



SCHOOL OF
ECONOMICS AND
MANAGEMENT

Nordic State-owned Enterprises Going Abroad

A multiple-case study on the internationalization of
Nordic SOMNEs in the energy sector

by

Gustav Blomqvist

Lava Mahmood

May 2021

Bachelor's Programme in International Business

Supervisor: Martin Blom

Abstract

We conduct a qualitative multiple-case study assessing the internationalization of two Nordic state-owned multinational enterprises (SOMNEs) in the energy sector. With the OLI framework and conventional SOMNE internationalization research as our theoretical base, we analyze the degree to which state-ownership impacts why, where, and how Finnish Fortum and Swedish Vattenfall internationalize. Findings are based on a total of eight interviews with both firms- and state representatives. We observe no state-ownership impact on the internationalization of publicly listed and state-majority owned Fortum. Vattenfall, being non-listed and having the state as the full and only owner, exhibits a slight state-ownership impact as an indirect consequence of their active role in Sweden and strong Swedish brand. This impact has translated to increased sensitivity to political controversies coupled with a tendency to conduct business ethically, sustainably, and responsibly resulting from societal pressure and public scrutiny. Accordingly, we conclude that the respective state-ownership impact on the studied cases does not fully comply with conventional assumptions of SOMNE internationalization literature. Their internationalization is more similar to that of private enterprises. We discuss the implications of our findings and suggest several avenues for further research.

Keywords: state-ownership, internationalization, state-owned multinational enterprises, OLI, Nordics, Fortum, Vattenfall

Word count: 25,221

Acknowledgements

The completion of this thesis would not have been possible without the participation, assistance, and commitment of so many parties. For a good part of this semester, we have undertaken what has so far been the most demanding and challenging assignment of our studies. Throughout this whole process, as well as our entire three years at LUSEM, we have had a strong system of support both within the faculties and the student body for which we are immensely grateful.

First and foremost, we would like to extend our gratitude to our supervisor, Martin Blom, whose continuous support and guidance we couldn't have done without. Not only has he been supportive of all of our ideas and thoughts from the get go, but he has also been incredibly adept at putting himself in our place to really understand where we were coming from. His willingness to be available, at short notice, whenever wherever, to provide us with his expertise and undivided attention has meant a great deal.

We would also like to thank all our interview participants equally for their time and contributions. Special thanks to: Alicia Björnsdotter Abrams, Amira El Bidawi, Lars Erik Fredriksson, Maija Strandberg, Oscar Ahnfelt, Per-Oscar Hedman, Tomas Qvickström, and Torbjörn Wahlborg. We are incredibly grateful and humbled by your willingness to dedicate time to provide us with valuable insights that we couldn't have otherwise received, while also providing feedback and in some cases further contacts for us to get in touch with.

We would also like to thank everyone from the Academic Services who have tirelessly worked to make this process as smooth as possible by providing tools, tips, and tricks on how to further polish our work. This gratitude is also extended to Hans Knutsson who not only has provided useful direction and guidance in the beginning, but spent three intensive months last year preparing us for just this. We can't imagine how this would have worked out without that preparation.

Last but not least, we would like to thank our families and classmates for their support, inquisition, and collaboration throughout this entire journey. We could not have done this without the support of our loved ones pushing us forward each passing day.

Table of Contents

1 Introduction	1
1.1 Background and Problematization	1
1.1.1 State-ownership	1
1.1.2 State-ownership and Internationalization	2
1.1.3 State-owned Multinational Enterprises in the Nordics	5
1.2 Aim and Objectives	6
1.3 Research Purpose	7
1.4 Delimitations	8
1.5 Outline of the Thesis	8
2 Literature Review	9
2.1 SOMNE Internationalization Research - a Brief Historical Overview	9
2.2 The OLI Framework	10
2.3 Internationalization of SOMNEs - Adapting the OLI Framework	12
2.3.1 Why do SOMNEs Internationalize?	14
2.3.2 Where do SOMNEs Internationalize?	17
2.3.3 How do SOMNEs Internationalize?	18
2.3.4 Summary	20
3 Methodology	22
3.1 Research Approach	22
3.1.1 Abductive Approach	22
3.1.2 Qualitative Approach	24
3.2 Research Design	25
3.3 Data Collection Method	26
3.3.1 Company Selection	27
3.3.2 Selection of Literature	28
3.3.3 Purposive Sampling	29

3.3.4 Secondary Data Sources	29
3.3.5 Interviews	30
3.4 Data Analysis	32
3.5 Research Quality - Reliability and Validity	34
3.6 Limitations	35
4 Analysis	37
4.1 Fortum	37
4.1.1 History and Background	37
4.1.2 The Finnish State Perspective	38
4.1.3 Fortum's Perspective	41
4.1.3.1 Why does Fortum internationalize?	41
4.1.3.2 Where does Fortum internationalize?	43
4.1.3.3 How does Fortum internationalize?	45
4.2 Vattenfall	47
4.2.1 History and Background	47
4.2.2 The Swedish State Perspective	48
4.2.3 Vattenfall's Internationalization	51
4.2.3.1 Why does Vattenfall internationalize?	51
4.2.3.2 Where does Vattenfall internationalize?	53
4.2.3.3 How does Vattenfall internationalize?	55
4.3 Pattern Matching Analysis	58
4.3.1 Fortum	59
4.3.1.1 Publicly listed	59
4.3.1.2 Ownership and Governance	60
4.3.1.3 Commercial Motives	61
4.3.2 Vattenfall	62
4.3.2.1 Commercial Motives	62

4.3.2.2 Societal Pressure	63
4.3.2.3 Risk Aversion	64
4.3.3 Summary	65
5 Conclusion and Discussion	68
5.1 Research Question 1	68
5.2 Research Question 2	69
5.3 Discussion	70
5.4 Theoretical and Practical Implications	73
5.5 Suggestions for Future Research	74
References	76
Appendix A - Interview Questions	86

List of Tables

Table 1: Keywords in selection of literature	28
Table 2: Interview participants	32
Table 3: State-ownership impact on internationalization	66

List of Figures

Figure 1: State-owned Multinational Enterprises in the World (Kalotay, 2018)	3
Figure 2: The OLI framework (based on Dunning, 1988)	11
Figure 3: State-ownership implications in conventional SOMNE internationalization literature	20
Figure 4: Degree of state-ownership impact on internationalization	67

1 Introduction

The introduction begins with a background and problematization on the topic of state-owned multinational enterprises. Subsequently, the aims, objectives, and purpose of the thesis are presented, followed by a clarifying chapter on delimitations. The introduction ends with an outline of the remaining chapters of the thesis.

1.1 Background and Problematization

The background is introduced through a brief overview of state ownership and its implications on firms. It then proceeds to the subtopic of state-owned enterprises that operate internationally, discussing their relevance for international business and research. Following this, a problematization is formed by introducing the understudied category of state-owned multinational enterprises from the Nordics.

1.1.1 State-ownership

The ownership structure of a firm may come in various forms. For most firms, the lion's share of owners is private investors such as individuals, groups, and investment firms (UNCTAD, 2017). For some firms, however, a *state* may hold a significant or full part of the ownership. Such firms are known as state-owned enterprises (SOEs), thus distinguishing them from privately owned enterprises (POEs) (Cuervo-Cazurra, Inkpen, Ramaswamy & Musacchio, 2014; Estrin, Li & Shapiro, 2021; UNCTAD, 2017). Inevitably, this distinction has generated a considerable amount of research on how SOEs may differ from other firms. Common topics have, for instance, been how SOEs are practically structured and governed, whether they are transparent or produce corruption and allow politicians to follow self-serving motives, and if they perform better or worse than other firms (Cuervo-Cazurra et al. 2014; Cuervo-Cazurra & Li, 2021; Estrin, Li & Shapiro, 2021; Sjöstrand & Hammarkvist, 2012).

Scholarly attention has also been directed towards understanding if and in what way SOEs conduct business operations differently. In other words; does having the state as an owner mean that a firm will do things differently than if it would have had a private owner? Indeed, there is consensus among scholars that the business operations of SOEs may possess some particular characteristics stemming from their stateness (Cuervo-Cazurra et al. 2014; Cuervo-Cazurra & Li, 2021; Estrin, Li & Shapiro 2021; Sjöstrand & Hammarkvist, 2012). For example, Sjöstrand & Hammarkvist (2012) point out how SOEs in large differ from POEs, claiming that they may often pursue unique goals and objectives. Given the state-ownership dimension, the authors argue that SOEs will sometimes act towards reaching political objectives, such as providing the home country citizens with services not offered effectively by the market. In other words, the ownership dimension of SOEs means that they can have certain, often long-term, obligations towards the citizens that POEs do not. The discussion regarding these issues has also been extended to include a further perspective below- the international one.

1.1.2 State-ownership and Internationalization

Theories describing the internationalization process of firms are central in international business (IB) research. A key component in such theories is often the multinational enterprise (MNE), described by Dunning (1988) as a firm that engages in foreign direct investment (FDI), for example, by conducting acquisitions, establishing greenfield investments, or setting up joint ventures, in a foreign country. The process of becoming an MNE may consequently be conceptualized as internationalization. Furthermore, accordingly, a firm that has become an MNE may be described as having internationalized. The concept of internationalization is often also broadened to refer to the initial foreign expansion a firm undertakes and include subsequent foreign expansions of MNEs. This thesis adopts the broader definition.

Although the MNE is often privately owned, it may also be significantly or wholly owned by a state, in other words, a state-owned multinational enterprise (SOMNE) (Cuervo-Cazurra et al. 2014; UNCTAD, 2017). More specifically, UNCTAD (2017) proposes that the threshold for defining an MNE as having state ownership should be when a government entity owns a minimum of 10% of the capital, is the largest shareholder, or benefits from a so-called golden share, granting it special voting rights. Consequently, SOMNEs can be considered hybrids of

conventional SOEs and MNEs (Kalotay, 2018; see figure 1). Since the concepts of SOEs and SOMNEs are sometimes used interchangeably in research, it is of importance to make a clarifying statement. Drawing on the terminology proposed by Cuervo-Cazurra et al. (2014), we will, throughout this thesis, refer to state-owned firms that are limited to domestic operations only as SOEs and refer to SOEs that have internationalized as SOMNEs. For simplicity, however, we will let *SOMNE internationalization* or *internationalization of SOMNEs* refer to both the initial and subsequent internationalization endeavors of SOEs and SOMNEs, alike.

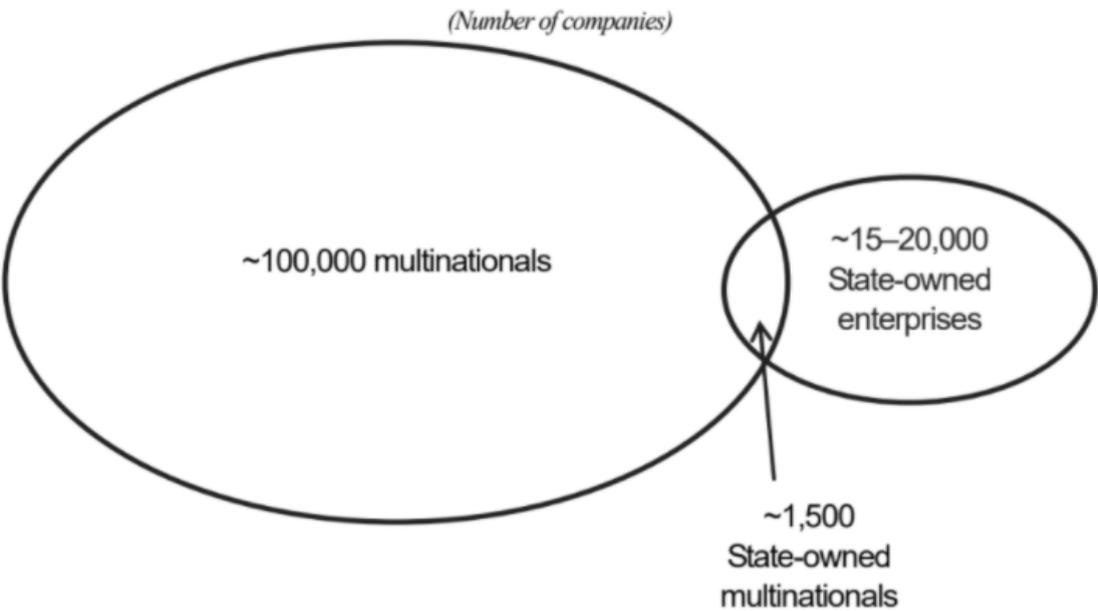


Figure 1: State-owned Multinational Enterprises in the world (Kalotay, 2018)

A puzzling feature of SOMNEs is that their state-ownership dimension seemingly poses a contradiction between the state's national interests and the firm's international interests. Nevertheless, SOMNEs are vital players in the global economy, and their significance on global markets has increased during the last decades (Cuervo-Cazurra & Li, 2021). The World Investment Report by UNCTAD (2017) stated that there are approximately 1500 SOMNEs in the world, found in both developed and developing countries. The report further stressed that although the number of SOMNEs only makes up for roughly 1,5 % of the total number of MNEs globally, they are generally very large and significant - with 15 out of the 100 largest

MNEs being SOMNEs. Even more significant was the concentration of large SOMNEs from developing countries, as the corresponding number in this category was 41 out of 100.

Nevertheless, conventional IB theories of internationalization do not consider state ownership as an influencing factor but rather assume firms to be privately owned (Estrin, Li, & Shapiro, 2021). One widely used internationalization theory is the OLI framework, also known as the eclectic paradigm. Developed by Dunning (1979; 1988), the OLI framework may be used to predict under what conditions a firm chooses to internationalize, where it chooses to do so, and how it chooses to do so. Thus, we found the OLI framework to be the most fitting internationalization theory for our purposes, as the eclectic nature of the framework enables it to offer a more holistic description of a firm's internationalization process compared to other conventional internationalization theories such as the Uppsala model of internationalization. Indeed, this makes the OLI framework an appropriate starting point for obtaining a comprehensive understanding of why, where, and how a firm internationalizes. However, it fails to account that some firms undertaking internationalization are state-owned rather than privately owned.

Consequently, some scholars have raised questions about whether general frameworks such as the OLI framework may also apply to SOMNEs (Estrin, Li, & Shapiro, 2021). Drawing from the idea that the state as an owner will result in unique implications for SOMNE internationalization, separate strands of IB research focusing exclusively on this phenomenon have emerged. Many contemporary scholars emphasize that the implications for why, where, and how SOMNEs internationalize are highly context-dependent on, for instance, firm-, home country-, and host country-specific characteristics (Bass & Chakrabarty, 2014; Clegg, Voss & Tardios, 2018; Cuervo-Cazurra et al. 2014; Cuervo-Cazurra & Li 2021; Cahen, 2015; Duanmu, 2014; Estrin, Li & Shapiro, 2021). Despite this, there is a relatively consolidated view in the field that the internationalization of SOMNEs, in general, differ from that of POMNEs in three regards - 1) SOMNEs are driven by political and national motives in addition to profit-maximizing motives; 2) SOMNEs select locations for entry that are more challenging and associated with higher risk; and 3) SOMNEs are more likely to conduct acquisitions (Cuervo-Cazurra et al. 2014; Cuervo-Cazurra & Li, 2021).

However, what appears troubling for the accuracy of these general characteristics is the imbalance in the empirical foundation of the literature towards SOMNEs from certain countries and regions. Most remarkable is the vast overrepresentation of Chinese firms in case studies of SOMNEs, to which Bruton, Xu, Peng, Ahlström and Stan (2015) refer when pointing out that "studies on SOEs in China often make a very limited effort to address whether their findings have relevance to SOEs elsewhere." (p. 95). Additionally, Estrin et al. (2021) stress the disproportionality by stating that "...much of the evidence we have noted on the internationalization of SOMNEs is based on firms from China, and it is unclear whether Chinese SOMNEs represent a special type of MNE." (p. 259). Accordingly, Cuervo-Cazurra & Li (2021) addresses the need to include less studied countries and regions into the analysis of SOMNE internationalization. This concentration on Chinese SOMNEs urges a broadening of the geographical sample in the research on SOMNEs. Below, we will introduce one region that is particularly understudied in this regard, namely the Nordics.

1.1.3 State-owned Multinational Enterprises in the Nordics

The Nordic countries often referred to as social democracies, are part of an economic system known as a coordinated market economy (Mariotti & Marzano, 2019). The markets are coordinated through formal regulations and institutions but not fully centralized. Mariotti and Marzano point out that this system is very prevalent in Northern Europe and is unique in the way markets and governments interact (2019). While there are instances of government intervention and coordination, state influence is not significantly prominent or authoritative. Consequently, SOMNEs in the Nordics are not new phenomena. Many of the largest listed companies in strategically important industries are still state-owned, albeit wholly or partially (Ministry of Enterprise and Innovation, 2020). Several SOMNEs from the Nordics are significant players on the international market and make up for a large part of the countries' respective GDP (Szarzec, Nowawa, Totleben, 2020; UNCTAD, 2017). However, because of the strong institutional developments and long established democratic practices, Nordic SOMNEs can be assumed to behave a lot like POMNEs, despite the states' stakes in these enterprises (Estrin, Meyer, Nielsen and Nielsen, 2016).

The majority of international business literature is directed at the exceptions to the market rules, that is, autocratic state capitalists from planned economies like China and Russia or

transitional economies like former communist states in Eastern Europe and South America. The Nordic perspective offers an interesting angle because the Nordic countries exhibit strong democratic values coupled with adequate institutional oversight over their markets, making them rather unique compared to both the market and command economies. Regardless, the existing literature on Nordic SOMNEs is relatively scarce and scattered. Several studies address mode of entry (Ratinen & Lund, 2014), growth strategies (Ratinen & Lund 2014), and corporate governance (Grøgaard, Rygh, & Benito, 2019) with limited scope.

It is, however, worth noting that there is a small sample of literature that is dedicated to Norwegian SOMNEs in the more recent years (Benito, Lunnan & Rygh, 2016; Goldeng, Grunfeld & Benito, 2008; Grøgaard, Rygh & Benito 2019; Knutsen, Rygh & Hveem, 2011). Two reasons can explain this; (1) a handful of studies are conducted by the same researchers from Norway with a particular interest in their home market, (2) Norway has more and larger SOMNEs relative to the size of their economy, but also in comparison with the rest of Europe, which has turned them into an outlier and an intriguing case to study.

Lastly, Andersson and Latef (2010) have conducted a single case study on the internationalization of a state-owned enterprise (Vattenfall) in Sweden. While this master's thesis sheds light on important findings regarding one enterprise, we see this as a starting point for a more extensive study on not just one company in one country. Additionally, the study is over a decade old, so changes in the business climate have inevitably transformed the way business is conducted. Our study will study more than one company and extend the Nordic dimension further, while also providing recent data.

1.2 Aim and Objectives

We aim to contribute to the Nordic perspective in SOMNE internationalization research by studying two Nordic SOMNEs from the energy sector - Swedish Vattenfall and Finnish Fortum. The energy sector is chosen for several reasons. Firstly, potential industry-specific differences between the cases are removed. Moreover, the energy sector is a common sector for SOMNEs globally, with the Nordics being no exception. Accordingly, each Nordic country except Iceland has at least one SOMNE in the energy sector, making it a suitable industry to study. Also, energy is generally a rather political topic with a high degree of

national security issues related to it, making the state connection particularly prevalent in this sector.

The study will look at internationalization from three different aspects identified through an extensive literature review of SOMNE internationalization research - (1) *Why* SOMNEs internationalize; (2) *Where* SOMNEs internationalize, and (3) *How* SOMNEs internationalize. These three questions are linked to the motive, location choice, and entry mode of internationalization, respectively. More specifically, by conducting a qualitative multiple-case study, we aim to analyze in what ways state-ownership affects why, where, and how Vattenfall and Fortum internationalize. In other words, the main focus of the analysis is to identify and assess potential implications stemming from the firms' state ownership. Initially, we intend to base our analysis both on primary and secondary data. The analysis will then include interviews with managers from each company, as well as representatives from the Swedish Ministry of Enterprise and the Finnish Prime Minister's Office. Lastly, the interview data will be supported and complemented by various secondary data sources such as company websites, financial news providers, and company annual reports and announcements.

1.3 Research Purpose

The purpose of this paper is to elaborate on the existing foundations on which SOMNE theories are based, given that most of the current literature is heavily influenced by Chinese SOMNEs, and it is not clear whether or not it applies to Nordic SOMNEs. More specifically, we wish to extend the understanding of why, where, and how Nordic SOMNEs in the energy sector internationalize. This extension could help scholars and practitioners make better generalizations and predictions about SOMNEs in this part of the world and this particular industry. Through interpreting our findings with regards to the OLI framework (Dunning, 1979; 1988) and conventional SOMNE adaptations and assumptions, we hope to contribute to future theoretical advancements of the framework and its implications for Nordic SOMNEs in the energy sector. Accordingly, we aim to answer the following research questions:

Research Question 1: *Why, where, and how do Nordic SOMNEs in the energy sector internationalize?*

And given the answer to that question, we arrive at the following question:

Research Question 2: *Are the internationalization processes of Nordic SOMNEs in the energy sector in line with the predictions of conventional theories and frameworks?*

1.4 Delimitations

It is crucial to define and limit the scope of our paper clearly. Firstly, due to a strict time limit, and difficulties in accessing data, we limit our research to the study of two SOMNEs from two different Nordic countries. Secondly, it should be emphasized that our research topic is limited solely to the *process* of internationalization of SOMNEs. Hence, no attempt is made to investigate the subsequent outcome and performance of the firms' internationalization undertakings. Thirdly, it should also be noted that the domestic operations of the chosen firms will not be accounted for unless these are clearly linked to the internationalization of said firms. Fourthly, and lastly, we strongly emphasize that the implications of the chosen theoretical perspective for the analysis, particularly the OLI framework, are not to be seen as given facts. Other frameworks may provide a different view; however, that is outside the scope of this paper.

1.5 Outline of the Thesis

This thesis is divided into 5 chapters. Chapter one provides a background and problematization followed by the objectives and purposes of the thesis. In chapter 2, a thorough literature review is conducted, examining the different areas of SOMNE internationalization that have been studied, and eventually formulating the theoretical framework. Chapter 3 will dissect the methods used and the justification for why some methods were used over others and how. Chapter 4 will provide a within-case analysis followed by a pattern matching analysis of the findings based on the data collected. Chapter 5 will summarize and discuss the implications of our findings in theory and practice, and present ideas for future research.

2 Literature Review

This chapter reviews relevant literature and provides substantial theoretical background to the topic of SOMNE internationalization. First, a brief overview is presented of how SOMNEs as a phenomenon have been studied over time. After that, the OLI framework is presented. Following this, the linkages between the OLI framework and the internationalization of SOMNEs are explained. The main literature on SOMNE internationalization is then reviewed. The literature review ends with a summary of the main findings related to the internationalization of SOMNEs.

2.1 SOMNE Internationalization Research - a Brief Historical Overview

The study of SOMNE internationalization materialized in the late 1970s and early 1980s, driven by scholars such as Vernon (1979) and Mazzolini (1979; 1980). At this time, the general view was that state ownership hinders a firm's abilities and incentives to internationalize (Cahen, 2015). For instance, Mazzolini (1979; 1980) proposed that government policies primarily aim at spurring domestic growth and reaching domestic targets and that SOEs are often utilized as tools for achieving these domestic goals. Consequently, the pressures on SOEs to pursue successful domestic operations were thought to discourage them from investing in foreign operations, hence limiting the development of SOMNEs. As pointed out by Bruton et al. (2015), this traditional view of SOEs assumed complete state ownership, in other words, wholly-owned and enabling full control over the enterprise.

As a result of market deregulations and laissez-faire policies, many SOEs and SOMNEs were privatized in the 1980s and 1990s, leading to a decrease in the scholarly attention to the internationalization of SOMNEs (Cahen, 2015, Cuervo-Cazurra & Li, 2021; Sjöstrand & Hammarkvist, 2012). In the last decade, there has been a renewed scholarly interest in SOMNEs, following their growth in number and significance. The development has considerably been spurred by a growing emergence of new forms of state capitalism

(Bremmer 2014; Estrin, Li & Shapiro, 2021). The rapid increase in international activity by SOMNEs is mainly stemming from such firms from developing countries in general and autocratic countries in particular (Bremmer, 2014; Clegg, Voss and Tardios, 2018). Some developing countries with an exceptionally high proportion of SOMNEs are China, Malaysia, South Africa, and Russia (UNCTAD, 2017). The recent increase in SOMNE activity by autocratic countries may, to a large extent, be driven by nationalist state objectives related to securing access to key resources (Bass & Chakrabarty, 2014) and the wealth stemming from foreign markets (Bremmer, 2014).

Relating back to the privatization wave during the 1980s and 1990s, SOMNEs that emerged after this period challenged the traditional view of the wholly-owned and state-controlled SOEs and SOMNEs (Musacchio, Lazzarini & Aguilera, 2015). Instead, many privatizations were only partial and incomplete, creating a growing number of majority- and minority-owned rather than wholly-owned SOEs and SOMNEs heading into the 21st century (Musacchio, Lazzarini & Aguilera, 2015). Consequently, Bruton et al. (2015) argued for breaking up the traditional assumptions of full ownership and full control by proposing a more flexible classification of SOEs and SOMNEs, in which the degree of state ownership and state control are not necessarily correlated.

2.2 The OLI Framework

One of the most prominent theories in the international business literature has been the contributions of Dunning (1988), where he merged two different economic theories, namely *international resource allocation* and *economic organization*, to further the understanding of international operations. This theoretical framework is known as the eclectic paradigm or the OLI framework. It addresses the different forces at play when firms choose to take production, including ownership advantages, location advantages, and internalization advantages. The primary assumption of this framework is that firms will commit to international production activities (i.e., Foreign Direct Investment) if and only if three specific conditions are fulfilled.

To begin with, firms need to have ownership-specific advantages over firms in the given market to consider moving into that market (Dunning, 1988). Ownership advantages refer to

intangible assets, property rights, patents, foreign market experience, monopoly power, and managerial and organizational skills. Ownership advantages are essential for firms to even consider taking the initial step because it helps mitigate and overcome liabilities of foreignness in foreign markets.

Once the first condition is satisfied, a firm must consider the locational advantages of specific markets or countries (Dunning, 1988). Locational advantages can entail resource endowments, input costs such as labor and raw materials, transportation and communication costs, and other barriers such as trade tariffs and subsidies. Locational advantages of both home and foreign country should be considered, and a decision shall be based on which market provides the best advantages. On this basis, value-adding activities shall be committed to the country with the most advantageous location.

Lastly, if and when the first two conditions are met, the firm must consider the degree of control it shall have over activities abroad (Dunning, 1988). The question then is should the firm perform these new activities all by themselves, in partnership with other firms, or contracting out to another firm entirely. These options are weighted against each other in light of the transaction costs and failures associated with the foreign market. Suppose the costs of obtaining the service from the market are higher than the cost of performing the activities in-house. In that case, the firm should resort to the internalization of such activities. The OLI framework is depicted in its entirety in figure 2.

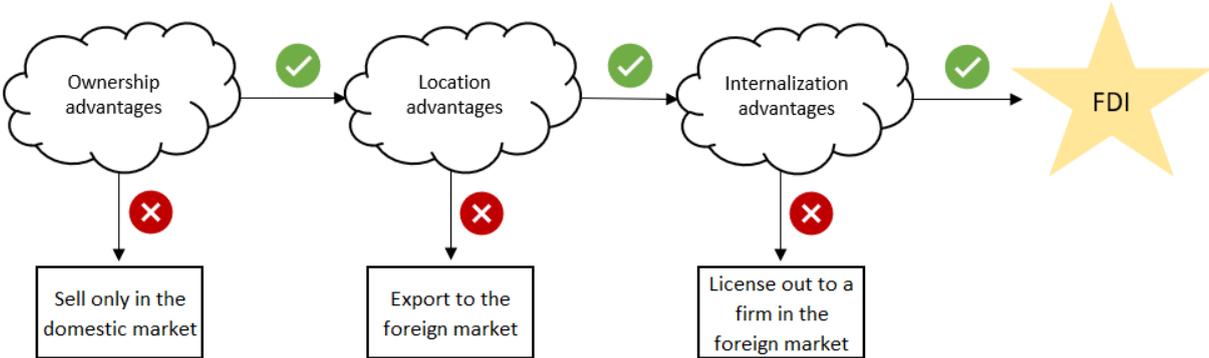


Figure 2: The OLI framework (based on Dunning, 1988)

As Dunning (1988) describes, a firm that possesses all three advantages and thus engages in FDI may be considered a MNE. Consequently, the OLI framework is, by and large, used to

describe the internationalization process of MNEs, with the underlying assumption that MNEs are privately owned. Moreover, the framework bases its predictions on the foundations that the enterprise operates because of, under, and for commercial viability and profitability. Given that the OLI framework is a POE-oriented framework, we will in the next section explain how it may be adapted based on SOMNE internationalization literature.

2.3 Internationalization of SOMNEs - Adapting the OLI Framework

Scholarly attempts to explicitly adapt all components of the OLI framework to SOMNEs are seemingly scarce. Cuervo-Cazurra et al. (2014) did, however, propose three core questions around which an extension of traditional internationalization theories may be built to fit the unique characteristics of state ownership better. The three questions are as follows: 1) *Why* invest abroad?; 2) *Where* to invest abroad?; and 3) *How* to invest abroad?, referring to motives, location choice, and entry mode of internationalization, respectively. We argue that these three questions are also at the heart of the OLI model, where ownership advantages (O) answer the question of *why*, location advantages (L) answer the question of *where*, and internalization advantages (I) answer the question of *how*.

As Cuervo-Cazurra et al. (2014) further argue, the answer to each of the three questions may be a different one for SOMNEs than for privately owned MNEs. Drawing on insights from political economy theory, an extension to each of the dimensions is proposed to understand the internationalization process of SOMNEs better. The authors conceptualize this as the *non-business internationalization argument*: (1) It is argued that SOMNEs may invest abroad in order to serve potential political and national objectives of the home government, in addition to commercial interests. Thus, the underlying motives of internationalizing may be other than simply leveraging a comparative advantage abroad as a way of increasing profits. (2) The authors claim that SOMNEs might select host countries for entry in which the home government wishes to achieve political influence. In this sense, the choice of location for entry may not provide the best risk/return tradeoff. (3) The mode of entry is suggested not necessarily to reduce risk and commitment (as is an essential common consideration of traditional MNE behavior). Instead, it is proposed that SOMNEs will potentially choose the

entry mode that enables them to successfully achieve the political and national goals of the home government.

Cuervo-Cazurra and Li (2021) provide complementary substance to the arguments laid forward by Cuervo-Cazurra et al. (2014). The authors find that SOMNEs are indeed often motivated by national and strategic objectives. In turn, this causes them to select more challenging, i.e., high-risk, countries than what may be commercially motivated. In terms of entry mode, the authors conclude that the underlying national and political motives of SOMNEs make them more likely to conduct acquisitions.

A further linkage between SOMNE internationalization theory and the OLI framework is briefly discussed by Estrin, Li and Shapiro (2021) who suggest that “standard theoretical perspectives and models of the MNE such as the Ownership, Location, and Internalization (OLI) model ... can be applied or modified to understand the nature of the SOMNE.” (p.255). For example, it is suggested that the view on ownership advantages can be extended to include the possibility that SOMNEs may achieve success abroad as a result of possessing non-market capabilities such as access to state resources, diplomatic connections, etc. that are not accessible to private firms. One such attempt was made by Dikova, Panibratov, and Veselova (2019) who added state ownership as a particular type of ownership advantage when applying the OLI model to a set of Russian cross-border acquisitions. In a similar vein as Cuervo-Cazurra et al. (2014), Estrin, Li and Shapiro (2021) further argues that traditional internationalization theories do not consider the possibility that SOMNEs expand abroad as an extension of the national interests of their home country. Consequently, locational choices that include, for instance, high-risk states may be difficult to explain without extending traditional theories and models to account for the political side of SOMNE internationalization. The novelty of the authors’ proposals strengthens our impression that there is a lack of research aimed at adapting the OLI model to SOMNE internationalization holistically.

Although the insights above provide an adequate starting point for SOMNE internationalization, a comprehensive literature review is required in order to better grasp the complexity of the topic. Below, we attempt to gather and summarize the most critical research on unique characteristics of the internationalization of SOMNEs (see 3.3.2 for a description of literature selection). We do so by presenting our findings according to the classification made

by Cuervo-Cazurra et al. (2014). For structuring purposes, the three questions are helpful in three distinct ways: (1) They enable a precise and all-encompassing overview of the relevant literature, as the whole internationalization process is indeed captured by the dimensions of *why*, *where*, and *how*. (2) They serve as a natural border of the scope we wish to limit ourselves to by excluding literature related to, e.g., the performance and outcomes of SOMNE internationalization. (3) They make potential linkages to the OLI model easily identifiable since each question corresponds to a given component of the model.

2.3.1 Why do SOMNEs Internationalize?

The debate of why SOMNEs internationalize revolves around how state ownership affects the underlying motives of expanding abroad. Generally, most researchers seem to be rooted in the idea that the state possesses political goals and objectives for which SOMNEs can be used as tools in order to reach those goals and objectives. Consequently, SOMNEs do not necessarily internationalize solely following commercial interest but may also have additional nationalist objectives. Nevertheless, the views on *which* state motives matter more than others and *how* these affect SOMNE internationalization differ.

Recent studies on why SOMNEs internationalize have been centered around Chinese companies. Buckley, Cross, Tan, Xin and Voss (2008) found that Chinese government-owned/controlled enterprises (to a large extent, but not solely) pursue strategies related to national economic or political motives, such as securing access to national resources. A further case study on Chinese SOMNEs was conducted by Wei, Clegg and Ma (2015), who proposed that the Chinese government utilizes financial support and favorable regulatory conditions for SOMNEs to spur internationalization. As a consequence, Chinese SOMNEs are well equipped to internationalize quickly and aggressively. Also, here, the underlying reason for the government promotion is argued to be the fact that SOMNEs will pursue a broader set of objectives, both economic and political, when expanding abroad.

Wang, Hong, Kafourous and Boateng (2012) analyzed a large sample of Chinese firms, finding evidence that Chinese SOMNEs internationalize more than their private counterparts. This resulted from possessing more robust ownership advantages such as access to unique resources and favorable lending conditions. However, Yi & Wang (2012) presented a

somewhat contrasting view, showing that state ownership affects a firm's willingness to export negatively. This was based on the premise that governments use SOMNEs to pursue political and social objectives. Consequently, the authors hypothesized that private firms would have stronger incentives to expand abroad to escape the unfair domestic competition stemming from the unique benefits states provide to SOMNEs.

Ren, Manning and Vavilov (2019) furthered this discussion on the exclusive advantages granted by the Chinese government to the country's SOMNEs by stressing the implications that ownership-based resources (i.e., resources made available only to firms with government majority ownership) have on the internationalization of Chinese SOMNEs. It was argued that these preferential resources benefit the international expansion of SOMNEs while simultaneously aligning the expansion decisions with the government's diplomatic and political goals. Further, Liang, Ren and Sun (2015) argued that the state's ownership control over a SOMNE and the SOMNE managers' political connections are key facilitators for the Chinese state to control SOMNE globalization, thus ensuring that state goals are met in cross-border deals.

Putting the Chinese dominated perspectives aside, a few studies have provided interesting insights into how country-specific context such as the institutional setting of the home country affects the implications of state ownership on internationalization. Estrin et al. (2016) found a positive correlation between strong/effective institutional controls and similarities between listed SOMNEs' internationalization strategies and POMNEs' internationalization strategies. In other words, listed SOMNEs from countries with effective institutional control systems are more likely to internationalize based on purely profit-maximizing incentives. In contrast, listed SOMNEs from countries with ineffective institutional control systems are more likely to follow the self-serving motives of their managers. Clegg, Voss and Tardios (2018) took a similar stance by showing that autocratic home countries, in particular, use SOMNEs to pursue nationalist objectives. Since autocracies can exercise significant control over their SOMNEs, it is argued that they may use these firms as tools for exercising power in international markets and achieve a broad set of political goals. Tepavcevic (2015) addressed the specific topic of Russian SOMNEs in the energy sector, finding indications of complexity regarding their drivers for outward FDI. Based on their multiple firm case study, the

conclusion was that the internationalization motives of the observed firms could be seen as a mix of state interests and profit-seeking interests.

A specific focus on natural resources was brought up by Bass & Chakrabarty (2014) and Choudhury & Khanna (2014), respectively. The former analyzed a large sample of cross-border acquisitions within and from various countries in the oil industry. The main conclusion was that SOMNEs would, on average, acquire and pay a higher price for resources that can help secure long-term resource security both on a firm-level and on a country-level. As such, the authors found that SOMNEs invest abroad and compete for natural resources that will strengthen the home country's geopolitical position, political and economic power, and long-term viability. On that note, Choudhury & Khanna (2014) reached a different conclusion and departed from a resource dependency point of view to identify motives for SOMNE internationalization. From researching Indian laboratory firms, the authors argued that SOEs might initiate internationalization as a way of becoming resource independent from other state actors operating in the home country. In other words, by becoming a SOMNE, the enterprise attempts to escape resource dependence and its accompanying power imbalance relationship with other state actors.

However, some findings partly contradicting the political objectives view have also been discovered. Rui & Yip (2008) made three case studies on both private and state-owned Chinese firms, concluding that they all used foreign acquisitions as a tool of obtaining strategic firm capabilities to strengthen their international competitive position. A similar conclusion was drawn from a two-firm case study by Lai, Wysoczańska and O'Hara (2015). They pointed out that, "The conventional view would regard natural resources-seeking as a key factor that motivates China's NOCs [national oil companies] to invest abroad. The findings of this study suggest that this is not the case and that strategic assets-seeking has played a more important role." (p. 92). While this should, of course, be accounted for, the above literature review strongly indicates that the amount of research positing that national objectives may indeed often play an important role in why SOMNEs internationalize is substantial.

2.3.2 Where do SOMNEs Internationalize?

The strategic choice of location has been another area in SOMNE literature studied to draw upon the differences in the types of locational choices between SOMNEs and POMNEs. Although being an important topic, there is notably less research addressing this dimension than the dimensions of *why* and *how*. However, the studies revolving around *where* SOMNEs internationalize have often alluded to a common theme: SOMNEs tend to enter riskier markets and more unstable countries than POMNEs.

The attractiveness of risk among SOMNEs has been discussed and proven in many studies on location choice of internationalization. Garcia-Canal and Guillen (2008), Ramasamy, Yeung and Laforet (2012), as well as Yang (2018), have all found strong support for attraction to markets with weaker institutions among Latin American SOMNEs and Chinese SOMNEs. Yang (2018) explained this risk tolerance by the reasoning that SOMNEs seek markets that resemble their own. Given that SOMNEs enjoy lax institutional oversight and weak regulations at home, they will be more inclined to enter markets with similarly weak institutions to ensure discretion. However, Garcia-Canal and Guillen (2008) argued that SOMNEs become more risk-averse and less likely to enter unstable markets as they gain more international experience.

Additionally, Zhang & He (2014) established that, at least in China, diplomatic motives are decisive in where SOMNEs choose to locate their international operations. That is to say, the more friendly relationships states enjoy with each other, the more the likelihood of cross-border FDI through their SOMNEs. Furthermore, Liu, Gao, Lioliou and Lu (2016) discovered that SOMNEs are more sensitive to industry risk than political risk, and the location choice often reflects that assumption in Chinese firms. Other investigations into Chinese SOMNEs have also highlighted their preference towards geographic distance as opposed to cultural distance (Li, Zhang & Shi, 2020) and that they prefer resource-based expansions (Ramasamy, Yeung & Laforet, 2012; Reddy, Xie & Huang, 2016).

The sum of the literature on where SOMNEs internationalize is marked by a liking for riskier and less politically stable locations, driven by political and diplomatic motives. This behavior confirms the belief that SOMNEs seek more advantageous market conditions, but more importantly, more favorable state relations and institutions. However, the majority of this

literature is also saturated with studies on Chinese SOMNEs, and thus the similarities of the findings are not surprising, nor are they globally comprehensive.

2.3.3 How do SOMNEs Internationalize?

The literature on SOMNEs and entry mode has produced somewhat contradictory conclusions. Regardless, researchers all agree and recognize that state ownership plays a decisive role in SOMNEs internationalizing. There is a more common consensus that SOMNEs prefer acquisitions. The success rate of SOMNE acquisitions is also often challenged and deemed relatively inefficient. However, some literature contests this understanding and argues that SOMNEs prefer higher control and ownership of operations and are thus more likely to enter greenfield arrangements.

There is a substantial sample of literature that suggests that SOMNEs are more likely, in comparison to POMNEs, to enter foreign markets through acquisitions (Meyer, Ding & Zhang, 2014; Li, Xia & Lin, 2017; Clegg, Voss & Tardios, 2018; Pinto, Fleury, Ferreira, Falaster & Fleury, 2017). Katolay and Sulstratova (2010) found that Russian SOMNEs were propelled to acquire and dominate the global market to secure their places in key industries and have influence over the value chain at the facilitation of the state. The use of SOMNEs to advance a state's agenda seems to be an underlying theme in countries where the state has considerable influence over the market. This outcome has further been settled by Clegg, Voss and Tardios (2018) where they found in an extensive study that SOMNEs from autocratic countries enter into more cross-border acquisitions, and especially do so in other autocratic countries where their political and institutional regulations may be more discrete and accommodating. In some cases, the stateness of MNEs is of an advantage in cross-border acquisitions, as such that differing foreign institutions have less influence on SOMNEs compared to their private counterparts (Pan, 2014). In contrast, other studies have shown that SOMNEs enjoy a cost advantage in cross-border acquisitions from preferential treatments and perks provided by the state (Du and Boateng, 2015).

The literature on the degree of ownership of acquisitions is, however, varying and inconclusive. Pinto et al. (2017) established that the relationship between state ownership and degree of ownership of acquisition is directly proportional in Brazilian firms, which means

the higher the government stake in the SOMNEs, the more likely they will engage in wholly owned acquisitions. Likewise, Dikova, Panibratov and Veselova (2019) demonstrated that full ownership of cross-border acquisitions is often discouraged among Russian SOMNEs with lower and partial state ownership. Moreover, Grøgaard, Rygh and Benito (2019) have found that SOMNEs tend to acquire stand-alone assets instead of complex asset portfolios.

Xie and Li (2017) offered a different view and argue that high government ownership in SOMNEs leads to fewer SOMNE majority acquisitions over time. Similarly, Cui and Jiang (2012) claimed that the higher the degree of ownership in SOMNEs, the more likely they would enter joint partnerships with the host country and share ownership of the venture. The reasoning can explain that institutional pressure from home countries affects the entry choice of SOMNEs, making them more inclined to do joint ventures than wholly-owned ventures (Chung, Kang, Xiao & Lee, 2016). Usually, firms that are more resource-dependent on the state are more susceptible to institutional pressure.

Furthermore, there are a few pieces of literature that have produced entirely different results. For instance, He, Jiang and Bennet (2020) have discovered that Chinese firms prefer to enter the US market with greenfield operations instead of acquisitions. This varying finding may be a result of context-dependence and specific to Chinese operations in the US market.

In the more recent years, however, there has been accumulating interest in the outcomes and success rates of SOMNEs cross-border acquisitions. Zhang, Ebbers and Zhou (2011) discovered that despite the premiums that SOMNEs are willing to pay for cross-border mergers and acquisitions, the success rate of Chinese SOMNE acquisitions was lower than that of POMNEs. Li, Li, and Wang (2018) also found that failure to complete acquisition deals and adverse market reactions are often rooted in the fact that SOMNEs are not transparent or are tainted with corruption in the public eye. The failure to go through cross-border mergers and acquisitions has also been linked to the overlapping objectives of firms with different ownership structures (Chen, Musacchio & Li, 2019). More specifically, when SOMNEs and POMNEs interact with each other to enter cross-border mergers and acquisitions, their opposing objectives can hinder the deal's completion.

2.3.4 Summary

Although a few findings are contradictory, especially for *how* SOMNEs internationalize, our literature review in large confirms the view on SOMNE internationalization proposed by Cuervo-Cazurra et al. (2014) and Cuervo-Cazurra and Li (2021). Consequently, we argue that the following may be considered the conventional theoretical view on 1) why, 2) where, and 3) how SOMNEs internationalize:

- 1. SOMNEs are driven by political and national motives in addition to profit-maximizing motives;
- 2. SOMNEs are more likely to select high-risk locations for entry;
- 3. SOMNEs are more likely to conduct acquisitions.

As we have also explained, the logic behind both assumptions 2) and 3) is a direct result of assumption 1), since the underlying political and national motives are thought to be the driving forces for how SOMNEs differ from POMNEs in the choice of location and entry mode. Figure 3 shows this relationship.

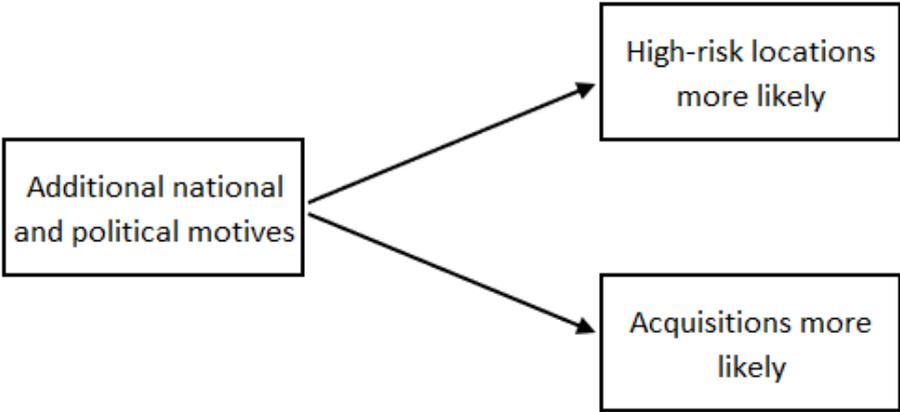


Figure 3: State-ownership implications in conventional SOMNE internationalization literature

While the potentially unique characteristics of SOMNEs have indeed increased attention to the literature surrounding their internationalization, it may also be argued that it has made analyzing them more complicated. As seen in the above review, many contemporary scholars emphasize that the implications for *why*, *where*, and *how* SOMNEs internationalize are highly context-dependent. Since this indeed appears to be the case, it is even more striking that the

Chinese perspective has been such a dominating force in recent SOMNE literature. As we have proposed, the lack of complementing perspectives in contemporary research is bound to produce a non-nuanced view of SOMNEs. It is with this background in mind that we proceed with the subsequent analysis of *why*, *where*, and *how* our selected Nordic case companies have expanded abroad. First, however, we will provide a detailed account of the methodological procedure and considerations of the thesis.

3 Methodology

Our research was carried out through a qualitative and abductive approach with prevalent deductive influences. We conducted a multiple case study of two Nordic SOMNEs in the energy sector - Fortum and Vattenfall. Findings were based on a total of eight semi-structured interviews with company and ministry representatives. In addition, we further supported our analysis with secondary data in the form of official company information, annual reports, and government reports. In the sections below, we describe these methodological considerations more in detail and justify our choices.

3.1 Research Approach

A carefully selected research approach was vital in order to provide adequate answers to our research questions. We made two distinct choices between using a deductive, inductive, or abductive approach and between using a qualitative or quantitative approach, respectively. Below, we argue for why we found a qualitative and abductive approach with mainly deductive influences to be most suitable for this thesis.

3.1.1 Abductive Approach

Bryman and Bell (2011) describe that one of the most commonly used research approach distinctions is using a deductive or inductive approach. A deductive approach uses existing theory as a starting point for developing and testing hypotheses/predictions, which is commonly done by observing one or more phenomena and analyzing whether the findings are aligned with what the theory/theories would suggest (Bitektine, 2008; Bryman & Bell, 2011). On the contrary, an inductive approach instead uses novel observation(s) and finding(s) as the starting point for proposing/developing theories that aim to explain the given findings (Bryman & Bell, 2011; Gioia, Corley & Hamilton, 2012). Thus, with an inductive approach, theory becomes an *outcome* of the research rather than a starting point.

However, the distinction between deduction and induction is not always clear-cut; thus, any given research may instead be considered as having stronger or weaker tendencies towards one or the other (Bryman & Bell, 2011). Consequently, some scholars have also presented the alternative of using an abductive approach, which may in simple terms be thought to represent a mix of deduction and induction. Dubois and Gadde (2002) point out that using an abductive approach is highly suitable for making novel discoveries of other variables and relationships not covered in the underlying theory. As the authors further explain, this stems from the fact that abduction is a process in which the underlying framework is gradually and iteratively modified, both due to new empirical findings and theoretical insights obtained during the process. Consequently, Dubois and Gadde (2002) mean that an abductive approach may create novel combinations of established theoretical models and new concepts derived from empirical research.

Nevertheless, the concept of abduction is very broad and does not alone provide a detailed enough description of the research approach. This is because the very concept of abduction naturally assumes the distinction between research approaches to be a continuum where deduction and induction are located at two extreme poles, and everything in between is abduction. Consequently, simply conceptualizing our research approach as abductive would have limited descriptive value unless also provided with a further explanation of how to present the deductive and inductive elements, respectively.

Our abductive approach had apparent deductive influences because our research departed from the OLI framework and SOMNE theories of internationalization and tested how well Nordic SOMNEs fit with these theories. Consequently, the broad theoretical base on SOMNE internationalization provided a suitable alternative to use existing assumptions as a starting point for our research. The inclusion of deductive elements was also a logical choice considering our justification of Nordic SOMNEs being understudied. It enabled us to explore the Nordic perspective compared to other regions on which previous research had been based. Nevertheless, our study also possessed some inductive elements. This was especially the case for the analysis/discussion sections. The Nordic perspective on SOMNE internationalization we aimed to provide may indeed be seen as a starting point for theoretical development. However, in sum, and despite not including hypothesis testing, our abductive approach leaned more towards the deductive side than the inductive side.

3.1.2 Qualitative Approach

A further distinction to be made is the one between undertaking a qualitative or quantitative approach. The two approaches may be distinguished because quantitative research emphasizes quantification and measurement for collecting and analyzing data (Bryman & Bell, 2011). In contrast, qualitative research emphasizes words and descriptions for collecting and analyzing data (Bryman & Bell, 2011). Below, we justify why a qualitative approach was highly suitable for this thesis.

Firstly, qualitative research is very well suited for capturing processes, changes, and unfolding events over time (Birkinshaw, Brannen & Tung, 2011; Bryman & Bell, 2011; Doz, 2011). Since we were interested in analyzing the internationalization *process*, such an approach was very much fitting. Moreover, qualitative research enables a good contextual understanding of the studied phenomenon (Bryman & Bell, 2011). As pointed out by Birkinshaw, Brannen and Tung (2011) and Doz (2011), this is especially relevant for IB research, where understanding contextual factors, such as country differences, is often a prerequisite for successful research. Given that the scope of the phenomenon we wished to understand was limited both by industrial and geographical context, the qualitative approach was further justified.

There is also a tradeoff between objectivity and subjectivity for quantitative and qualitative approaches, respectively (Bryman & Bell, 2011). As such, a qualitative approach may indeed increase the risk of bias. However, the close involvement between the researcher and the people participating in the study permits the researcher to better understand the participants' thoughts and viewpoints (Bryman & Bell, 2011). This tied well into our aim of understanding underlying motives and justifications of the actions taken by the studied firms and individual managers. On a related note, qualitative research is suitable for capturing and focusing on the participant's point of view rather than the researcher's (Birkinshaw, Brannen & Tung, 2011; Bryman & Bell, 2011), which allowed us to focus on what the interview respondents themselves saw as most important and relevant for each dimension of the internationalization process of the given firm.

However, it should be mentioned that qualitative research is often associated with induction and theory building (Birkinshaw, Brannen & Tung, 2011; Bryman & Bell, 2011; Doz, 2011). Although this may seemingly present a contradiction between using an abductive approach

with mainly deductive influences coupled with a qualitative approach, Doz (2011) argues that qualitative research is also helpful for theory testing, thus justifying the relevance of our chosen approaches.

3.2 Research Design

Researchers may choose to design their research in a wide range of ways. The design often stems from one of the following five categories: experimental design; cross-sectional design; longitudinal design; comparative design; or case study design (Bryman & Bell, 2011). Below, we argue for why we found the case study design to be most suitable for the aims and purposes of this research.

Case studies are a common and well-proven research design that aims to obtain a deep understanding of a specific case (Bryman & Bell, 2011; Eisenhardt, 1989; Yin, 2003). As such, the case study design is a valuable tool for acquiring knowledge of the dynamics of a particular phenomenon (Eisenhardt, 1989). This is because such a design allows the researcher to grasp a broad and more holistic view of complex events in real life (Yin, 2003). Accordingly, a case study design provided a good fit with our research aims and objectives of understanding the internationalization process within the specific geographical and industrial context of Nordic SOMNEs in the energy sector. Also, Yin (2003) argues that case studies are preferred when one wishes to answer questions of *how* or *why*, evidently making it a suitable design for our theoretical classification of *why*, *where*, and *how* SOMNEs internationalize.

Case studies may aim to analyze either a single case or several cases, i.e., they may be classified into single-case studies or multiple-case studies. For our purposes, we found the multiple case study design to be most appropriate. Bryman and Bell (2011) point out that multiple case studies are often comparative and valuable for identifying similarities and differences across the studied cases. Naturally, we decided that observing two cases from two different Nordic countries would make the subsequent analysis able to capture both common features and variations in the internationalization process of the studied cases. Furthermore, the ability to explore these dimensions across more than one Nordic country provided a viable path to a broader understanding than a single case study from one single Nordic country

would have given. Indeed, a multiple-case study containing SOMNEs from all Nordic countries would have enabled a more holistic view of how Nordic SOMNEs in the energy sector internationalize. However, our limitations in both time and data access led us to conclude that the chosen research design would provide the most favorable trade-off between achievable aims and desirable results.

Moreover, multiple-case studies improve the ability to translate factual findings from the studied cases into theoretical implications (Bryman & Bell, 2011; Eisenhardt, 1989; Yin, 2003). By observing more than one case, thus comparing findings and establishing differences and/or generalizations across the studied cases, the possibility of credibly suggesting linkages to theories is enhanced. This was a crucial consideration for us, given our aim of understanding to what degree the internationalization process of Nordic SOMNEs is compatible with existing theories and predictions of SOMNE internationalization. Eisenhardt (1989) mentions three common aims of case study research: providing a description, testing theory, and developing theory. Applying Eisenhardt's (1989) terminology, it is seemingly the case that providing a description and testing theory were most relevant for this thesis, however we also presented some suggestions for theory development.

3.3 Data Collection Method

Once research design has been settled, it is crucial to determine what data collection method is to be used because the research design on its own does not satisfy the challenges of which data to collect and how to do it (Bryman & Bell, 2011). Therefore, it is crucial to deploy an appropriate data collection method because the data collection method and analysis provide the answers to the research questions and problems. Since we conducted a qualitative multiple case study, we combined several sources to produce valuable outcomes, as no one source is more beneficial than others (Yin, 2003). The following sections will outline why a source was chosen, which sources were used, and how each source was utilized.

3.3.1 Company Selection

Before data collection, we had to narrow down the scope of our research on SOMNEs to one single industry in the Nordics (excluding Iceland due to lack of SOMNEs) and having the state as a majority shareholder. These delimitations consequently became our criteria for the company selection. We, therefore, researched the largest energy companies in each country, examined their ownership structure, and established that they were indeed multinational enterprises. Following that, we found four suitable candidates for each country. We reached out to multiple contacts from each company and requested access to interviews. Finally, we got access to Finland's Fortum (50.8% State-owned) and Sweden's Vattenfall (100% State-owned).

We chose Sweden and Finland for several reasons. Firstly, our locations and proximity to this region have acted as an unconscious bias and tendency to invoke interest and curiosity. Secondly, The two countries are culturally and geographically close, and this proximity has long roots in history. While they are both sovereign states, they are also very similar. Moreover, we deemed each country on its own relatively small. We decided that their economic footprint on the global scene is more significant as a multi-case study and would be particularly intriguing from a global perspective. Thirdly, and related to the previous case, these Nordic countries have unique political systems compared to the rest of the world; they have strong democratic values and relatively higher market coordination and regulation. These characteristics make them unique and interesting to study, given that many studies are oriented towards either autocratic (centralized economies) and other democratic (free-market economies) countries. Lastly, the selection of energy firms was heavily dependent on interview access, which we could only get from Vattenfall and Fortum during this limited time. Therefore, using two cases as a consolidating approach seemed much more appropriate for understanding energy-SOMNEs in the Nordics and making a meaningful contribution to the existing literature in international business.

3.3.2 Selection of Literature

Theory helps explain patterns and recurrences, and it provides a strong foundation for the research while also extending credibility and former understandings (Bryman & Bell, 2011). We used theory to deepen our empirical understanding and guide our data collection, both secondary and primary.

To collect relevant empirical research, we started our search on two databases, namely Scopus and SAGE. We used specific keywords (listed below) to find articles that related to our research topic. At times, we combined two or more keywords to produce more precise search results. These findings were then categorized based on the theme of internationalization that they addressed. Later, these articles were filtered through studying the abstract and the paper more closely. We then summarized the relevant papers and identified common themes. Those themes include why, how, and where do Nordic SOMNEs in the energy sector internationalize. Additionally, we identified articles referred to in other articles that our initial search had missed and added them to our theoretical background.

Table 1: Keywords in selection of literature

Business/government interaction & relations	SOE performance
Chinese multinationals	SOE reform
Common ownership	SOEs
Corporate ownership	SOMNCs/SOMNEs
FDI (foreign direct investment)	State capitalism
Foreign market entry	State control
Government involvement	State-owned enterprises
Home country government involvement	State-owned multinational companies
Organizational performance	State-owned multinationals
Public ownership	State-ownership
SOE efficiency	Varieties of capitalism

3.3.3 Purposive Sampling

Bryman and Bell (2011) explain that the most common type of sampling in qualitative research is purposive sampling. They define purposive sampling as “non-probability form of sampling” (p.442), where the samples are not chosen randomly but purposefully. In this form of sampling, the chosen samples are relevant to the case. Because our research topic was aimed at two specific enterprises and to avoid getting redundant and irrelevant information, we chose to resort to purposive sampling. We did this by tailoring our primary sources to individuals who work with globalization and strategy and customizing the interview design to be semi-structured, which helped stir the conversation in the right direction without being too restrictive. In our secondary sources, we specified the years and countries in which internationalization has occurred and reviewed annual reports, archival documents, and webpages that covered or were related to the substance of our research.

3.3.4 Secondary Data Sources

We used an extensive and heterogeneous set of data sources to ensure comprehensive and multidimensional data collection. The data set included both primary and secondary data. Primary data is derived from interviews and personal conversations with relevant parties from each company. Secondary data was derived from annual reports, governmental white papers, company websites, and articles related to the companies in question. Bryman and Bell (2011) explain the nature of such documents as not having been produced to serve the researcher's needs. Thus refining and interpreting the relevant parts of documents is a time-consuming and demanding task that is just as crucial as primary data.

Initially, we began by researching all the academic studies that had addressed either one or both of our selected companies. We did this both to gather data about what has been studied regarding this sector and to justify the need for our study. We found that research on Vattenfall was small, and that the orientations of these studies were scattered over various disciplines. Nothing of substance was found on Fortum.

Secondly, we researched the company websites parallel with reviewing annual reports. Given that these companies have long histories and have tens of annual reports, we used the information on their websites about which years to look into specifically. Both companies

have very elaborate web pages about their international operations with detailed information about their entry, how they enter, and how they operate today. We extracted most of the data from those pages and created summaries for them. We then went into the respective annual reports that corresponded to the years they entered a new market and entered search words that could lead us to sections about these expansions where it is discussed in depth. These search words included the names of the countries, "expansion," "investment," "growth," "internationalization." We also reviewed their CEO messages to look for any clues or hints at why they expanded and where they wish to expand. We deemed a chronological review of each company's available annual reports redundant, especially since we had no interest in performance and outcome.

3.3.5 Interviews

Interviews are a prevalent data collection method in qualitative studies and case studies (Yin, 2014). They ease the process of data collection and allow the researcher to get access to data that is otherwise hard to access through other means. Alvesson (2003) calls for caution and restraint when it comes to collecting data through interviews. He reasons that interviews tend to be heavily influenced by their context. He labels two of these context biases as “moral storytelling, and promotional activity” (p. 21) of managers, which is often paired with “political action [through] talk in the context of interests and power.” (p. 22). Given that this study investigates a topic with an apparent political/state dimension and uses executives as interview subjects who have long histories and ties to their organizations, we find it appropriate to inform of the potential biases to idealize and over rationalize during the interviews.

There are several ways to structure an interview, including structured interviews, semi-structured, and unstructured (Bryman & Bell, 2011). For this study, we deployed semi-structured interviews to allow for a specific direction and focus in the interview. This flexible structure allowed us to use the interview time as efficiently as possible and leave room for free flow conversations and follow-up questions rooting from the information provided in the interview.

We reached out to both companies to secure at least two interviews per company with the right people. Initially, we contacted media and communications managers at each company and provided them with details about the study. We also made direct contacts with executives through LinkedIn. After establishing contact with suitable participants, we booked interviews with two employees at Fortum and four employees at Vattenfall. In order to broaden the perspective of the primary data to also include input from the government/state perspective of Sweden and Finland, we further contacted the relevant ministries through email to ask for interviews. We managed to secure the participation of two ministry employees - one from the Swedish Ministry of Enterprise and one from the Finnish Prime Minister's Office. The interview guides, which included a summary of the study, themes, and preliminary questions, were sent out to the interviewees well in advance to help them prepare and provide substantive input during the interview.

The interviews were all conducted online via video call or through a phone call, mainly because of the ongoing pandemic and distance. The questions for the company interviews consisted of 11 open-ended questions, which were designed to provide detailed answers on the subjects of internationalization rationale, location, and entry mode. Additional questions around state ownership, control, and implications were added to enhance and expand on those dimensions when discussing the three main themes. These themes on which the questions were based were driven from the OLI framework coupled with the findings of our literature review on SOMNE internationalization. Follow-up questions were posed based on the interviewees' answers and input to further elaborate on a subject that was deemed important for the study. The interviews with the ministry departments had a more supplementary characteristic to get a different perspective from the owners' side. Those two interviews consisted of 5 general questions and in-context follow-ups that did not necessarily correspond to the theoretical framework but were instead used to amplify the information obtained through the company interviews. They also enabled complementary substance to the secondary data on state-ownership steering and policy in Sweden and Finland, respectively. The complete list of interview participants and their additional information is listed in the table below. A complete list of the interview questions will be provided in Appendix A-Interview Questions.

Table 2: Interview Participants

Name	Organization	Position	Experience - current role(s)	Experience - total in the organization	Interview duration
Oskar Ahnfelt	Vattenfall	VP Public & Regulatory Affairs, Acting Senior VP Communications	4 ½ years <1 year	16 years	55 minutes
Alicia Björnsdotter Abrams	Vattenfall	Director of Group Strategy	3 ½ years	5 years	40 minutes
Torbjörn Wahlborg	Vattenfall	Senior Executive VP Generation	6 years	31 years	35 minutes
Amira El-Bidawi	Vattenfall	Business Development Manager - Innovation Strategy Lead	3 years	5 ½ years	25 minutes
Lars Erik Fredriksson	Swedish Ministry of Enterprise, Division for State-owned Enterprises	Investment Director	12 years	17 years	50 minutes
Tomas Qvickström	Fortum	VP Corporate Strategy	2 ½ years	22 years	40 minutes
Per-Oscar Hedman	Fortum	Communications Manager - Sweden	4 years	12 years	55 minutes
Maija Strandberg	Prime Minister's Office, Government Ownership Steering Department	Senior Financial Counsellor	2 years	2 years	25 minutes

3.4 Data Analysis

Data analysis in qualitative studies tends to be challenging and tedious because of the large amount of data and the number of data sources (Bryman & Bell, 2011). Additionally, there is no one way to analyze the data that fits all, except for general guidelines and suggestions, making it yet more challenging. Eisenhardt (1989) argues that a within-case analysis is crucial to help avoid the risk of making premature conclusions and processing the information poorly

in qualitative case studies. A within-case analysis will generate the recurring themes and patterns of the case study, providing the study with new insights and a better understanding of the case characteristics (Eisenhardt, 1989).

Furthermore, Sinkovics (2018) adds that researchers tend to connect patterns to internal mental models to make conclusions and improve the quality of their study. *Pattern* is defined by Trochiam (1989 as cited in Sinkovics, 2018 p.5) as an “arrangement of objects and entities... that are non-random and describable.”. Sinkovics (2018) divides pattern matching into three categories: flexible, partial, and full pattern matching. For our study, we chose to deploy a top-down flexible pattern matching logic. This choice was deemed a suitable fit for this study because the starting point of the process is a theoretical realm, followed by observations that could potentially challenge the assumptions of the theoretical framework. Following the within-case analysis of both cases, the findings were matched with the theoretical framework, in order to highlight similarities and differences.

We deemed a cross-case analysis unnecessary due to the simplicity of keeping track of only two cases in the pattern matching analysis. The consolidated within-case analysis followed by a cross-case analysis would thus be of limited value. Accordingly, we argue that including a cross-case analysis would enhance the risk of repetitiveness in the analysis. Therefore, in this study, we chose to examine the two cases initially through a within-case analysis, where we discussed the findings of each company, followed by a pattern-matching analysis. This was justified by the fact that this kind of analysis can be used extensively to examine if the findings coincide with the existing frameworks and highlight the differences and similarities between the two companies.

To carry out the analysis in practice, we started by looking into theoretical implications. Consequently, we adapted the OLI framework with the “why, where, and how” scheme identified in the literature review on SOMNE internationalization. This became the groundwork for the following steps of the study. As a result, we designed the interview questions around this scheme. After transcribing the interviews, we applied a uniform process to codify the interview findings and separate the immaterial data from the data that was not of significance to our core themes. This process included a thorough reading of the transcripts, followed by categorization of the interview data into three main themes; namely (1) why, (2)

where, and (3) how. After that, other parts of the interview that did not fit into these categories were divided into two parts: (1) complementary data that included examples and/or extended reasonings for the themes mentioned above, and (2) inconsequential data that had no use or relevance to our study. The second subcategory, inconsequential data, was disregarded to ease data processing in the later stages. The complementary data was then matched to its respective theme. All data relating to the three themes, in addition to the complementary data, was organized in a coordinated manner for both companies separately to produce the within-case analysis. Lastly, that bulk of data was used to match them to the observed theoretical predictions of our framework/scheme. Thus, the pattern matching analysis was conducted to demonstrate the relationship between the theoretical and observational realms.

3.5 Research Quality - Reliability and Validity

As the quality of any study to a great extent depends on how it is carried out, it is crucial to devote some attention to the concepts of reliability and validity. Bryman and Bell (2011) describes that, in large, reliability refers to whether the results of a study are reliable and thus repeatable. In contrast, they further explain, validity refers to the degree to which a study measures what one aims to measure. Generally, they argue, assessing reliability and validity is easier done for quantitative measures than for qualitative measures, leading to an ongoing debate around whether the concepts need to be refined or even exchanged for new concepts for qualitative studies. For example, Yin (2003) argues that validity may be further split up into construct validity, internal validity, and external validity for qualitative case studies. For simplicity and not delve too deep into terminology, we chose to assess this qualitative study through the broader concepts of reliability and validity. However, we note and emphasize that applying the two concepts may differ from how they would be interpreted in a quantitative setting.

To ensure a high quality of our theoretical background and literature review, we consistently relied on published research articles from relevant and well-renowned scientific journals. We also based our theoretical background and underlying assumptions on many sources to confirm common findings and ensure that as rigorous a picture as possible of the prevailing literature has been captured. The secondary data mainly consisted of information from the

firms' official websites, annual reports, and research articles, which we also considered highly reliable sources.

To provide a common perspective on the internationalization process of Nordic energy sector SOMNEs, we find the reliability of our results to be strengthened mainly due to two factors. Firstly, we based our results both on secondary data and first-hand data through face-to-face interviews, which enabled us to better assess the reliability of our findings. Secondly, the number of Nordic SOMNEs in the energy sector is rather limited. Thus, a sample of only two such firms constitutes a relatively significant proportion of the entire population. It should nevertheless be noted that the reliability is not the same for cases in other regions and/or industries, as contextual variations make replicating findings across geographical and industrial dimensions faulty. This is indeed also one of the main points of our thesis.

The most vital aspect of ensuring validity is the accuracy of the interview data. We therefore carefully designed our interview questionnaire with the following two premises in mind: (1) the questions should be well formulated and easily understood to avoid misinterpretation, and (2) the questions should not be leading or biased towards a particular answer. We further made sure to carefully clarify any confusions that the respondents may have had regarding the questions. The validity of our secondary data follows more naturally as we were able to single out only the relevant data for our research topic and thus disregard irrelevant data.

3.6 Limitations

Despite trying our best to ensure the highest possible quality of our research in terms of both reliability and validity, we acknowledge that our paper is limited in several ways. Below, we assess the main limitations of our methodological undertakings.

As already mentioned, there is an evident limitation that only two Nordic countries were represented in the sample, as more substantial pan-Nordic conclusions could have been drawn had the study contained energy-sector SOMNEs from all Nordic countries. Moreover, due to limitations in time and data access, the first-hand data (i.e., interview material) is slightly unevenly distributed between the two cases, resulting in the underlying data for Vattenfall being stronger than for Fortum. Moreover, Fortum is a publicly listed company, which

Vattenfall is not, resulting in more discretion surrounding the information on Fortum's operations. This furthermore resulted in the interviews related to Fortum providing less detailed information about the company's international operations.

Furthermore, English is not the first language for the respondents, which might have slightly increased the possibility of misunderstandings and misinterpretations. Also, our first-hand data was unevenly distributed towards the firms' perspectives, which may have led to bias towards their perspective. We did indeed partially balance this by including one interview each for the perspective of the Swedish and Finnish state, respectively. However, even more input from the owners, i.e., governments, themselves would have nuanced the understanding of each firm's internationalization process further.

Although our sampling was indeed conducted purposefully, it was nevertheless affected by our limited time and network. Consequently, the interview respondents were chosen based on who we were able to contact and how quickly they would be available for an interview. Fitting interview candidates were chosen based on the subjective judgment of our contacts, and there is no way of knowing if more fitting candidates were missed out on, as a result, or not. A representation of this limitation is that the interview participants are all Swedish or Finnish, even though Vattenfall and Fortum are multinational companies with operations in several countries. Including executives from business headquarters in, for instance, the Netherlands, UK, or Russia would have broadened the perspective.

Designing questions that met our two criteria discussed in the previous section was a difficult task. We had to balance between formulating questions that were clear and concise enough for the respondent to understand what was being asked for while at the same time providing open and broad enough questions to not lead him/her in a given direction. Although we worked rigorously on achieving an interview guide adhering to these criteria, we acknowledge that there might be underlying biases and shortcomings of our interview data. Moreover, our prior experience in designing and conducting semi-structured interviews is non-existent. We are thus humble that there may have been flaws in our interview design and method that a more experienced interviewer may have evaded.

4 Analysis

In this section, secondary and primary (interview) data is presented, analyzed, and discussed. Firstly, the data and findings related to Fortum are presented. Secondly, the same is done for Vattenfall. Thirdly, and lastly, a pattern-matching analysis is conducted to assess how well the findings of the two cases comply with the theories and assumptions presented in the literature review.

4.1 Fortum

This section begins with a brief introductory overview of Fortum's history, based on secondary data, focusing on the company's international expansion. After that, the Finnish state's perspective is introduced by describing both the general implications stemming from Finnish state ownership and how these apply to Fortum in particular. This is based on both secondary and primary data. The section ends with a presentation of the main interview findings related to the internationalization of Fortum from the firm's own perspective.

4.1.1 History and Background

Fortum is a Finnish-based publicly-listed SOMNE in which the Finnish state owns 50.8 % of the shares (Prime Minister's Office, 2020). Fortum came to be in its current form in 1998 following a merger between IVO and Neste (Fortum, 2021e). Today, the company has core operations (energy production) in 10 countries in the Nordics and Baltics, as well as in Russia, India, and Poland, and offers additional services in Germany, UK, and France (Fortum, 2021c). Fortum's energy production comprises five main business areas: hydropower, wind power, solar power, nuclear power, and combined heat and power (CHP) (Fortum, 2021d). The company operates about 150 power plants and has around 19,000 employees worldwide (Fortum, 2021b).

Fortum's early expansion occurred in markets with close geographical proximity to Finland (Fortum, 2021b). The company's internationalization process was initiated in 1996 when they entered the Swedish market through the acquisitions of Skandinaviska Elverk and Gullspång Kraft (Fortum, 2021e). According to Fortum's website (Fortum, 2021b), subsequent expansions occurred in Norway, Denmark, and Russia. In 2003, the company expanded into the Polish market by acquiring the district heating company DZT. Fortum later moved into the Baltic region in 2008 when it entered Latvia 2008 through the acquisition of Jelgavas Kogeneracija SIA. Estonia and Lithuania were then entered in 2009 and 2013, respectively. Also, in 2013, Fortum extended its operations to India, in which it focused solely on solar power.

Fortum further describes the strategic journey that the company has undertaken since 2013 (Fortum, 2021a). Between 2013-2015, Fortum divested its business area of electricity distribution, which it had been operating in Finland and Sweden. It, however, added a new business area to its portfolio in 2016 when it acquired the Swedish circular economy company Ekokem. Furthermore, a year later, Fortum invested in Uniper, a German giant in gas-, coal, and nuclear power. During the most recent years, further investments in renewables have been made, most notably in the Nordics, Russia, and India.

4.1.2 The Finnish State Perspective

The Finnish state-ownership policy is laid out by the Prime Minister's Office (2020). As can be read, the Finnish state possesses ownership in 66 firms in various industries, of which 35 companies are commercial, and 16 of those commercial companies (including Fortum) are publicly listed. Ownership is exercised both through partial ownership in the form of minority- or majority ownership but also through full ownership.

Following the Limited Liability Companies Act and the principles of good governance, there is a clear distinction and limitation in the responsibilities and involvement of the state as an owner (Prime Minister's Office, 2020). Maija Strandberg from the Prime Minister's Office described the division of responsibility in terms of a triangular relationship:

“... there is a role for the owner, there is a role for the board, and there is a role for the operational management. And basically the state, we try to stay in this owner's [corner]... we do not directly influence the operational decisions, which belong to the operational management and the operational board. But of course, for every ownership whether it is a 100% [state-owned] listed company or whether it is a listed company where we have a partial ownership, we of course have our ownership strategy. But we do not influence their day-to-day decisions.”

Strandberg further went on to explain how this affects internationalization in particular:

“So if you are talking about internationalization of the companies, which is purely an operational issue like which markets to enter, or which acquisitions to take, we honour good corporate governance and basically the fact that it is actually the Board of Directors responsibility to make those decisions.”

While the Finnish state indeed holds ownership in several different companies, the underlying motive for the ownership varies. Consequently, the state ownership policy (Prime Minister's Office, 2020) categorizes Finnish SOEs/SOMNEs into three categories depending on the motive/interest for state ownership in a given firm. The first type of SOEs/SOMNEs are owned purely for financial interest, where the state only takes on a solid investor interest position. For the second type of SOEs/SOMNEs, the state claims to have a strategic interest besides the financial interest, which may relate to issues of national defense, maintaining and securing critical supplies or infrastructure, or the provision of essential services to the Finnish citizens. The third category includes SOEs/SOMNEs that have been entrusted with a particular assignment, in other words having a state-defined purpose and special duty.

The state ownership policy (Prime Minister's Office, 2020) further declares that the overall goal of state ownership is to maximize social and financial benefits. The social benefits mainly relate to the special assignments given to the third group of SOEs/SOMNEs mentioned in the previous paragraph. In contrast, the financial benefits refer to a long-term increase in value and dividends. Consequently, the objective of achieving economic benefits primarily contains maintaining sustained profitable growth and an increase in shareholder value for Finnish SOEs and SOMNEs.

Fortum is categorized as a company in which there is deemed to be a strategic interest. (Prime Minister's Office, 2020). However, Maija Strandberg clearly explained that the strategic interest in Fortum does not alter the role or responsibility of the Finnish state as an owner:

"... the strategic interest in Fortum is that we own a stake in Fortum in order to secure the electricity needs of Finland... that strategic interest as such doesn't play any role in the daily or monthly operations. But the strategic interest rather tells the reason why we own part of Fortum."

While Fortum has indeed been one of many other Finnish SOMNEs pursuing internationalization, Maija Strandberg pointed out that there is no explicit requirement from the state to spur the internationalization of the companies in which it possesses ownership. She said:

"There's no such general statement like that, no. But obviously... for each company, we of course have an ownership strategy... And that we discuss actively with the board. We do discuss also with the operational management, but we would not bypass the board when it comes to governance."

Consequently, there are also no direct preferences or requests from the state regarding where and how Finnish SOMNEs should internationalize. However, the state-ownership policy (Prime Minister's Office, 2020) does emphasize that Finnish SOEs and SOMNEs should base their operations on Corporate Social Responsibility (CSR) principles, thus conducting business sustainably and ethically. Related to this, Maija Strandberg referred to the importance of following ESG (Environmental, Social, Corporate governance) guidelines; however, still accentuated the fact that the state does not interfere with operational activities:

"... our state priority very much is on ESG questions... We expect that the companies that we own operate with high morale, and they take care of all of the aspects of ESG. But if some company of ours would say that 'OK, we will start operating in China or India', we as an owner would not go so operational that we would say 'don't go'. That would not be the owner's role... We put a lot of emphasis on ESG topics, and certainly

do discuss those elements with the companies, with the Chairmen of the Board. And we expect that the companies that we own operate ethically. ”

When asked about whether any potential public or societal pressure to follow such guidelines when internationalizing are more apparent for state-owned firms compared to private firms, Strandberg said the following:

“That could be true, and that's why I said that the ESG topics are very important for us as an owner... [I think] the general public looks with a more careful eye at what the state owned companies are doing, in what kind of countries they are expanding. They are maybe following even more carefully that all of the human rights issues are followed properly...”

Highly relevant for the case of Fortum, Strandberg also provided an interesting linkage between the degree of ownership in a listed SOMNE and how it conducts its international business activities:

“... the fact is that in those cases where the state is a partial owner, we need to even stricter obey the good corporate governance in a sense that we act as one of the shareholders, in the interest of all shareholders.”

4.1.3 Fortum's Perspective

Below, the main interview findings on the internationalization of Fortum are summarized. The findings are classified into the same internationalization categories used throughout the thesis - *why*, *where*, and *how*.

4.1.3.1 Why does Fortum internationalize?

The answer as to why Fortum has internationalized and continues to do so appears very straightforward. Tomas Qvickström explained how all decisions to expand abroad are driven solely by commercial interest, following the goal of providing value to Fortum's shareholders. He argued that the fact that the Finnish state possesses a majority of the shares in Fortum does not have any impact on the company's decisions to expand internationally:

“... as a listed company, one of our goals is of course to provide value to our shareholders - all our shareholders. And then the government is only one shareholder, but it happens to be the majority one... So when expanding, there always of course needs to be a very good business rationale to do that, basically being able to grow new business and through that provide shareholder value.”

On a more specific note, Per-Oscar Hedman gave an account for the main driving forces behind Fortum’s early internationalization:

“I would say that the first reason is of course that the energy markets and energy policy have been increasingly more integrated. So when we go back to 1996, when the Swedish energy market was being deregulated... that was sort of one of the important steps to also start looking outwards, to look at other markets... When you have [a good connection of grids] and when you want to utilize your assets as efficiently as possible, then the potential for that is much better if you are not limited to a specific country.”

Accordingly, Fortum’s rationale to internationalize is very much opportunistic. Consequently, there is no general strategy that Fortum should necessarily aim to expand abroad. Instead, the decisions to expand have been, and continue to be, driven by context-dependent factors that may increase shareholder value, in one way or another. Tomas Qvickström provided a further exemplifying case on why Fortum may seek internationalization:

“...The rationale can be quite different depending on what business you are in and what market you choose. In India for example, we have had a presence for ten years or something, [at least] a lot longer than a couple of years... When looking more into solar development several years ago, then that was a very good market to start with because the conditions were very good there. And there was an ambition also by the Indian government to boost that and to develop it. So it was an excellent place to learn that business and to grow it. And it has to be, of course, a business rationale as well, being able to make good business out of it. I mean, many years ago, it was no point in building solar parts in the Nordics because it was not competitive.”

Moreover, Per-Oscar Hedman pointed to the importance of business opportunities linked to decarbonization for the current internationalization motives of Fortum:

“... When you look at markets which are at the moment very carbon intensive, and you see a political interest or political will and political ambition to decarbonize... that also comes with a lot of business opportunities... And then you will see if this is the transformation where our core competencies could give us a competitive edge and will it fit in the product portfolio. And if you say the answer is yes on that, then it might be interesting... so what we wanted to do is to position ourselves so that we could be one of the major companies driving the energy transition on the European level.”

The fact that Fortum is a publicly listed company (albeit majority-owned by the Finnish state) consequently appears a central factor for its international strategic decision making. When asked about whether Fortum can be considered to behave like any other commercial company, Tomas Qvickström responded:

“I would say that Fortum is a normal commercial company. We don't just behave like [a commercial company] because we are [a commercial company]. That is how I perceive it. Then we provide value to all of our shareholders.

Per-Oscar Hedman also emphasized how the fact that Fortum is a listed company even further enhances the separation between state interests and business interests:

“... Even though the Finnish state owns slightly more than 50%, it really doesn't make any difference when it comes to the company's ability to make business decisions. The other 49.24% of shareholders would suspect that we are doing things out of political pressure.”

4.1.3.2 Where does Fortum internationalize?

In the answers to where Fortum internationalizes, Tomas Qvickström further asserted that the locations for their expansion follow their business rationale, meaning they move where opportunities present themselves. The location choice is driven by both the market and the business unit dedicated to that market. He argued:

“...we always make our decisions on where to go based on our own business needs, and not on what the government says. [We aren't any different] compared to other Finnish companies when going abroad.”

Market expansions have in so far been in relatively closer markets, but also in a distant market like India, which stresses the ambition that Fortum is after market opportunities and not just geographic expansions. To that, Qvickström added:

“When looking more into solar development, several years ago then, that was a very good market to start with because the conditions weren't very good there, and there was an ambition also by the Indian government to boost that and to develop it. So it was an excellent place to learn that business and grow it.”

After having settled that the Finnish state indeed has no say in directing Fortum on where to expand to, the question was posed about state-ownership dictating where *not* to expand to, albeit indirectly. Qvickström agreed that all types of risks are assessed, but not specifically due to requirements or expectations of the State, but rather those of the open market. To that, he responded:

“....Of course we assess the risks quite thoroughly, and think about the menace. Is the expected gain worth the risks there? so that you, I mean that is done all the time. But that's regardless of basically, if the State is the owner or not....We look at all the risks, not only financial risks. So we consider all the risks we are not having that as a sort of specific criteria that what would the government say in this area. But of course we have a, I mean as I mentioned earlier, there is a dialogue with them, but it's still admits the board who takes the decisions and we do, of course, all the risk assessments according to good business practices, and I mean we assess all the risks for all the investments and opportunities.”

Per-Oscar Hedman furthered this line of reasoning by adding that the expansions to countries outside of Finland has not been so much about where they were, as much as they were about what opportunities that country provided Fortum to utilize their assets and competencies to maximize return. He added:

“....when you want to utilize your assets as efficiently as possible, then the potential for that is much better if you are not limited to a specific country. And this is in the same way as the climate issue to decarbonize the energy sector....on a global level so the need to decarbonize our society is also a global challenge. And that means that

you need to try to see where the change mattered most, where can you have the most bang for the buck, both from a climate point of view of emissions reductions, and also from a business point of view.”

Hedman brought up Fortum’s expansion into Germany as an example and clarified that the location wasn’t of sole importance, but rather that the outcomes of that expansion that were the driving force. He explained:

“...when we look at, for example, Germany, or basically I would say that we didn't specifically enter the German market. What we did was acquire a majority in the German utility Uniper, a company which also has operations in several different countries, [which] enabled us to be part of the continental Europe energy transition where gas had a central role. ”

To question the risk appetite of Fortum, questions around risk tolerance and public pressure were brought up. Both interviewees agreed that Fortum, as a company, evaluates a broad spectrum of risks around doing new businesses very thoroughly. Even though Fortum is very active and engaged in the Finnish society, perhaps even more so than a private company, their approach to risk and societal pressure is not any different from private companies on the market. Hedman also added that risk assessment is an intricate process. There is a need for a certain degree of stability and predictability in new markets, but nothing out of the ordinary that other companies are not subject to. In response to the different risk tolerance of other sectors in comparison to Fortum’s sector, he explained: “I would say [risk tolerance] is the same for [other sectors] as well. I mean stability is quite important for everyone as it reduces risk.”

4.1.3.3 How does Fortum internationalize?

When going abroad, Fortum has no standard or preferred method to enter a new market. On the contrary, their entry choice, much like everything else, is very context-dependent. There are instances of acquisitions as well as greenfield ventures abroad. This, too, boils down to their business-making process and the commercial ambitions; to tailor each expansion and entry mode strategy to fit the time and place that makes business sense.

To investigate how Fortum overcomes liabilities of foreignness in a new market and which modes of entry were used, Tomas Qvickström answered decisively that entry modes are entirely context-dependent, and the decisions on how to enter are made deliberately and thoughtfully based on the needs and requirements of that particular market. He said:

“...that's an assessment that is always done before entering. And I mean, then really, of course, the first thing is being aware [of] the differences and also of course employing local people. And then there's always a distinction between the way to do that, is it through greenfield, or sometimes it's a possibility through an acquisition to basically, more in quick terms get that local presence and an existing business in a foreign country. [Is there like a preferred method to enter a country?] I would say it's completely context and business dependent, because it depends on what you want to achieve, of course. Also what sort of size are you after.”

When asked if there was a standard way or common practice, he gave a consistent answer and said:

“Then acknowledge [a] service business that is very asset light [is] very much different from asset heavy business where you're [dealing] with hundreds of millions of euros.... I think it's always difficult to generalize. Of course, again it depends on the business. So if it would be a service related business where the need would be a few persons, you would have a presence in the country, but it would be very asset light. And then you might be able to do it with your own resources. I would say that. The larger the business is, the more local presence you usually need.”

And while this doesn't explicitly address the entry modes used in such contexts, it sheds light on the degree of adaptability of entry mode based on the project and business that Fortum set up in a new country. To add to that, Hedman recalled the Uniper acquisition and expansion into the European market as more of a strategic arrangement to position the company favorably in the gas market because that market was seen as an integral part of the energy sector. To this end, he said:

“But when we look at uniper, it was really the fact that we do realize that Europe as a market and on a political level, uh, [saw] gas as it's extremely dominant....Basically, that is about the transition from coal to gas and then increasingly trying to have hydrogen.”

4.2 Vattenfall

This section begins with a brief introductory overview of Vattenfall's history, based on secondary data, focusing on the company's international expansion. After that, the Swedish state's perspective is introduced by describing both the general implications stemming from Swedish state ownership, and how these apply to Vattenfall in particular. This is based on both secondary and primary data. The section ends with a presentation of the main interview findings related to the internationalization of Vattenfall from the firm's own perspective.

4.2.1 History and Background

Vattenfall is a Swedish non-listed SOMNE owned entirely by the Swedish state (Vattenfall, 2021a). Vattenfall was initially established in 1909 by the Swedish government to supply power to the Swedish people (Vattenfall, 2021b). The company was involved in hydroelectric and nuclear power generation. In 1992, after a failed attempt at privatization, the company was reformed into a limited liability firm while still remaining wholly state-owned (Vattenfall, 2021c). Following this transformation, they also started their expansion beyond the Swedish market. Today the company has established a presence in Finland, Denmark, Germany, The Netherlands, The United Kingdom, France, Sweden, and Poland (Vattenfall, 2021d), with operations covering production, distribution, trading, retail, and services (Vattenfall, 2021a).

Soon after the deregulation of the German electricity market, Vattenfall entered the German market by acquiring a stake in a Hamburg-based company known as Vasa Energy. Shortly after, Vattenfall bought the then Hamburgische Electricitäts-Werke (HEW) and was thus established in the German market (Vattenfall, 2021e). Vattenfall's entrance into the other neighboring countries, including Denmark, Finland, Poland, and the Nuon acquisition in the Netherlands (which came to be a political scandal in Sweden due to the remarkably high price Vattenfall paid) took place in a similar manner; acquiring stakes in local energy companies

and investing or divesting throughout the years (Vattenfall, 2021b). Vattenfall's internationalization strategy has consistently been into markets that are culturally and geographically close, and most markets were entered through acquisitions.

4.2.2 The Swedish State Perspective

The Swedish state has clear guidelines and measurements to ensure effective management and transparent control of its SOEs. A significant part of the Swedish business sector consists of state-owned enterprises, making Vattenfall one of the many enterprises owned by the state, which is why extensive efforts have been made to effectively manage SOEs (Ministry of Enterprise and Innovation, 2020). In that regard, SOEs owned by the Swedish government are expected to pursue “a long-term approach, be efficient and profitable, and be given the capacity to develop” (p.1)

These measures include checks and balances set by the Parliament (Riksdagen) that prevent the government from acting independently when it comes to acquiring further shares or starting new companies, entrusting the management of SOEs to executive management and supervisory boards, treating SOEs and POEs under the same legislative umbrella, and enforcing the Swedish Code of Corporate Governance coequally (Ministry of Enterprise and Innovation, 2020). The Swedish government also acknowledges that while most SOEs were created as monopolies, today they exist in a highly competitive world and should keep long-term value creation as a pillar of their strategy. The state ownership policy also highlights the urgent need to be socially responsible as a result of their public ownership, and write, “state-owned enterprises have to act in an exemplary way in the area of sustainable business, and otherwise act in such a way that they enjoy public confidence.” (2020, p.1). This statement draws a clear distinction between Vattenfall and a privately-owned energy company and further cements the assumption that SOEs feel more societal pressure to be socially responsible and environmentally sustainable.

Lars Erik Fredriksson from the Swedish Ministry of Enterprise gave a detailed account of how the government enact control over unlisted SOEs and said:

“For the non listed companies we have investment directors on the supervisory boards. But apart from the investment directors on the supervisory boards, all board members are independent board members....So the state basically steers the SOEs through the general meetings, and decides on different issues on general meetings, but we also have an ongoing ownership dialogue with the companies in a structured fashion. We set up an agenda and we take minutes of these ownership dialogues. So we follow up on different financial and non-financial targets of the SOEs.”

Apart from that, when asked about the overall objective of Vattenfall and companies of the like, he claimed that the objectives differ from one company to another and consequently provide strategic direction for operations. He distinguished between these objectives and responded:

“...the alcohol monopoly, for instance, or the Royal Opera as another example, these kinds of SOEs with public service obligations are typically very domestic. They don't have international businesses. And I think that's quite logical, because if you have a public service obligation for an SOE, it would, by definition be a domestic issue....or the half that has fully commercial objectives like Vattenfall or LKAB. The legal framework that governs them is the Articles of Association, the state ownership policy and any financial targets set by the general meeting.”

These objectives are determined by the Parliament, but the overall strategy is something that is decided by the supervisory board, which is an independent body. He emphasized:

“It's up to the Board of Directors to set the strategy of the company and that would include international operations. So typically the decision to go abroad or open a business in Holland or Germany or wherever it would be a decision that lies within the board. If it's a major decision, then the state as a shareholder might be informed beforehand. Still, the decision lies with a supervisory board.”

Despite the State's limited involvement in the operations of Vattenfall, Fredriksson confirmed the assumption that separating the State from the company is a difficult task to do in the

public eye and the Swedish media because of their long history and heavy involvement in the Swedish society. He explained:

“...because many of these companies are very publicly exposed in Sweden. Most citizens have a relationship to Vattenfall or Apoteket or whatever it is. The brands are very well known, and I think they're quite exposed so if [they make] poor business decisions, or if they act in a bad manner, they would be exposed in the media, or from Parliament, or from the political opposition or whatever.”

He extended that line of reasoning to add that for a company like Vattenfall, being based in Sweden, there are high expectations around how business is conducted and that they are held to higher standards and expected to behave ethically. Because to do otherwise will result in public backlash not only against the company but also against the state. In his answer to the question around societal pressure to act responsibly and ethically abroad, he answered:

“I think there are many times [it] can be perceived as stronger or stricter [for SOEs] than for a private company. So if you as a board director or a CEO of a state owned enterprise, you might think twice or you might be a bit more risk averse, when making decisions....So it's difficult to operate in a non-democratic country, especially, I think, if you're a state-owned enterprise.”

Although Vattenfall is seemingly no different from a private enterprise, Fredriksson agreed that the company would have looked slightly different had it been privately owned, acknowledging that the stateness of the company plays a role, even if not actively; adding, “the current composition of the portfolio is not a composition that a private shareholder would put together.” When asked why and how a company that behaves and operates so much like a commercially driven private enterprise, the state has avoided privatization, and the company has stayed under the full ownership of the Swedish state, he disclosed:

“But in the Swedish case, it hasn't been declared why Vattenfall needs to be 100% owned. It has been discussed in Parliament on several occasions. . But in the end, it's very much a political decision. And so far, no government has actually dared to say that OK, we don't need to own Vattenfall, or we don't need 100%. So no, no

government so far has been brave enough or stupid enough to go public and say that's OK, it's enough to hold 51%....Energy is typically sensitive, as such, fossil fuels are sensitive. The energy in Europe is very sensitive....I think from a national security perspective it would be very difficult to actually privatize certain parts, at least of Vattenfall and some parts might be possible. Because it's such a big player.”

4.2.3 Vattenfall’s Internationalization

Below, the main interview findings on the internationalization of Vattenfall are summarized. The findings are classified into the same internationalization categories used throughout the thesis - *why*, *where*, and *how*.

4.2.3.1 Why does Vattenfall internationalize?

Despite being 100% state-owned, the reasoning and rationale behind expansion into foreign markets is entirely business and commercially driven. Vattenfall’s expansion to the nearby countries in Europe has been nothing short of strategic and deliberate business directions to improve the commercial viability and organizational know-how.

There is a clear willingness to seek profitability beyond the limits of the Swedish market and capture opportunities in surrounding markets. Torbjörn Wahlborg put it very plainly and said:

“One has to remember that Vattenfall is quite big in the Swedish market and considered being a dominant player, so all expansion in Sweden is more or less impossible. And during times when we have been making a lot of money, profitable, and limited investment opportunities in Sweden, then it's quite natural that you look abroad and that's what we have done”

When asked if there were any other objectives behind internationalization besides the aforementioned commercial objectives, Wahlborg responded that social and environmental objectives, while very important today, are never reason enough on their own if they don’t make financial sense. He recalled and said:

“Lately there could also be [ambitions] to develop the idea of fossil free living... Supporting the climate and then combating climate change to some extent, but of

course never as a single reason. We always have a reason to make money when we invest abroad.”

From a strategic viewpoint, there is also a need to make use of knowledge and develop existing knowledge and skills even further to keep a competitive edge as a result, Amira El Bidawi explained:

“I think you can always look at the reasoning being that there's a business rationale behind it. There is an opportunity to capture market size, in order to be relevant... to use our competencies and also develop our competencies further and to be able to make money, you need a certain amount of scale. So then you look at where are the potential sites. And based on that, you know you can find business opportunities.”

To add to that, Alicia Björnsdotter Abrams maintained:

“... the rationale for [the different units] to look into moves, you know, outside Sweden or operations outside Sweden, it's the same as for everyone else, which is essentially business driven....[But it's] based on a good fit with strategic planning, our competence, or competitive advantage, or some other opportunity that we think we can leverage with the setup that we have.”

All interviewees consistently refuted the claim that Swedish SOMNEs, Vattenfall in particular, are politically motivated to expand abroad. They unanimously concluded that while the Swedish state provides direction and a framework for strategic growth, no direct efforts to expand a certain way in a certain market are advanced by the state or any acting political party(s). To this end, Oskar Ahnfelt asserted that in order for Vattenfall to be globally competitive, they need to be run like a commercially driven company, free of governmental and political interference. He argued:

“....our only interest is to make sure that the conditions for Vattenfall [are] as good as possible, and that is our interest and that is the way how to run a company....We run the company as a company.”

4.2.3.2 Where does Vattenfall internationalize?

As has been mentioned, Vattenfall's internationalization has primarily occurred in markets with close geographical proximity to Sweden. The initial phases of Vattenfall's internationalization appear to have been driven by a mix of geographical closeness and business opportunities, with deregulations playing an important part. Oskar Ahnfelt explained:

"... I don't think that there's maybe a clear answer to why we happen to be in those markets. We have to go back to when deregulation started to happen in the European markets... the market started to deregulate and there was a clear trend that you could see that some companies then moved [into new markets], and we were one of those who started to look [into new markets]."

Torbjörn Wahlborg further exemplified the role of geographical closeness for the initial internationalization phases:

"... In the beginning when we didn't have any activities outside Sweden, at that time it was quite natural to look at the neighbors. And the neighbor that we started to invest in was in Finland"

Both Ahnfelt and Wahlborg emphasized that it has not always been a certainty for Vattenfall to focus exclusively on geographically close markets. Rather, the strategy to focus on international expansion in Europe is something that has developed over time. Torbjörn Wahlborg exemplified how opportunities in more distant markets were also pursued at the beginning of Vattenfall's internationalization:

"In the beginning I would say it was probably very much opportunity based. We even invested in Southeast Asia... and at that time it was because there was an opportunity to make investments in those countries - opportunities that typically didn't exist in other countries because of lack of deregulation and the monopolies in many, many countries."

As such, attempts have also been made over the years to expand to very distant markets, for instance, in Africa, Asia, and South America; however these did not provide any long-term

success. Oskar Ahnfelt agreed when asked whether the strategic direction to focus on the European market can be seen as a result of trial and error:

“... We have tried a few things that didn't work out that well. We were in Liberia a few years ago. The intention was very good, but I would say it was very difficult so we ran into all kinds of problems there... So there was maybe more trial and error if you look back...”

As mentioned, the current strategy of Vattenfall's international expansions is evidently focused on the European market, especially the closeby markets to Sweden. Torbjörn Wahlborg described Vattenfall's current strategy on location choice:

“[Today I would say] we invest in Europe. We invest mainly in those countries where we already have operations. Of course, we can also consider entering a new country in Europe if there are interesting opportunities... It's of course easier to expand and to invest in Europe than in other parts of the world, simply because of the distance, culture etc.... Also, political risks are considered lower in Europe.”

Alicia Björnsdotter Abrams provided a similar reasoning:

“...it would take quite a bit to make a move to go beyond what we have today in terms of entering new markets. I think that you really have to make a strong case for that... it would have to be a lot greener on the other side for us to start exploring that because it is an extra risk and an extra cost to establish an office in a region or a country where we are not present.”

The importance of costs in entering new markets was elaborated upon by Torbjörn Wahlborg. He also explained how the significance of this is enhanced due to the fact that Vattenfall is state-owned and not publicly listed:

“I mean the biggest disadvantage of being state owned is that it is difficult to raise capital when you need it. So if we had been a stock-listed company, we would probably have made a couple of new share issues. And we would probably have entered maybe some other countries as well, where we see great business opportunities. But the state is not that interested in increasing the share capital, which means that we are quite limited in what kind of investments we can do as a company.”

When asked about whether Vattenfall would potentially enter new, more distant markets if the company would be able to raise capital more easily, Wahlborg responded: “I think so, absolutely. I mean, there are several markets which are quite promising right now.”.

While the Swedish state apparently does not have any direct opinions and preferences on where Vattenfall should expand international operations, there was agreement among the respondents that potential public criticism and negative publicity is likely to be enhanced due to Vattenfall being state-owned, would the company enter, for instance, non-democratic or autocratic countries. Wahlborg provided the following answer when asked about the matter:

“Yes, absolutely. And I also think that the owner, so the state, would probably have some considerations if we started investing in countries which are not democratic for instance. So I think it would be more difficult for Vattenfall to do those investments than for other companies. And as you said, also more criticism. Which I think is fair, since we are state owned and to some extent belong to the Swedish people, right?”

Björnsdotter Abrams agreed, however, also emphasized that the decision to not enter such countries would also very much be strategic:

“I don't think we're interested in operating in a country that is completely autocratic... There's nobody within the EGM [Executive Group Management], or the board, or the CEO, who sees that as a viable path and it doesn't make sense for Vattenfall to do... we look nearby because there is no reason to go elsewhere...”

4.2.3.3 How does Vattenfall internationalize?

The interview respondents all explained that Vattenfall does not have an outspoken preferred method of entering a new country but rather that the entry mode is context-dependent. However, a common theme in Vattenfall’s entries into new markets is that many of them have occurred through acquisitions. Torbjörn Wahlborg described the general reasoning:

“It probably depends, but most often it has been through an acquisition of an existing business which is quite a nice way of getting some kind of a bridgehead in the country. And then you can start from that and you can then do other business. And you also have a cash flow which generates money which can support your investments and expansion in the country.”

Alicia Björnsdotter Abrams also mentioned how conducting an acquisition is usually the way Vattenfall enters a new country:

“... You usually have to start by buying some small company or you make an acquisition of some kind to have some local staff and local office.”

Evidently, the Swedish state as an owner does not have any directives or preferences as to how Vattenfall internationalizes. However, there was a consensus view among the respondents that there are indirect benefits for Vattenfall’s international operations stemming from being a state-owned Swedish company. Torbjörn Wahlborg explained how this has affected Vattenfall’s ability to expand abroad:

“I would say that it's easier for us because we are a state-owned company, to some extent. I mean, I think when we invested in Poland for instance I think it was quite well perceived that we were state owned. It felt, for Poland, which at that time privatized some of the state owned companies and we bought two of them, it was probably easier to sell to a Swedish state owned company than to sell to a privately owned company, which you maybe didn't know so much about. It felt probably quite stable and quite low risk to sell to a Swedish state-owned company. So I think to some extent it has opened some doors which might have been closed If we didn't have the ownership that we have.”

Furthermore, Alicia Björnsdotter Abrams pointed to how being a Swedish state-owned company is also beneficial when competing for international projects:

“[I think being state-owned] is actually quite key in international large tenders, for instance for offshore wind farms... if we say we will deliver [and that] we will build a wind farm, nobody [will] doubt that it will happen.”

Despite the benefits of being state-owned, however, there was also unanimity among the interview respondents that Vattenfall will face more public criticism and pressure following controversial business decisions. Regarding this, Oskar Ahnfelt said:

“... companies do bad decisions and companies do good decisions, and when bad decisions are done, it tends to become political for us, not for any other energy company.”

The Nuon acquisition in 2009 and the political scandal that followed is an apparent example of how Vattenfall's state-ownership creates more public pressure on how the company conducts business internationally. Amira El-Bidawi explained the political connection:

"... the person who had to answer for that [Nuon] was a politician... so of course, those kinds of dynamics still exist... it's very clear that the owner is the state and then the responsibility at the end is somehow there as well."

Torbjörn Wahlborg provided a more elaborating view:

"... talking about the private and state owned, there was a private German company, stock listed company, that made a very similar acquisition in the Netherlands at the same time as we did, paying more or less the same price. So that was at least not related to the fact that we were state-owned... They took very hard hits of course and it had an impact [on the stock price], but it never became a political scandal as it was in Sweden..."

When asked about whether negative public attention, for instance after the acquisition of Nuon, has had any effect on how the company operates internationally, Oskar Ahnfelt raised the possibility that it may have changed the way that Vattenfall approaches risk in general:

"I think so. I think there are more sensitivities on the board. When you have made a few mistakes and been very criticised by it, I think there is a higher sort of risk aversion. You don't like a project like Liberia. Let's take that as an example. It would never happen today... So yes, there is probably a bigger risk aversion today than it was ten years ago or 15 years ago... All these decisions are very, very carefully looked through from all kinds of angles, which maybe means that we are a little bit more sensitive in going into completely new areas that we might not have the full picture of."

Vattenfall's risk approach was further explained by Alicia Björnsdotter Abrams:

"... we do businesses with different risk levels, but in general we have several of our businesses that provide a financial anchor being low risk. And that's something we see as extremely valuable, and so we will want to have a good risk-return balance, and an overall fairly low risk portfolio."

When asked about the linkage between a rather low-risk approach and the fact that Vattenfall is state-owned, Björnsdotter Abrams said:

“... our financial targets basically tell you what the risk appetite of the board is and the board is then representing the owner... if you look at a company like Fortum they need to look at their risk profile very differently.”

However, although Torbjörn Walhborg also emphasized the importance of a sound risk approach in Vattenfall’s international operations, he did not agree that Vattenfall is more risk averse compared to similar privately owned companies:

“... I wouldn't say that we are risk averse... Unfortunately I think the Nuon acquisition is a quite good proof of that. But I would also say that when we are making big investments in offshore wind and so on, I wouldn't call this risk averse. I think actually in the beginning, when the industry was not so mature, they [the risks] were quite big. But then of course, like probably most energy companies, we are very much concerned about the risks... But I don't think Vattenfall is more risk averse than any other company in the energy sector.”

4.3 Pattern Matching Analysis

Below, a pattern-matching analysis is conducted for the purpose of assessing how the internationalization of Fortum and Vattenfall, respectively, is consistent with the common theoretical assumptions identified in the literature review. The section concludes with a summary of the findings, highlighting any identified state-ownership implications for Fortum’s and Vattenfall’s internationalization. Findings of this section are drawn from the interviews with the management and states, as well as secondary data. More specifically, elements such as societal pressure and public scrutiny are examined from the perspectives of the companies (how the companies experience it) and not the public themselves.

4.3.1 Fortum

The recurring themes that repeatedly resurfaced during the data collection process on Fortum were the commercial drive that spurs the company's operations forward, the ownership and governance structure, and the fact that the company is publicly listed. The company is very true to the fact that they are a listed company, so there is a strong emphasis throughout the entirety of the organization on abiding by the same regulations and practices as any other publicly listed company. To ensure that the company runs efficiently and without state interference, there is a strong and independent governing body, including the board of directors, that ensures value creation for all the shareholders of the company equally. Lastly, all company activities are driven and motivated by sound business practices and prudent rationales.

4.3.1.1 Publicly listed

A large part of the literature on SOMNEs assumes a high degree of ownership and a high degree of state control over SOMNEs (Bruton et al. 2015). On the contrary, Fortum operates precisely like any other privately owned company would, in all regards, and defies the traditional assumptions about SOMNEs by being a publicly listed company on the Helsinki Stock Exchange. This ensures that every business activity and commitment Fortum is engaged in has to be following the customs of the stock market. Their identity as a listed company is apparently the only identity the company identifies with, given that on many occasions, the claim that they are a state-owned company has been refuted and corrected to "a listed company with the state as a majority owner" as expressed by Per-Oscar Hedman in his interview. This is particularly significant because it contradicts the UN definition of SOMNEs.

It might appear evident to an average reader that it is natural for a majority owner to enact control over a company, whether or not it is the state. But in this case, because it is the state, it has become clear that they, in fact, cannot enact control without negative consequences. The Finnish state holds a 50.8% stake in Fortum, and the remainder is traded and held publicly by different shareholders. The existence of other shareholders works as a buffer to assure that Fortum does not act on political and social motives on behalf of the Finnish state. If they were to do so, it would be reflected in the company's stock price and ultimately damage the investment interests of all shareholders alike, including the state. This mechanism contradicts

the conventional view of SOMNEs being politically motivated to serve the home country's interests (Cuervo-Cazurra et al. 2014; Cuervo-Cazurra & Li, 2021; Estrin, Li & Shapiro, 2021).

Moreover, as part of the stock exchange, Fortum is obligated to make decisions that create value for the shareholders. This subjects Fortum to some additional layers of transparency that traditional SOMNEs aren't necessarily subject to. In literature, SOMNEs are characterized to be rather rife with corruption and obscurity (Clegg, Voss & Tardios, 2018; Estrin et al. 2016); Li, Li & Wang, 2018). This condition further contradicts traditional views where objectives and values are not the same as for privately-owned companies; many state-owned companies have political and social agendas, which means the value they create corresponds to those motives and can not be clearly seen the same way value is reflected in listed companies.

4.3.1.2 Ownership and Governance

Contrary to traditional ownership and governance models of Chinese and Russian SOMNEs, Fortum is a listed company on the Helsinki Stock Exchange. Fortum is fully compliant with the laws that govern publicly listed companies in Finland and operate under the Finnish Corporate Governance Code 2020 (Fortum, 2020). The company appoints an independent board of directors like any other company, which provides strategic direction, supervision and oversight, and reviews significant financial matters. A separate corporate governance statement is issued annually alongside financial reviews, which are consequently reviewed by the audit and risk committee.

The literature on SOMNEs points out their willingness to take on more risk than their private counterparts (Cuervo-Cazurra & Li, 2021). As part of their strategic direction, Fortum is well aware of the wide variety of risks associated with doing business in foreign markets and conducts comprehensive assessments accordingly. It has, on the contrary, been expressed in the interviews that as a tradition of the energy sector, the company seeks a fair degree of certainty and predictability in new ventures and markets. The company, however, does not see this risk tolerance for being any less or more than for any other private company that operates under reasonable justifications and motives.

4.3.1.3 Commercial Motives

A significant reason behind the traditional model of why, where, and how SOMNEs internationalize stems from the additional objectives besides the prerequisite to make profits. These objectives are often politically motivated, or in some cases, socially motivated to benefit nationalistic ambitions and further the society of the home country (Cuervo-Cazurra et al. 2014; Cuervo-Cazurra & Li, 2021; Estrin, Li & Shapiro, 2021). In this sense, Fortum withstands these objects firmly. Instead, they are patently driven by business and commercial motives, both in why, where, and how they expand abroad.

Most important of all is the reason why SOMNEs expand abroad. As our literature review has shown, much contemporary literature points to the possibilities that SOMNEs operate abroad to advance the political agendas of their states or to dominate strategic value chains that could be of value from a global political standpoint, while others point to the fact that SOMNEs grow globally to develop the economies and provide social benefits to their home country. On the contrary, Fortum displays no such reasoning for an expansion outside their borders. Instead, expansion is justified by a business and commercial rationale that aims to create value for shareholders and remains competitive in a changing industry. Many business expansions have come as a natural next step since the deregulation of the European energy market; to maximize asset use efficiently and achieve scale beyond a single market. Moreover, the current expansions are seemingly preparations and strategic responses to a changing industry that demands structural transformation. So to be at the forefront of this business, they have to make sound business-driven decisions and position themselves strategically in a brutally competitive industry.

As elaborated upon in section 2.3.2, SOMNEs are in conventional literature said to prefer more politically unstable countries, countries with looser institutional regulations, and countries with good diplomatic relationships with their home country. No traces of such patterns have been detected in Fortum. Quite contrarily, they seem to be willing to go wherever favorable business opportunities present themselves. One can argue that since they are very active in geographically and culturally closer countries, that argument loses its substance when considering the fact that Fortum has had operations in India, a far and distant country, for about a decade. As a consequence of their business motivation and reasoning, it is an organic unfolding to discover that wherever it makes sense to deploy and develop their

competencies, they are likely to go. The pressure to choose locations that not only make business sense but are also unquestionable ethically and socially is also rooted in the fact that Finnish companies practice responsible business decision making and are held to high standards, regardless of who owns them.

While the literature is not definitive on the preferred entry modes of SOMNEs, Fortum has an unquestionably tentative approach to which mode to enter new markets with. It comes as no surprise that their choice of entry is completely context-dependent and tailored to the needs of that specific market. It is rather an organic consequence of commercially driven decision-making when it comes to why and where to expand.

4.3.2 Vattenfall

Based on the data gathered on Vattenfall, three overarching themes that are all seemingly opposing conventional assumptions on SOMNE internationalization may be identified. Firstly, there are no observed implications for there being any political or national goals and objectives spurring the internationalization of Vattenfall. Secondly, the data suggests that the state-ownership of Vattenfall reinforces the company's unwillingness to enter politically risky and potentially controversial locations. Thirdly, and directly related to the second theme of public pressure, Vattenfall's willingness to undertake risky and controversial acquisitions appears to be mitigated by the fact that the company is state-owned. Below, these three themes are discussed and compared to conventional SOMNE assumptions.

4.3.2.1 Commercial Motives

While a large part of the literature on why SOMNEs internationalize concludes that there are often additional political/national motives at play besides the apparent commercial interest of the company (Cuervo-Cazurra et al. 2014; Cuervo-Cazurra & Li, 2021; Estrin, Li & Shapiro, 2021), such dimensions are non-present in the data gathered on Vattenfall's reasons for expanding abroad. Instead, both the findings from the state perspective and the firm perspective point to there being a distinct separation between Vattenfall's commercially driven goals and objectives of internationalization and the political/national goals and objectives of the Swedish state. Arguably, some traces of societal and environmental motives may be implied from the data. However, in that case, it is made clear that such motives are

only complementary rather than central. Moreover, such motives show no connection to the fact that Vattenfall is state-owned, neither are they distinctly related to internationalization.

Naturally, the lack of additional motives for internationalization is a direct effect of the distinct separation between the Swedish state and Swedish SOEs/SOMNEs. As elaborated upon in section 4.2.2 and emphasized by all of the interview respondents, the Swedish state is clearly separated from the operational activities of Vattenfall. The bias of conventional assumptions on SOMNE internationalization towards SOMNEs from countries where politics and business are not always two separate entities e.g., China explains why Vattenfall does not comply with such assumptions.

4.3.2.2 Societal Pressure

A strikingly contrasting finding to the conventional assumptions of SOMNE internationalization is the fact that Vattenfall appears to be subject to a higher degree of public pressure when conducting business internationally. This view is brought up both from the state perspective and the firm perspective. Regarding location choice, there is arguably a direct connection between the state-ownership of Vattenfall and an increased risk (relative to private firms) of public criticism, should entries be made into politically controversial locations such as non-democracies.

The gathered data also indicates that Vattenfall's tendency to avoid such locations interacts with and is reinforced by the European-focused corporate strategy. Accordingly, it should be emphasized that the commercial motive is still the main driving force for where Vattenfall decides to internationalize. However, the role of social pressure should not be neglected. In other words, one may argue that while it does not make sense from a strictly commercial point of view for Vattenfall to enter politically controversial and risky markets, it makes *even less* sense due to the political turmoil and public critique that is likely to follow from such an entrance.

The public pressure on Vattenfall to avoid controversial locations for expansion exhibits a striking contrast to conventional theories of SOMNE internationalization. As our literature review has shown, the common view is rather that state-ownership implies a higher willingness to enter risky markets, even though it may not be the best decision from a strict business perspective. As has been mentioned, the underlying idea behind this assumption is

that political/national motives may drive SOMNEs' location choices. Consequently, there is seemingly a *dual* disparity between Vattenfall's commercial motives augmented by a carefulness towards risky markets and the conventional assumptions of political and national motives driving entries into risky locations.

A further interesting comparison to be made in this regard is consequently the fact that state-ownership implies a higher degree of public pressure on Vattenfall. In contrast, it may be speculated that the complete opposite is likely to be true for SOMNEs from more autocratic states. One may argue that, for instance, Chinese SOMNEs are rather, to a certain degree, *protected* from public criticism since they are state-owned. This once again underlines the value of understanding how contextual factors such as political and institutional settings of the home country affect the impact of state-ownership on internationalization.

4.3.2.3 Risk Aversion

Seemingly starkly linked to the additional public pressure posed on Vattenfall, the gathered data also indicates that the company may be less inclined to take on risk when internationalizing. This is most explicitly mentioned in the interview material concerning the Nuon acquisition and the political scandal that followed. As such, increased aversion to risky acquisitions can, to some degree, be considered a manifestation of the enhanced public pressure resulting from Vattenfall's state-ownership.

Once again, however, it can be argued that the relationship between a careful risk approach rooted in business strategy and the additional risk aversion resulting from potential public criticism is a relationship of mutual reinforcement. In a similar vein as the commercial motives and carefulness in location, choice were argued to interact; one may claim that while it from a strictly commercial perspective makes little sense for Vattenfall to pursue high-risk acquisitions, it makes *even less* sense given the political scandal that could unfold should a new Nuon-like debacle occur. Even more, the difficulties Vattenfall faces in terms of raising capital for very sizable investments abroad, stemming from the ownership structure of the company, is another matter that may be thought to enhance risk aversion.

Once more, compared with conventional SOMNE theory and the Chinese SOMNEs on which a majority of assumptions rest, it becomes clear that Vattenfall's approach to risk stands in

strong contrast to the consensus. Naturally, this results from the linkage between Vattenfall's strictly commercial motives, public pressure, and risk sensitivity discussed extensively above. Although Vattenfall indeed seems to have a slight preference for entering a new country via acquisitions (which is aligned with conventional SOMNE assumptions, e.g. Cuervo-Cazurra & Li, 2021), there are no indications that this is connected to the fact that the company is state-owned. Rather, this appears to be a direct consequence of business rationale and commercial motives. Hence, since both the state perspective and the firm perspective clearly refute any state influence in the choice of entry mode for Vattenfall, it would be misleading to assign the slight preference for acquisitions any further weight in evaluating state-ownership impact in Vattenfall.

4.3.3 Summary

According to our analysis, Fortum displays patterns consistent with the OLI framework and inconsistent with the conventional SOMNE theory predictions. This goes without saying that Fortum expands abroad to leverage competitive advantage and achieve superior commercial viability, showing no signs of any underlying motives rooting in political or social ambitions. In terms of where they expand, it has also been settled that they have no apparent preference, but rather they go to where the returns trump the risk of doing business. Similarly, there is no tendency to choose one entry mode over another, but rather a risk/return approach is used to rationalize how to enter a new market. Although the state perspective raises a slight possibility that there may be enhanced public expectations on Fortum to internationalize ethically due to its state-ownership, the firm perspective shows no evidence of this affecting the firm's location choice and entry mode decisions.

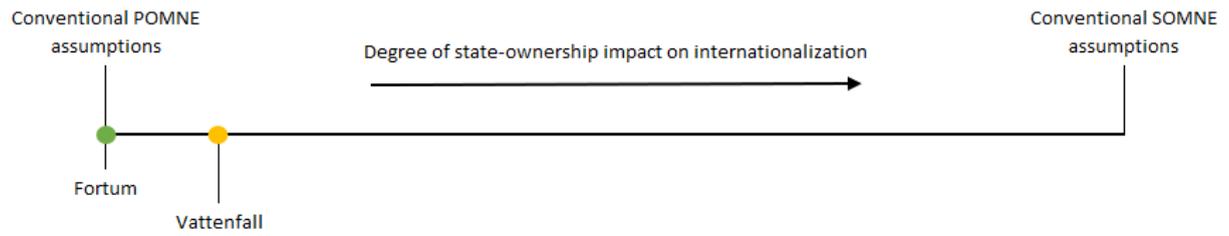
The pattern matching analysis conducted on Vattenfall shows that its internationalization, similar to Fortum, is much more in line with conventional OLI predictions on privately owned firms with no state-ownership dimension than with the conventional SOMNE assumptions. In other words, commercial interests are the primary driving force, with no apparent evidence for additional political and national motives affecting Vattenfall's internationalization. However, there are secondary state-ownership implications in the form of additional public pressure to conduct international business more ethically, reinforcing Vattenfall's risk

sensitivity in location choice and entry mode. Table 3 summarizes our findings on the observed state-ownership impact in the two cases.

Table 3: State-ownership impact on internationalization

	Why?	Where?	How?
OLI predictions	Benefit from ownership (comparative) advantage	Location with best risk/return tradeoff	Entry mode with best risk/return tradeoff
Assumed state ownership impact in conventional SOMNE literature	Additional national and political motives	High-risk locations more likely	Acquisitions more likely
Fortum	No observed state-ownership impact	No observed state-ownership impact	No observed state-ownership impact
Vattenfall	No observed state-ownership impact	Politically controversial locations less likely	Politically controversial acquisitions less likely

Consequently, while the implications of state-ownership in Fortum do not appear to affect why, where, or how the company internationalizes, the findings on Vattenfall show tendencies of such impacts. Nevertheless, there are clear indications that both firms behave more like POMNEs rather than SOMNEs when internationalizing. Accordingly, this contradicts the conventional view on SOMNE internationalization laid out by Cuervo-Cazurra et al. (2014) and Cuervo-Cazurra and Li (2021). However, it also highlights the role of the institutional and political setting in the home country for mitigating state-ownership impact on internationalization, as accentuated by Estrin et al. (2016) and Clegg, Voss and Tardios (2018). The degree of state-ownership impact on the internationalization behavior of Fortum and Vattenfall is conceptualized in figure 4.



*Figure 4: Degree of state-ownership impact on internationalization**

**The figure only conceptualizes the degree to which state-ownership impacts internationalization, not how it does so. It should therefore not be interpreted as that Vattenfall is more similar to conventional SOMNE assumptions than Fortum is, but rather that Vattenfall differs more from non-state-ownership assumptions than Fortum does.*

5 Conclusion and Discussion

As laid out in the previous section, our research has generated several findings on the internationalization of Fortum and Vattenfall. We also explained how these findings correspond to the conventional theories on SOMNE internationalization, focusing on the implications stemming from the state ownership of the two firms. In this final and concluding section, we tie these findings back to our two research questions presented in the introduction of the thesis. Hence, by answering our research questions, we simultaneously conclude the main takeaways from the thesis. Furthermore, we make a broader discussion on our findings. This is followed by an outline of the potential theoretical and practical implications of our research. Lastly, we complete the chapter by suggesting several avenues that future research on the topic of Nordic SOMNE internationalization may take.

5.1 Research Question 1

Research Question 1: *Why, where, and how do Nordic SOMNEs in the energy sector internationalize?*

Based on the cases of Fortum and Vattenfall, we find that Nordic SOMNEs in the energy sector internationalize to pursue commercial motives, following the same business rationale as a private company would. While this is also the main driving force behind the choice of location and entry mode, there may, however, be additional/complementary implications stemming from state ownership, depending on the (perceived) degree of stateness of the given SOMNE. When state ownership does pose implications, as in the case of Vattenfall, it is the societal pressure to conduct business in a certain way that influences where and how foreign entries are conducted, leading to an increased aversion for political controversies. In the case of Fortum, it may be argued that the public listing of the company together with the partial state ownership signals a limited state influence. This limited stateness is further reinforced by the lack of state ownership signaling in Fortum's branding and image. Thus, although Fortum

would indeed be categorized as being state-owned according to conventional definitions, both the interview findings from the state perspective and firm perspective indicate that it may rather be perceived by the public as being a private firm. Although this implies that Fortum is not subject to any additional societal pressure stemming from its state ownership, the company is most likely subject to similar pressure stemming from being publicly listed. For Vattenfall, on the other hand, being wholly state-owned and non-listed can be argued to enhance the public perception of state ownership. Consequently, in this case, both the interview findings from the state perspective and firm perspective indicate that the firm is in general seen by the public as being state-owned. Also, the branding and image further reinforce the perceived stateness, however, in the opposite direction as for Fortum. Accordingly, it is reasonable to assume that Vattenfall is to a larger extent perceived by the public as acting “on behalf of Sweden” or “on behalf of the Swedish people”.

5.2 Research Question 2

Research Question 2: *Are the internationalization processes of Nordic SOMNEs in the energy sector in line with the predictions of conventional theories and frameworks?*

Both of the cases that were investigated in this study exhibit substantial discrepancies in light of the conventional SOMNE predictions, namely the "why, where, and how" adaptation, which assumes that SOMNEs will expand for motives other than commercial including national, social, and political agendas, to locations that are riskier and politically unstable, and to a certain degree prefer acquisitions (Cuervo-Cazurra et al. 2014; Cuervo-Cazurra & Li, 2021). The Nordic SOMNEs in our study, on the other hand, expand for commercial motives in countries where a thorough risk/return assessment makes commercial sense (comparatively less risky locations), in no predetermined entry mode other than the one that makes commercial sense. The latter is relatively consistent with the predictions of Dunning's (1979; 1988) unadapted private enterprise-oriented OLI framework. Only one of the companies, namely Vattenfall, has displayed slight deviations from the OLI framework due to indirect effects of state ownership.

Both companies' international expansions have roots in the deregulation of the energy markets in the region, where they both reasoned that they had competencies and competitive advantages that could be leveraged abroad, as their domestic market expansions had hit plateaus since they already had majority market shares in already small markets. This logic highly conforms with the *(O)wnership* advantages of private enterprises as predicted by the OLI framework. As to which country to expand to, both companies consistently demonstrate the same pattern that the location has to provide benefits to their overall strategic directive and ultimately improve profitability. Vattenfall, however, demonstrates more reservation and sensitivity to societal pressure, as they embody a more active voice in Swedish society. This effect is by no means a direct pressure from the government but rather a result of the indirect advantage/disadvantage of being state-owned instead of direct subsidies and resources. For instance, Vattenfall displays a very Swedish brand image that signals a positive image overall but also exposes them to public scrutiny as representatives of the Swedish state and people. Nevertheless, the difference this effect makes is most likely only marginal and reinforcing, as the primary driving force is still to make sound commercial decisions. This, once again, is related closely to the *(L)ocational* advantages referred to the OLI, where companies expand to places with locational advantages compared to home. Lastly, how they enter and establish themselves in new markets are also based on assessing whether it makes sense to enter having full, partial, or little control to meet the needs of that particular market. This also pertains to the *(I)nternalization* conditions of the OLI framework, where internalization benefits are weighed against contracting out to the market.

5.3 Discussion

The findings of this study constitute several intriguing exceptions to the common understanding of SOMNEs. This study finds that Nordic SOMNEs in the energy sector almost strictly expand to pursue commercial strategies, mainly due to a corporate governance model that deters state/political interference in striving for commercial efficiency and viability. However, they have only mostly done so in the European market, which calls for further explanation. Additionally, Vattenfall and Fortum experience a higher level of societal pressure and public scrutiny for two distinct reasons that will be further detailed below, which are not

intrinsic to all SOMNEs, especially those from autocratic countries that may enjoy government protection from public scrutiny.

The countries in which Fortum and Vattenfall operate besides their home countries are located around their home countries and mainly in the European market. Two observations can be made based on these facts: (1) they are likely to enter more stable and familiar markets with close geographical and cultural proximity to their home countries, and (2) they are unlikely to enter politically unstable and controversial markets. Both of these observations distinguish these Nordic SOMNEs from the traditionally studied SOMNEs in contemporary literature, as laid out by Cuervo-Cazurra et al. (2014) and Cuervo-Cazurra and Li (2021). This can be explained by the fact that the energy and utility market displays some unique characteristics that will ultimately affect decisions around where and how to enter new markets. This particular industry is very asset-heavy and dependent on infrastructure, proximity, and synergic effects. So to examine Vattenfall and Fortum and only assume they have entered the European market because they are geographically and culturally close takes those factors for granted. Thus, geographical closeness plays a more prominent role for energy and utility companies than for companies that operate in more asset-light industries and should, therefore, be regarded as a strategic consideration.

In addition and direct relation to what has been discussed, Nordic SOMNEs have close relationships with their communities and experience indirect societal pressure to conduct business responsibly with high regards to the environment and societies in which they do business. Nonetheless, being held to this high standard and high level of public scrutiny stems from different sources for each company. We have detected two sources and considered them as trade-offs.

The pressure surrounding Fortum is mainly since they are a publicly-traded company. When companies go public, they usually do so to raise capital and grow their business. Consequently, publicly traded companies are subject to a host of complex and far-reaching regulations that require them to share and publicize annual financial and corporate governance statements, thereby naturally exposing them to public scrutiny. The Nordic countries are at the forefront of social and environmental progression, so it would come as no surprise that any Nordic company would be held to these same standards.

On the other hand, Vattenfall experiences societal pressure as an *indirect* consequence of their state ownership. This societal pressure may, in turn, be considered a result of the transparent state-ownership policies in the Nordics, clearly limiting the state's involvement in business operations, together with the presence of open and democratic political and institutional settings enabling the existence of such pressure and criticism. Nevertheless, there is more to it than that alone. Vattenfall makes an active effort to brand itself as a Swedish company. This branding strategy can have ramifications both abroad and in the domestic market. At home, Vattenfall's Swedish identity has made it an active player in the political and societal debates. It is thus under more public pressure and scrutiny to avoid scandalous behavior both home and abroad. On the international scene, it appears that Vattenfall emphasizes this state identity and incorporates it in their brand image because they can benefit from the Swedish nation's favorable reputation abroad. This branding strategy is more common in the Nordics and can be detected in private companies that try to enhance their brand by accentuating their Nordic identity, such as IKEA. The willingness to be associated with the home state is not common practice among all SOMNEs, as this may jeopardize the company's legitimacy if it comes from a questionable country. So this marketing feature is probably more common in the Nordic countries, where the states enjoy good reputations globally. One can assume that this is part of doing business the Nordic way- who has a reputation for transparency, efficiency, and trustworthiness.

Given all that we know, we can assume some critical consequences are underway due to the way these Nordic SOMNEs in the energy sector pursue their overall strategic direction. It is nothing new that the energy sector is undergoing substantial and structural transformations. Given its strategic and national importance, energy is usually owned and or controlled by national states to a certain extent, with a few exceptions. Regardless, the world and the energy sector are moving away from non-renewable energy, and markets are still converging and on the rise to globalization, despite the few protectionism setbacks of the past few years. These Nordic companies appear to be aware of these changes. They have adapted their strategic positioning accordingly, which is vital due to the competitive and changing nature of the industry. Not only are they at the forefront of the industrial transformation, refining existing knowledge and learning new technologies from their international operations, but they are doing so in a commercially competitive calculative manner, free from the woes of state

interference. To further this discussion with reservation and caution from sounding too bold and biased, we speculate that these factors all together may create very long-lasting positive effects on the global scene, allowing them to outperform and outlive competition as a result on the global market.

Lastly, the findings of this study opens up for an interesting discussion regarding the weight given to commercial motives in SOMNE literature. As we have highlighted, the importance of commercial and economical viability of SOMNEs may indeed be the primary driving force and justification for state-ownership, rather than the pursuit of national and political goals. We speculate that there is most likely a significant amount of SOMNEs globally, besides Fortum and Vattenfall, that are owned and operated for financial gain only. However, such SOMNEs are seemingly somewhat neglected in a large part of the current SOMNE literature, which may explain the consensus view of seeing SOMNEs as political devices for advancing the state's agenda. We see value in bringing novel perspectives into this debate and start questioning the underplaying of financial and commercial importance for SOMNEs and their respective state owners. We firmly believe that, in today's world, scientific literature contributes greatly to what the public base their opinions and beliefs on, and therefore studies in these areas require caution and prudence to manifest explanations that don't undermine our realities.

5.4 Theoretical and Practical Implications

This thesis adds a small yet valuable piece to the puzzle that is SOMNE internationalization. By providing a novel perspective of SOMNE internationalization through the study of Nordic SOMNEs in the energy sector, our findings shed light on the diversity of SOMNEs. Thus, the findings accentuate the significance of context-dependent factors for state-ownership implications. Since the main contextual factor in this thesis is the home country of the SOMNE, we specifically exemplify how the political and institutional ramifications of the home country affect SOMNE internationalization. As we have shown, conventional assumptions on SOMNE internationalization do not fully apply to the cases of Fortum and Vattenfall. Consequently, this will hopefully highlight the importance of basing theoretical assumptions on SOMNE internationalization in a broader variety of cases, further

incorporating understudied regions such as the Nordics in the empirical foundation of such theoretical assumptions. Moreover, our research implies that there may be additional factors, i.e. societal pressure, at play that the OLI framework is not flexible enough to capture without further adaptations, even though the OLI framework's predictions in large are compatible with the internationalization of Nordic SOMNEs. Even though Estrin et al. (2016) and Clegg, Voss, and Tardios (2018) emphasize the importance of political and institutional context and their influence on SOMNE internationalization, commercial objectives seem rather disregarded otherwise, which may be explained by the saturation of Chinese firms. Consequently, future research may find it helpful to pay more attention to the importance of financial and commercial gains for SOMNEs, and treat it like a viable objective of the state.

In more concrete terms, we hope that our contribution to the Nordic perspective will help firm decision-makers better assess how state-ownership impacts (or does not impact) internationalization - and in what way it may do so. A broader understanding of the topic will enable managers to be better equipped to deal with the shortcomings of state ownership in internationalization and leverage its benefits. Furthermore, this paper's findings can guide Nordic and non-Nordic SOMNEs with similar nature as Fortum and Vattenfall when they internationalize, as their internationalization process brings light to the norms and standards of the market. Similarly, it can also be used by other international companies in the same sector looking to expand into and compete in the Nordics, as it provides enlightenment in regards to what the standard procedures are and how competition is regulated on the market where the most prominent players happen to be majority state-owned. Lastly, the findings constitute a clear distinction between publicly listed SOMNEs and non-listed SOMNEs, which calls for the need to stop treating SOMNEs like a monolith, both practically and theoretically.

5.5 Suggestions for Future Research

Several avenues for future research on the topic of Nordic SOMNE internationalization are identified. Firstly, we encourage research that takes a broader pan-Nordic perspective by including cases from all Nordic countries. This will further the knowledge on the similarities and differences between the Nordic countries, thus advancing the possibility of making generalizations about the region as a whole. Secondly, as this thesis has only analyzed cases

from a single industry, there is relevance in assessing whether similar conclusions can be drawn from Nordic SOMNEs stemming from other industries. As a first step, it may be appropriate to conduct a similar multiple case study on Swedish and Finnish SOMNEs from other industries in order to establish the role of industry-specific factors.

Thirdly, there is value in making a more thorough assessment on the impact of the degree of state-ownership and public listing vs. non-listing on the internationalization of Nordic SOMNEs. Including a minority state-owned company in the sample and more comprehensively assessing the role of being publicly listed are appropriate directions for future research in this regard. Fourthly, while the topic of advantage/disadvantage of stateness was slightly outside the scope of this paper, the gathered interview data indicates promising possibilities for further research on whether being state-owned benefits or hinders the internationalization of Nordic SOMNEs.

Fifthly, we believe that the field of SOMNE internationalization may benefit from further attempts to develop the flexibility of both the OLI framework and the conventional SOMNE internationalization assumptions. The importance of context-specific factors has been stressed extensively throughout this thesis, highlighting the need for more flexible frameworks that can capture additional/reinforcing factors such as societal pressure. Improving the underlying frameworks will consequently also enhance the accuracy of data analysis in future SOMNE internationalization research.

Lastly, we encourage the use of even more accurate measures and methodological considerations for all of the suggested future research directions discussed above. As discussed in section 3.6, including a higher number of interview participants for each case firm, preferably with a wider variety of backgrounds and operational environments, will make the firm perspective more credible. Also, a stronger focus on the state perspective may be called for. Moreover, we also encourage the use of completely different, perhaps quantitative, methods that may provide a novel perspective to why, where, and how Nordic SOMNEs internationalize.

References

- Alvesson, M. (2003). Beyond Neopositivists, Romantics, and Localists: A Reflexive Approach to Interviews in Organizational Research. *The Academy of Management Review*, v. 28, issue 1, pp 13-33. Available at: <https://www.jstor.org/stable/30040687> [Accessed 20 May 2021]
- Andersson, M., Latef, S (2010). International Expansion: A case study of how a state-owned enterprise expands internationally. Stockholm School of Economics. Available at: <http://arc.hhs.se/download.aspx?MediumId=1022&fbclid=IwAR04W-Tnbl1QqjxBmCiyJrIbP3f0U4URmHEbfqXw6xiTqLpKhh-RHVb-R0M> [Accessed 5 April 2021]
- Bass, A.E., Chakrabarty, S. (2014). Resource Security: Competition for Global Resources, Strategic Intent, and Governments as Owners. *Journal of International Business Studies*, v. 45, issue 8, pp. 961-79. Available at: <https://www.jstor.org/stable/43654626> [Accessed 5 April 2021]
- Benito, G.R.G., Lunnan, R., Rygh, A. (2016). The Benefits of Internationalization for State-Owned Enterprises. *Global Strategy Journal*, 6(4):269-288. Available at: <https://doi.org/10.1002/gsj.1138> [Accessed 1 April 2021]
- Birkinshaw, J., Brannen, M.Y., Tung, R.L. (2011). From a distance and generalizable to up close and grounded: Reclaiming a place for qualitative methods in international business research, *Journal of International Business Studies*, Vol. 42 (5) pp. 573-581. Available at: <https://www.jstor.org/stable/29789445> [Accessed 20 May 2021]
- Bitektine, A. (2008). Prospective case study design: Qualitative method for deductive theory testing, *Organizational Research Methods*, Vol. 11 (1) pp. 160-180. Available at: <https://journals-sagepub-com.ludwig.lub.lu.se/doi/pdf/10.1177/1094428106292900> [Accessed 20 May 2021]
- Bremmer, I. (2014). The New Rules of Globalization, *Harvard Business Review*, 92 1-2, p103 6p. Available at: <https://eds-b-ebSCOhost-com.ludwig.lub.lu.se/eds/pdfviewer/pdfviewer?vid=1&sid=559efd e0-24df-4194-949f-5fe1c5cbf3cd%40pdc-v-sessmgr03> [Accessed 8 April 2021]
- Bruton, G.D., Xu, K., Peng, M.W., Ahlstrom, D., Stan, C. (2015). State-Owned Enterprises around the World as Hybrid Organizations, *Academy of Management Perspectives*, 29(1), 76

pp. 92–114. Available at:

<https://www-jstor-org.ludwig.lub.lu.se/stable/pdf/43822076.pdf?refreqid=excelsior%3A92cb0067dd5cedebdcb556dce60db75> [Accessed 2 March 2021]

Bryman, A., Bell, E. (2011). *Business Research Methods*, 3rd edn, Oxford, Oxford University Press

Buckley, P. J., Cross, A. R., Tan, H., Xin, L., Voss, H. (2008). Historic and emergent trends in Chinese outward direct investment. *Management International Review*, 48(6), 715–748.

Available at:

<https://www-jstor-org.ludwig.lub.lu.se/stable/pdf/40658290.pdf?refreqid=excelsior%3A84f795072fbf9d8406777bd17ccf5e91> [Accessed 9 April 2021]

Cahen, F.R. (2015). Internationalization of State-owned Enterprises Through Foreign Direct Investment, *RAE: Revista de Administração de Empresas*, Vol 55, Iss 6, Pp 645-659.

Available at: <https://doaj.org/article/4bdb0169180d4f26b5bcd397a290c3f> [Accessed 25 March 2021]

Chen, V. Z., Musacchio, A., Li, S. (2019). A Principals-Principals Perspective of Hybrid Leviathans: Cross-Border Acquisitions by State-Owned MNEs. *Journal of Management*, Vol. 45 Issue 7, p2 751-2778, 28p. Available at:

<https://journals-sagepub-com.ludwig.lub.lu.se/doi/pdf/10.1177/0149206318764293> [Accessed 11 April 2021]

Choudhury, P., Khanna, T. (2014). Toward resource independence--why state-owned entities become multinationals: an empirical study of India's public R&D laboratories, *Journal of International Business Studies*, 45, no.8 p.943-960. Available at:

<https://www.jstor.org/stable/43654625> [Accessed 9 April 2021]

Chung, C.C., Kang, J., Xiao, S.S., Lee, J.Y. (2016). The Interplay of Top-down Institutional Pressures and Bottom-up Responses of Transition Economy Firms on FDI Entry Mode Choices, *Management International Review*, 56(5):699-732. Available at:

<https://link.springer.com/article/10.1007%2Fs11575-015-0256-5> [Accessed 11 April 2021]

Clegg, L.J., Voss, H., Tardios, J.A. (2018). The autocratic advantage: Internationalization of state-owned multinationals, *Journal of World Business*. 53(5):668-681. Available at:

<https://reader.elsevier.com/reader/sd/pii/S1090951617301530?token=A91EC27AA03BF425933D0C27508D333B89A6B8EE2F4F834FF5B2984CF7A77188330638B74DF9FB7336E8A4C1010A9A0F> [Accessed 3 March 2021]

- Cuervo-Cazurra, A., Inkpen, A., Ramaswamy, K., Musacchio, A. (2014). Governments as Owners: State-Owned Multinational Companies: Editorial, *Journal of International Business Studies*, 45(8), pp. 919–942. Available at: <https://search-ebSCOhost-com.ludwig.lub.lu.se/login.aspx?direct=true&db=ecN&AN=1469504&site=eds-live&scope=site> [Accessed 22 February 2021].
- Cuervo-Cazurra, A., Li, C. (2021). State ownership and internationalization: The advantage and disadvantage of stateness, *Journal of World Business*. 56(1). Available at: <https://reader.elsevier.com/reader/sd/pii/S1090951620300407?token=DFCB7D6543090C0DC07C86B2E0A37440DD5F2D89D60B54042CECD564BF06B86877178C018167B275B0D679FE073CB712> [Accessed 22 February 2021]
- Cui, L.a, Jiang, F. (2012). State ownership effect on firms' FDI ownership decisions under institutional pressure: A study of Chinese outward-investing firms, *Journal of International Business Studies*, Volume 43, Issue 3, Pages 264-284. Available at: <https://www.jstor.org/stable/41472787> [Accessed 11 April 2021]
- Dikova, D., Panibratov, A., Veselova, A. (2019). Investment motives, ownership advantages and institutional distance: An examination of Russian cross-border acquisitions, *International Business Review*, 28(4):625-637. Available at: <https://doi.org/10.1016/j.ibusrev.2018.12.007> [Accessed 9 April 2021]
- Doz, Y. (2011). Qualitative research for international business, *Journal of International Business Studies* Vol. 42 (5) pp. 582-590. Available at: <https://www.jstor.org/stable/29789446> [Accessed 20 May 2021]
- Du, M., Boateng, A. (2015). State ownership, institutional effects and value creation in cross-border mergers & acquisitions by Chinese firms, *International Business Review*, 24(3):430-442. Available at: <https://www.sciencedirect.com/science/article/abs/pii/S0969593114001528> [Accessed 11 April 2021]
- Duanmu, J.L. 2014. State-owned MNCs and host country expropriation risk: the role of home state soft power and economic gunboat diplomacy, *Journal of International Business Studies*, 45(8), pp. 1044–1060. Available at: <https://search-ebSCOhost-com.ludwig.lub.lu.se/login.aspx?direct=true&db=bas&AN=BAS919902&site=eds-live&scope=site> [Accessed 22 February 2021].
- Dubois, A., Gadde, L.-E. (2002). Systematic combining: An abductive approach to case research, *Journal of Business Research*, Vol. 55, Issue 7, pp. 553 - 560. Available at: [https://doi.org/10.1016/S0148-2963\(00\)00195-8](https://doi.org/10.1016/S0148-2963(00)00195-8) [Accessed 20 may 2021]

- Dunning, J.H. (1979). Explaining Changing Patterns of International Production: In Defense of the Eclectic Theory, *Oxford Bulletin of Economics & Statistics*, Vol. 41 Issue 4, p269-295. Available at:
<https://eds-a-ebSCOhost-com.ludwig.lub.lu.se/eds/pdfviewer/pdfviewer?vid=2&sid=7e8c84dd-edde-44b8-be86-646bb6ccf815%40sdc-v-sessmgr01> [Accessed 8 April 2021]
- Dunning, J.H. (1988). The theory of international production, *The International Trade Journal*, Vol. 3 Issue 1, p21-66. Available at:
<https://eds-b-ebSCOhost-com.ludwig.lub.lu.se/eds/pdfviewer/pdfviewer?vid=1&sid=7fb3b320-bc37-4bdb-8c12-e10866292d59%40sessionmgr102> [Accessed 8 April 2021]
- Eisenhardt, K.M. (1989). Building Theories from Case Study Research, *The Academy of Management Review*, Vol. 14, No. 4, pp. 532-550. Available at:
<https://doi.org/10.2307/258557> [Accessed 29 April 2021]
- Estrin, S., Meyer, K.E., Nielsen, B.B., Nielsen, S. (2016). Home country institutions and the internationalization of state owned enterprises: A cross-country analysis, *Journal of World Business*, 51(2):294-307. Available at: <https://doi.org/10.1016/j.jwb.2015.11.002> [Accessed 12 April 2021]
- Estrin, S., Li, J., Shapiro, D.M. (2021). State-Owned Multinational Enterprises: Theory, Performance, and Impact, in Mellahi, K., Meyer, K., Narula, R., Surdu, I., Verbeke, A. (eds), *The Oxford Handbook of International Business Strategy*, Oxford University Press. Available at:
<https://www-oxfordhandbooks-com.ludwig.lub.lu.se/view/10.1093/oxfordhb/9780198868378.001.0001/oxfordhb-9780198868378-e-13?print=pdf> [Accessed 22 February 2021]
- Fortum (2020). Corporate Governance Statement 2020. Available at:
<https://www.fortum.com/media/26926/download> [Accessed 16 May 2021]
- Fortum (2021a). Fortum's Strategic Journey 2013-2020. Available at:
<https://www.fortum.com/about-us/our-company/our-strategy-we-build-cleaner-world/fortums-strategic-journey-2013-2020> [Accessed 12 April 2021]
- Fortum (2021b). Country Fact Sheets. Available at:
<https://www.fortum.com/about-us/newsroom/press-kits/country-fact-sheets> [Accessed 12 April 2021]
- Fortum (2021c). Fortum Worldwide. Available at:
<https://www.fortum.com/about-us/our-company/fortum-worldwide> [Accessed 23 April 2021]

- Fortum (2021d). Our Energy Production. Available at:
<https://www.fortum.com/about-us/our-company/our-energy-production> [Accessed 23 April 2021]
- Fortum (2021e). Major Investments and Divestments. Available at:
<https://www.fortum.com/about-us/investors/why-invest-fortum/major-investments-and-divestments> [Accessed 12 April 2021]
- García-Canal, E., Guillén, M.F. (2008). Risk and the strategy of foreign location choice in regulated industries, *Strategic Management Journal*, 29(10):1097-1115. Available at:
<https://doi.org/10.1002/smj.692> [Accessed 9 April 2021]
- Gioia, D.A., Corley, K.G., Hamilton, A.L. (2012). Seeking Qualitative Rigor in Inductive Research: Notes on the Gioia Methodology, *Organizational Research Methods*, Vol. 16 (1), pp. 15-31. Available at:
<https://journals-sagepub-com.ludwig.lub.lu.se/doi/pdf/10.1177/1094428112452151>
[Accessed 20 May 2021]
- Goldeng, E., Grunfeld, L. A., Benito, G.R.G. (2008). The performance differential between private and state-owned enterprises: The roles of ownership, management and market structure, *Journal of Management Studies*, 45(7): 1244–1273. Available at:
<https://doi.org/10.1111/j.1467-6486.2008.00790.x> [Accessed 1 April 2021]
- Grøgaard, B., Rygh, A. and Benito, G.R.G. (2019). Bringing corporate governance into internalization theory: State ownership and foreign entry strategies, *Journal of International Business Studies*, 50(8):1310-1337. Available at:
<https://link-springer-com.ludwig.lub.lu.se/article/10.1057%2Fs41267-019-00237-5>
[Accessed 12 April 2021]
- He, L., Jiang, R., Bennett, M.M. (2020). The rise of Chinese foreign direct investment in the United States: Disentangling investment strategies of state-owned and private enterprises, *Growth & Change*, Vol. 51 Issue 4, p1562-1587. 26p. Available at:
<https://doi-org.ludwig.lub.lu.se/10.1111/grow.12440> [Accessed 12 april 2021]
- Kalotay, K. (2018). State-Owned Multinationals: An Emerging Market Phenomenon?. *The Journal of Comparative Economic Studies*, Vol.13, pp. 13–38, Available at:
<https://ssrn.com/abstract=3305101> [Accessed 1 April 2021]
- Kalotay, K., Sulstarova, A. (2010). Modelling Russian Outward FDI, *Journal of International Management*, 16(2):131-142. Available at: <https://doi.org/10.1016/j.intman.2010.03.004>
[Accessed 11 april 2021]

- Knutsen, C., Rygh, A., & Hveem, H. (2011). Does State Ownership Matter? Institutions' Effect on Foreign Direct Investment Revisited, *Business and Politics*, 13(1), 1-31. Available at: https://www.researchgate.net/publication/227378281_Does_State_Ownership_Matter_Institutions'_Effect_on_Foreign_Direct_Investment_Revisited [Accessed 1 April 2021]
- Lai, H., Wysoczańska, K., O'Hara, S. (2015). Rationale of internationalization of China's national oil companies: seeking natural resources, strategic assets or sectoral specialization?, *Asia Pacific Business Review*, 21(1):77-95. Available at: <https://eds-b-ebshost-com.ludwig.lub.lu.se/eds/pdfviewer/pdfviewer?vid=1&sid=116da485-45ab-44de-8715-4805f194404b%40pdc-v-sessmgr03> [Accessed 9 April 2021]
- Li, Y., Zhang, Y.A., Shi, W. (2020). Navigating geographic and cultural distances in international expansion: The paradoxical roles of firm size, age, and ownership, *Strategic Management*, 41(5):921-949. Available at: <https://doi.org/10.1002/smj.3098> [Accessed 9 April 2021]
- Li, J., Li, P., Wang, B. (2018). The liability of opaqueness: State ownership and the likelihood of deal completion in international acquisitions by Chinese firms, *Strategic Management Journal*, 40(2), pp.303–327. Available at: <https://doi-org.ludwig.lub.lu.se/10.1002/smj.2985> [Accessed 20 April 2021]
- Li, J., Xia, J., Lin, Z. (2017). Cross-border acquisitions by state-owned firms: How do legitimacy concerns affect the completion and duration of their acquisitions?, *Strategic Management Journal*, 38(9):1915-1934. Available at: <https://doi-org.ludwig.lub.lu.se/10.1002/smj.2609> [Accessed 11 April 2021]
- Liang, H., Ren, B., Sun, S.L. (2015). An anatomy of state control in the globalization of state-owned enterprises, *Journal of International Business Studies*, 46(2), pp. 223–240. Available at: <https://search-ebshost-com.ludwig.lub.lu.se/login.aspx?direct=true&db=edsjsr&AN=edsjsr.43653853&site=eds-live&scope=site> [Accessed 22 February 2021].
- Liu, X., Gao, L., Lioliou, E., Lu, J. (2016). Environmental risks, localization and the overseas subsidiary performance of MNEs from an emerging economy, *Journal of World Business*, 51(3):356-368. Available at: <https://doi.org/10.1016/j.jwb.2015.05.002> [Accessed 9 April 2021]
- Mazzolini, R. (1979). European Government-controlled Enterprises: Explaining International Strategic and Policy Decisions, *Journal of International Business Studies*, Vol. 10 Issue 3, p16-27. Available at: <https://www.jstor.org/stable/154528> [accessed 3 April 2021]

- Mazzolini, R. (1980). The international strategy of state-owned firms: An organizational process and politics perspective, *Strategic Management Journal*, 1(2):101-118. Available at: <https://www-jstor-org.ludwig.lub.lu.se/stable/pdf/2486094.pdf?refreqid=excelsior%3Ae840435bc5a955a094464e6a35d177e3> [Accessed 3 April 2021]
- Mariotti, S., Marzano, R. (2019). Varieties of Capitalism and the Internationalization of State-Owned Enterprises, *Journal of International Business Studies*, 50(5), pp. 669–691. Available at: <https://search-ebSCOhost-com.ludwig.lub.lu.se/login.aspx?direct=true&db=ecn&AN=1827658&site=eds-live&scope=site> (Accessed 22 February 2021).
- Meyer, K. E., Ding, Y., Li, J., & Zhang, H. (2014). Overcoming distrust: How state-owned enterprises adapt their foreign entries to institutional pressures abroad, *Journal of International Business Studies*, 45(8): 1005–1028. Available at: <https://www-jstor-org/stable/43654628> [Accessed 12 April 2021]
- Ministry of Enterprise and Innovation (2020). State Ownership Policy. Available at: <https://www.government.se/reports/2020/07/state-ownership-policy-and-principles-for-state-owned-enterprises-2020/> [Accessed 10 May 2021]
- Musacchio, A., Lazzarini S.G., Aguilera, R.V. (2015). New Varieties of State Capitalism: Strategic and Governance Implications, *Academy of Management Perspectives*, Vol. 29 Issue 1, p115-131. 17p. Available at: <http://ludwig.lub.lu.se/login?url=https://search.ebscohost.com/login.aspx?direct=true&db=edselc&AN=edselc.2-52.0-84928399523&site=eds-live&scope=site> [Accessed 25 March 2021]
- Pan, Y. (2014). Firms' FDI ownership: the influence of government ownership and legislative connections, *Journal of International Business Studies*, 45, no.8 p.1029-1043. Available at: <https://link.springer.com/article/10.1057/jibs.2014.27> [Accessed 11 April 2021]
- Pinto, C.F., Fleury, M.T.L., Ferreira, M.P., Falaster, C., Fleury, A. (2017). Ownership in cross-border acquisitions and the role of government support, *Journal of World Business*, 52(4):533-545. Available at: <https://doi.org/10.1016/j.jwb.2016.08.004> [Accessed 11 April 2021]
- Prime Minister's Office. (2020). Revenue through responsible ownership: Government Resolution on the State Ownership Policy. Available at: https://vnk.fi/documents/10616/1221497/State+Ownership+Policy_08042020.pdf/581f2a9c-ca52-83ac-44e6-0d6684950125/State+Ownership+Policy_08042020.pdf [Accessed 14 May 2021]

- Ramasamy, B., Yeung, M., Laforet, S. (2012). China's outward foreign direct investment: Location choice and firm ownership, *Journal of World Business*, 47(1):17-25. Available at: <https://doi.org/10.1016/j.jwb.2010.10.016> [Accessed 11 April 2021]
- Ratinen, M. and Lund, P.D. (2014). Growth strategies of incumbent utilities as contextually embedded: Examples from Denmark, Germany, Finland and Spain. *Technology in Society*, 38, pp.81–92. Available at: <https://doi.org/10.1016/j.techsoc.2014.02.005> [Accessed 1 April 2021]
- Reddy, K.S., Xie, E., Huang, Y. (2016). Cross-border acquisitions by state-owned and private enterprises: A perspective from emerging economies, *Journal of Policy Modeling*, 38, (6), 1147-1170. Available at: https://econpapers.repec.org/scripts/showcites_pf?h=repec:eee:jpolmo:v:38:y:2016:i:6:p:1147-1170 [Accessed 1 April 2021]
- Ren, M., Manning, S., Vavilov, S. (2019). Does state ownership really matter? The dynamic alignment of China's resource environment and firm internationalization strategies, *Journal of International Management*, 25(3). Available at: <https://doi.org/10.1016/j.intman.2019.02.001> [Accessed 9 April 2021]
- Rui, H., Yip, G.S. (2008). Foreign acquisitions by Chinese firms: A strategic intent perspective, *Journal of World Business*, 43(2):213-226. Available at: <https://doi.org/10.1016/j.jwb.2007.11.006> [Accessed 9 April 2021]
- Sinkovics, N. (2019). Pattern Matching in Qualitative Analysis, in C. Cassell, A.L, Cunliffe, & G. Grandy (eds), *The SAGE Handbook of Qualitative Business and Management Research Methods: Methods and Challenges*, 2nd edn, Sage Publications, pp. 468-485.
- Sjöstrand, S.E., Hammarkvist, K.O. 2012. Om ägarstyrning i statligt ägda företag, *Ekonomiskt värde och samhällsnytta - förslag till ny statlig ägarförvaltning*. Expertbilaga i Ägarutredningen, SOU 2012:14.
- Szarzec, K., Nowara, W., Totleben, B. (2020). State-owned enterprises as foreign direct investors: insights from EU countries, *Post-Communist Economies*. Available at: <https://doi-org.ludwig.lub.lu.se/10.1080/14631377.2020.1793603> [Accessed 9 April 2021]
- Tepavcevic, S. (2015). The motives of Russian state-owned companies for outward foreign direct investment and its impact on state-company cooperation: Observations concerning the energy sector, *Transnational Corporations*, 23(1):29-58. Available at: https://www.researchgate.net/publication/292163375_The_motives_of_Russian_state-owned_companies_for_outward_foreign_direct_investment_and_its_impact_on_state-company_cooperation_Observations_concerning_the_energy_sector [Accessed 12 April 2021]

- UNCTAD. (2017). World Investment Report 2017: Investment and the Digital Economy, New York and Geneva: United Nations. Available at:
<https://unctad.org/webflyer/world-investment-report-2017> [Accessed 1 April 2021]
- Vattenfall (2021a). Vattenfall in Brief. Available at:
https://group.vattenfall.com/siteassets/corporate/investors/doc/onepager_a4_2021.pdf
[Accessed 12 April 2021]
- Vattenfall (2021b). Vattenfall Historia. Available at:
<https://group.vattenfall.com/se/om-oss/vart-foretag/historia> [Accessed 12 April 2021]
- Vattenfall (2021c). Bolagisering i skuggan av en finanskris. Available at:
<https://historia.vattenfall.se/stories/foretaget-och-manniskorna/bolagisering-i-skuggan-av-en-finanskris> [Accessed 12 April 2021]
- Vattenfall (2021d). Contact Us. Available at:
<https://group.vattenfall.com/who-we-are/contact-us> [Accessed 12 April 2021]
- Vattenfall (2021e). Genombrott i Europa. Available
at:<https://historia.vattenfall.se/stories/ut-i-europa/genombrott-i-europa> [Accessed 12 April 2021]
- Vernon, R. (1979). The International Aspects of State-owned enterprises, *Journal of International Business Studies*, Vol. 10, Issue 3, pp.7-15. Available at:
<https://www-jstor-org.ludwig.lub.lu.se/stable/pdf/154527.pdf?refreqid=excelsior%3Af6a76487091231550f490ac649ae1cda> [Accessed 3 April 2021]
- Wang, C., Hong, J., Kafourous, M., Boateng, A. (2012). What drives outward FDI of Chinese firms? Testing the explanatory power of three theoretical frameworks, *International Business Review*, 21(3):425-438. Available at:
<https://doi.org/10.1016/j.ibusrev.2011.05.004> [Accessed 15 April 2021]
- Wei, T., Clegg, J., Ma, L. (2015). The conscious and unconscious facilitating role of the Chinese government in shaping the internationalization of Chinese MNCs, *International Business Review*, 24(2):331-343. Available at:
<https://doi.org/10.1016/j.ibusrev.2014.08.008> [Accessed 9 April 2021]
- Xie, Z., Li, J. (2017). Selective imitation of compatriot firms: Entry mode decisions of emerging market multinationals in cross-border acquisitions, *Asia Pacific Journal of Management*, 34(1):47-68. Available at:
<https://eds-a-ebsohost-com.ludwig.lub.lu.se/eds/pdfviewer/pdfviewer?vid=1&sid=db6f0521-1fc0-4f2d-bfd4-a022c1285a21%40sessionmgr4006> [Accessed 11 April 2021]

- Yang, J. (2018). Subnational Institutions and Location Choice of Emerging Market Firms. *Journal of International Management*, 24(4), pp.317–332. Available at: <https://doi.org/10.1016/j.intman.2018.04.002> [Accessed 20 April 2021]
- Yi, J., Wang, C. (2012). The decision to export: Firm heterogeneity, sunk costs, and spatial concentration, *International Business Review*, 21(5):766-781. Available at: <https://doi.org/10.1016/j.ibusrev.2011.09.001> [Accessed 9 April 2021]
- Yin, R.K. (2003). *Case Study Research: Design and Methods* 3rd edn, Thousand Oaks, Sage Publications
- Yin, R. K. (2014). *Case Study Research: Design and Methods*, 5th edn, London: Sage Publications
- Zhang, J., Ebbers, H., Zhou, C. (2011). Completion of Chinese overseas acquisitions: Institutional perspectives and evidence, *International Business Review*, 20(2):226-238. Available at: <https://doi.org/10.1016/j.ibusrev.2010.07.003> [Accessed 11 April 2021]
- Zhang, J., He, X. (2014). Economic nationalism and foreign acquisition completion: The case of China, *International Business Review*, 23(1):212-227. Available at: <https://doi.org/10.1016/j.ibusrev.2013.04.002> [Accessed 9 April 2021]

Appendix A - Interview Questions

Company Interview Question

General questions:

- With the newer regulations and expectations around renewable energy, which new markets are you seeking to enter and expand into and why?
 - How significant is the role of the Swedish/Finnish government in the management of Vattenfall/Fortum?
 - In what capacity(s) does the government enact its control and authority over Vattenfall/Fortum?
 - Does state-ownership provide any apparent advantages or disadvantages for your international operations? (national interests vs. international ambitions)
-

Why:

- Are internationalization and globalization of operations a process the Swedish/Finnish government are actively involved and engaged in?
- What is the rationale behind expanding into similar markets as well as more distant and foreign markets?

Why/Where:

- Does motivation to enter a market differ from one location to the other, or are they the same?

Where:

- Do you follow resources (resource seeking expansion?) or enter markets to exploit unmet market needs?
- How do you decide which markets/countries to enter and expand to? Who makes the decisions?

How:

- How have you overcome the challenges of foreignness (the disadvantages associated with originating from a different country) when expanding into a new market?
- Do you have a standard/preferred method of entry when expanding into a new market, or is it context dependent?

Ministry Interview Questions

- How active/involved is the state in steering how state owned companies operate and expand internationally? What influence does the state have in these issues?
- How are the state's goals and purposes of ownership present in the internationalization of state owned companies?
 - a. Does the state have any interest in whether state owned companies operate/expand abroad?
 - b. Does the state have any interest in *where* (e.g. country/region) state owned companies operate/expand abroad?
 - c. Does the state have any interest in *how* state owned companies operate/expand abroad?
- Are there any evident advantages/disadvantages for state owned companies aiming to expand internationally, as a direct result of the state being the owner?
- Does the answer to the questions above differ depending on the sector/industry of the state owned company? If yes, how does it differ?
- Does the answer to the questions above differ depending on the degree of ownership that the state possesses in a given company (e.g. minority-, majority-, or full ownership)? If yes, how does it differ?

Note: Transcripts can be produced upon request, but will not be included in the final version of this study for the sheer reason of volume as that would add at least 150 more pages of text.