insb. für arbeitsintensive Betriebe, wobei dies auch im Ziel mit working – knowledge society.

Thailand hat ein starke Reglementierung Foreign Business Act, was dazu führt das man die Thai Seite mit ins Boot holen muss. Wobei hier wegen AEC 2015 Änderungen bevorstehen, weil in anderen Ländern dies einfacher ist.

Für deutsche Unternehmen ist der Weg über das BOI immer richtig.
Fachkräftemangel

Englische Sprache ist Thailand deutlich schlechter (siehe Rankings), bspw. Phillipinnen und Malaysia deutlich besser.

Liste der deutschen Unternehmen die 2012 Incentives bekommen haben.
Hier kann man auch die Volumina sehen, beantragte usw.

- Which are the Opportunities/Threats particular to German companies in Thailand?
Opportunities:
Hinterland, AEC 2015, Infrastrukturprojekte, Myanmar, Knowledge-based
Großes Thema auch Duale Ausbildung (Artikel), derzeit entweder UNI oder nichts, uni abschluss ist sehr hoch angesehen, wobei die Qualität sehr stark variert.
Neues Department German-Thai Excellence Education, versucht in Thailand die „deutsche“ Ausbildung voranzutreiben. Kooperation deutsche Unternehmen und thai-staatliche Seite.
Asean kann für Thailand auch negative Konsequenzen haben.

Threats:
ASEAN andere Länder.
Energieeffizienz & Erneuerbare Energien, Mai/ Juni 2013. EGAT Electricity Authority, hoher Preisanstieg vergleichbar mit Singapore in 2 Jahren für Konsumenten aber auch Industrie und Inflation beeinflussen wird.
Stromkosten elementarer Faktor für Industrie.

Politik & Korruption sind auch für die Deutschen wichtige Punkte, hier sieht man derzeit noch eine relativ stabile politische Lage, wobei der Konflikt auch schon seit längerer Zeit vorherrscht.
Das ist wichtig, wobei deshalb keiner wegbleibt.

Interne Schocks, Flut, Asienkrise und Rot/Gelbhemden, die Krisen wurden immer durch hohe starke Wachstumszahlen in der nächsten Jahren gefolgt.

Korruption ist immer ein heikles Thema, die sicherlich in Thailand vorherrscht, wobei man auch ohne erfolgreich sein kann. Es wird viel Anti-Korruption betrieben, und zum anderen liegt Thailand noch immer vor manchen Ländern in Europa.

2) Market selection
-Which markets/industries are German companies most present in Thailand?
Es dauert in Thailand länger auch wegen den Beziehungen die man aufbauen muss, und dafür brauch man einen längeren Atem haben.
Die deutschen Unternehmen sind vor allem in Automobil, Logistik (Renus), MaschinenBau und im Tourismusbereich (Kempinski).

Viele KMU (SME) erneuerbare Energien, Green Tech, auch durch hohe Anreize der Regierung. Solarindustrie (große Unternehmen), wobei die oft aus China kommen.

-How is the perceived level of competition?
Japanische Unternehmen warden als die dominanten Unternehmen wahrgenommen, insbesondere in IT.

US-Unternehmen (GE) und zunehmend Chinesische Unternehmen, dadurch entsteht ein höherer Wettbewerbsdruck.

Wobei „made in Germany“ immer noch in Thailand ein hohes Gut ist (Qualität, Total Cost of Ownership, Langlebigkeit)
Bspw. solarunternehmen China-> quali nicht gut genug. <rückbesinnung auf deutsche Unternehmen.

Autoindustrie: AEC 2015, produktion in anderen ASEAN Ländern wegen zollfreiheit innerhalb, EU-Thailand Freihandelsabkommen da wird sich der Statusquo nach unten zollmässig richten.

Thailand ist der Automobilstandort in Südostasien, viele Zulieferer sind schon da, und viele wollen auch noch nachkommen.

- What are the main aims for German companies in Thailand? Short run/ Long run

SR: Thailand Industrien teils sehr Importabhängig, bspw. Medical Devices 70-80% Importquoten, das sind signale wo Interesse entsteht.

LR: Infrastrukturvorhaben werden sehr großen Einfluss auf die weitere Zukunft Thailands haben. Wachstum aber auch Bonität von Thailand und Refinanzierung.

Auch Zentral ist die Entwicklung von Myanmar sowohl als Absatzmarkt und auch der Deep-Sea Port welcher auch von Thailand weiterentwickelt und die Thailand auch ein wenig abhängig macht.

Thailand sehr abhängig von Energieimporten, wo auch eine geringere Abhängigkeit auch politisch auspielt.

Königshaus. Das wird auch ein Punkt werden.

3) Operation mode
Which operation mode do most German companies choose initially?
(Partner; Local/home managment, Organizational structure?

In China hat man zunächst den EU/US-Expat gehabt, aber heutzutage wird was nur noch lokale Top-UNi chinesen eingestellt.

In Südostasien ist dieser Trend noch nicht angekommen, man hat immer noch gerne EU/US-Expat (gerne UK), aber viele von den wirklich guten Thais waren an den sehr guten Uni gewesen, und die dann wieder heimkehren und so wird die Reise auch wie in China weitergehen.

Hierarchie:
Flache Hierarchien werden von westlichen Unternehmen eingebracht, das ist eher gewöhnungsbedürftig für Thais. In den westlichen Unternehmen hat sich hier viel Verändert, Empowerment bspw. Entwicklungsprogramme, in den lokalen Unternehmen ist dies noch nicht der Fall.

Deutsche Handelskammer über 50 Jahre in Thailand, größte MA in Thailand, viele MA die sehr lange dabei sind (10-20 Jahre) dadurch sehr gutes Netzwerk und daher hat Deutsche Unternehmen einen sehr guten Zugang zu den Bürokraten usw.

Guter Draht zum Thai BOI

Standing auch Mitglieder abhängig. Auch die wichtigen großen Thailändischen Banken, Zuckerproduzenten und das hilft…

Viele Highlevel-Events & viele Messen, und D ist sehr gut mit deutschen Botschaft und GEZ verbunden.

Which are the main challenges for German companies when setting up & operating their business in Thailand?

4) Government & Trade Chamber role
- What are the main tasks for the German chamber of commerce when aiding German-Thai Trade and Businesses

Norwegian Thai Chamber of Commerce Interview Notes

Norwegian Thai CC

Thitikul K. Opdal

1) Entry Mode
- What are the main reason Norwegian companies have come to Thailand?
The logistic convenience of Thailand.
The long term players (Telenor, Yara, Jotun), use either Singapor or Thailand as their main Asian hub.
Furthermore when ASEAN is more developed this trend will continue.

Connectivity from Bangkok to all other Nations.
In comparison to Singapor more red tape, but more potential.
Office rent in Bangkok is also quite low.
To register a company the process is relatively easy.

Moreover for Expats live is good:
- Good living standard
- Schools, Health Care, Hospitality

Provinces:
Jotun, Ibel will try to be around Bangkok, mostly East-Ward.

- What are the Strengths/Weaknesses Norwegian companies in general perceive in Thailand?

Logistic centrality
Cheap Office rent
Market strength

Weakness
Shortness of qualified labor (especially for international service management)
Language (low English skills for non-executive workers) even lower than Cambodia and Laos
Thailand still struggles with the education (eg. IT-Thai PC Engineer, instead worker from India)
Relatively high price, and high turnover, not a high loyalty
Once one has the contacts than its easy to register company but corruption + relationship important
Many Norwegian companies achieve success without having to be corrupt (e.g. Telenor)

- Which are the Opportunities/Threats particular to Norwegian companies in Thailand?

Opportunities

ASEAN interconnectedness and further opening
Railway connections btw. Myanmar, FREE Port, a larger freeness of Trade amongst ASEAN countries

Threat
Political
Hesistance because of the Kings situation (what will happen when he dies)
Military coup…there is no clear situation what is going to happen
There is no clear line of connituity

2) Market selection

-Which markets/industries are Norwegian companies most present in Thailand?

The biggest player is Telenor, which then has broad in more IT and service firms from Norway.
Oil & Gas companies like Ibel, Aker Solutions, RAC
There is also some standouts like Jotun (Paint & Oil platform coating) and Yarra (fertilizer) Market share high.

-How is the perceived level of competition?
No detailed knowledge.
There is work in progress to help brand Norway, because Norway has a good image.
- Nobel Peace Prize, no corruption, excellent welfare

Embassy, Innovation Norway and NorThai CC try to build that brand

And hence when companies compete, they try to connect with that mayor country brand, because there is not huge company names connected (IKEA Sweden, Denmark Maersk), in Thailand most people do not even know that Telenor is Norwegian.

In Oil & Gas business there is maybe an exception, bc the Norwegian service companies already have a good name and high reputation. For other companies the problem is probably the high home prices from Norway, so it is difficult to compete with lower-priced competitors, and hence many high-tech competition that enter Thailand, they have it really easy once they have reached a good position in their excellence niche.

- What are the main aims for Norwegian companies in Thailand? Short run/ Long run

Short run:

- Break even
- Rema eg. Does not even talk about Break Even, they will first focus on good skilled labor, create a good HR, that is the most important for most SME.
- Profit
- And most would like to achieve this in min. 5 years

Long run:

- Many companies will try transfer some capabilities from Norway
- Increase Market share in Asia, that it can offset their dependency on EU (like Telenor)
- “that is the dream of many companies”
- Use Thailand as a springboard to the other ASEAN countries, and even try to cover most of ASEAN from Thailand especially in services.

3) Operation mode
Which operation mode do most Norwegian companies choose initially?
(Partner; Local/home managment, Organizational structure?
Partner:
Most Norwegians companies go without a partner, because many former Norwegian companies have had bad experiences with partners. Of course one needs the 51% share of Thais, but most use this in a way to get around.
The lesson learned by many was that it did not work with partners. They use will open a branch here and than increase that more. If they do it will only be for legal reasons.

Local / Home Management

Most companies would start off with the Thai management style, and will only introduce a Norwegian style after having gained some experience in Thailand. Inside the organization it will be easier, but in connection with upward Thai people, it will be very difficult because they want to be treated very superior, so one would have to be very humble. So a lot of “Suck up lunch”, “Christmass gift” are still necessary…

Which are the main challenges for Norwegian companies when setting up & operating their business in Thailand?

See above.
It is very hard to gain the contacts, to get in touch with ministers or anyone of importance.
Its also very difficult even to contact lower bureaucracy, that is one think the Norwegian embassy needs to work hard on…it also has something to do with the smallness of Norway, for instance the US always gets their request really quick.

4) Government & Trade Chamber role
- What are the main tasks for the Norwegian chamber of commerce when aiding Norwegian-Thai Trade and Businesses?

Innovation Norway

1 step

Norcham

2 step

Embassy

3 step (also covers Myanmar, since they have had not so much time for Norwegians in Thai), but now Myanmar has their own Norsk embassy, so they will have more time than.

All work very close together; It’s a three way unit (“Team Norway”) that try to facilitate the Norwegian business in Thailand. Often Norway goes with EFTA and Switzerland, which is often affected by some EU laws, but because they are other differences and that’s makes a difference for Norway, because Norway and Switzerland go together often.

Networking (Sweden, Denmark, Norway) try to combine their networking events, in order to increase their broker power with authorities.

Norway Asia summit: all other chambers (Singapore).