

Putting Southern Sweden on the Map:

A Case Study of Malmö as a Platform for Foreign-Owned Companies

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Research show that FDI, foreign direct investment, is concentrated in urban and capital metropolitan regions but also in highly developed regions. Malmö, the third largest city in Sweden, may be outcompeted by Stockholm as the Swedish capital, but the city still belongs to the metropolitan region of Greater Copenhagen. However, different countries, regions and cities all over the world strive to attract FDI. Malmö, a relatively small city compared to many of its competitors, thus has a lot to prove in order to challenge global players in the constant battle of gaining FDI.

Background

FDI plays an important role in a region's globalization process. The investing country doesn't only contribute with capital but also knowledge, competence and technological skills. This results in a more competitive business climate which in turn increases the productivity within the host region. It has become more common that established enterprises, both Swedish and foreign-owned, actively choose to relocate their business to Malmö. Within the group of limited companies, the number of workplaces

in Malmö has increased with over 85 percent in 15 years. Malmö's competitiveness in relation to more established and well-known locations, could though be further strengthened if the city's potential from a global point of view was emphasized more clearly. This could be done by investigating how existing foreign-owned company establishments in Malmö perceive the city as their company base. This would create a summarized and reality-based image of Malmö's different assets and resources.



Figure 1: A map showing Malmö's position in northern Europe. The Greater Copenhagen area is marked in orange. The dots in between Malmö and Copenhagen represent the Öresund Bridge.

The Case Study

The purpose of this thesis was to examine how international and foreign-owned companies experience the city from the perspective of their own operations and business needs. In this way, Malmö's position as a global company base can be evaluated against other regions, when companies consider different location alternatives for future establishments. Due to the limited range of previous studies within the study area, an exploratory approach was adopted. The research was portrayed by a multiple case study, where three foreign-owned companies in Malmö expressed their views on the city as their company base. The data collection was conducted through personal interviews. The case companies included in the study were Panasonic Fire & Security Europe AB, Mercedes-Benz Sverige AB and Fanuc Nordic AB.

Getting to Know the Companies

To examine the companies' individual views on Malmö as their company base, a few background variables were investigated in order to grasp the businesses more clearly. When analyzing the companies' international strategies, all three companies gave the impression of operating as rather independent units and with quite decentralized company structures within their respective company groups. The companies had their foreign market entry mode in common, as all of them entered Malmö as wholly owned subsidiaries. The companies also had the intention to sustain existing market shares when establishing in Malmö, by obtaining a physical presence close to lead markets.

All three companies seemed to consider a firm's competitive advantage to be a direct implication of its internal resources and capabilities. Here, the intangible assets such as competence and capabilities among the employees, played a major role. This was also reflected in the recruitment processes that the companies applied, as they appeared not to settle until they found a suitable candidate for a specific position – even though it was time-consuming at times. However, the decisions behind the company establishments did not focus on the region's access to intangible resources but only considered it to be a potential bonus.

The companies' interests in networking activities were overall low, as they didn't participate in those settings on a regular basis but instead considered it to be a secondary activity. The companies' location strategies were quite individual, as they had different requirements prior to the choice of company location. The companies however agreed somehow equally on several factors, such as the importance of social and legal factors in the host region.

Panasonic and Mercedes-Benz were both tenants in their office facilities while Fanuc had invested in its own piece of land in order to construct a new facility from the ground up. Gaining productivity advantages was not the motive for neither Mercedes-Benz nor Fanuc when establishing, but partly the motive for Panasonic since the company operated a share of its manufacturing activities in Malmö.

The Main Findings

The geographical motives that promoted Malmö as a suitable location for foreign-owned companies to establish themselves in, mainly concerned two aspects which in turn were directly associated with each other. The first aspect concerned Malmö's close access to Copenhagen Airport, Scandinavia's largest international airport with more than 160 flight connections worldwide. Having a business close to an international airport was described as highly valuable, even essential, for the companies as they had customers, colleagues and/or operations spread out all over the world. The second aspect concerned Malmö's direct and overseas linkage to Copenhagen by either train or car – the Öresund Bridge. The Öresund Bridge was an important tool to access Denmark, not least Copenhagen Airport, fast and easily. Apart from the two main aspects mentioned above, the case companies also emphasized their gratefulness towards Malmö's global accessibility, and the city's accessibility within the Nordics. Malmö's location in southern Sweden had been a strategic establishment move for all companies, as their main markets included both Sweden and occasionally Denmark.

The human resource-based motives that promoted Malmö as a suitable location for foreign-owned companies to establish themselves in, were not as extensive as the geographical motives. Despite Malmö's close access to universities and research centers, all three companies had experienced some difficulties with finding qualified people when recruiting, at least for certain positions within engineering, economy, IT and compliance, for instance. As a consequence, the companies were quite modest in promoting Malmö's access to a wide range of qualified people, even though they had a positive attitude towards the region's actual

capacity. The human resource-based motives that the three companies promoted, were instead focused on the region's promising potential in producing and appealing highly-skilled people in general.

The local resource-based motives that promoted Malmö as a suitable location for foreign-owned companies to establish themselves in, mainly covered physical resources, such as land and office facilities. Obtaining an office facility, or buying land to construct one on your own, was considered to be a quite easy-going process in Malmö in general. When establishing a business in urbanized regions, this may otherwise be a difficult entry barrier to overcome. As the companies in the study stated their individual search experiences as smooth and unproblematic, with different alternatives to choose between in the decision process, Malmö seemed to have a sufficient capacity to provide both small and larger companies with suitable business accommodations when settling in the city.

Interpreting the Case Study

To conclude, the thesis was built upon a multiple case study where three companies were interviewed. The limited sample size restrained the possibility to generalize main findings, which should be taken into account when interpreting the results. The thesis can however contribute with detailed information and insights into the city of Malmö and the region of southern Sweden in general, especially for global companies with interests in finding a suitable location for future FDI establishments. The thesis doesn't only promote Malmö as a global business location but also provides an objective and honest view of the case companies' individual experiences of Malmö as their company base.

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