Chinese multinationals in Denmark: Testing the eclectic framework and internalization theory

Purpose – The purpose of this paper is to explain in detail the strategic asset-seeking OFDIs of Chinese firms in Denmark through a theoretical lens that combines the updated OLI (Ownership, Location, Internalization) paradigm and the internalization theory. Meanwhile, the authors hope to unveil the unique characteristics of firm specific advantages (FSAs, including O and I advantages) and country specific advantages (CSAs, including L advantages).

Design/methodology/approach – The authors chose two case firms that just started investing and a third one that was in the process of preparing investment in Denmark. Primary data were collected by semi-structured interviews in English at various locations in late 2009 and early 2010. The three Chinese firms in this study share a common primary objective in their strategic orientation of OFDIs. That is to seek strategic assets that are complementary and critical to augment their existing FSAs.

Findings – Rugman stated that strategic asset-seeking OFDIs are supposed to have high levels of FSAs and CSAs. This study presents a more detailed analysis regarding the O, L and I advantages that Chinese investing firms in Denmark are perceived to possess. It was found that these Chinese investing firms had high levels of Oa and Oi but Ot was largely absent; furthermore, although Lr was obviously appreciated in Denmark, Li presented a mixed picture. The paper also found that internalization advantages were only able to be realized when investing firms were good at utilizing networking and guanxi, which were largely derived from their prior Oi advantages.

Originality/value – Few have analyzed strategic asset-seeking OFDIs made by emerging markets based on the FSA/CSA matrix that combines the OLI paradigm and the internalization theory. This study pursued this research endeavor by enriching a refined framework that connects the OLI paradigm, which recognizes multiple dimensions of O advantages and an institutional perspective, to the internalization theory, which converts O and I advantages into FSAs and associates L advantages with CSAs.