



SCHOOL OF  
ECONOMICS AND  
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# What Are They Seeking Next?

An embedded case study exploring the dynamics of experiential knowledge and intrinsic motives for foreign direct investment

by

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# Abstract

This thesis investigates the dynamics between firms' shifting motives for engaging in foreign direct investments (FDIs) and the experiential knowledge acquired from increased experience and establishment in foreign markets. An embedded case study was performed on the multinational company Duni Group, drawing upon insights from semi-structured interviews with representatives from the case company. Three key findings emerged through a flexible pattern-matching analysis. Firstly, the analysis indicated that the case company had multiple motives for engaging in FDIs simultaneously; however, these motives appeared to some extent, to be of varying significance for each location. Secondly, it was found that these motives have altered over the years with the company's accumulated experience and increased establishment in foreign markets and that this shift may be justified by the knowledge gained through this experience. Lastly, the analysis revealed that external factors influencing the business environment had impacted the shift in motives and have a great potential to shape the direction of the case company's future FDIs. Conclusively, it is acknowledged that future research should encompass a cross-disciplinary stance in order to more accurately capture all factors shifting the motives for FDI as well as potentially discovering supplementary motives for engaging in FDI: seeking legitimacy.

**Keywords:** foreign expansion, Foreign Direct Investment (FDI), intrinsic motives for FDI, natural resource-seeking, market-seeking, efficiency-seeking, strategic asset-seeking, experiential knowledge, market-specific knowledge, firm-specific knowledge

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# 1 Introduction

## 1.1 Theoretical Background and Problematization

Over the past decades, internationalization has become an increasingly prevalent business phenomenon. As a consequence, there is a drastically growing body of literature concerned with explaining the phenomenon, its drivers, and its consequences. Traditional internationalization theories are broadly concerned with the process of firms' increasing involvement in foreign markets. However, in more recent years, International Business (IB) scholars have shifted their attention from merely examining how firms expand internationally to exploring why they expand, or in other words, the motives for firms' international expansion (van Tulder, 2015). Noted by Franco, Rentocchini, and Marzetti (2008), the motives for entering foreign markets impact two aspects of internationalization; how to enter specific markets and what markets to enter. Included in the 'how to enter' is the choice of entry mode while the question of 'what markets to enter' concerns the location choice and can assist in solving the problem of which country to enter and why (Franco et al. 2008).

The 'how' and 'what' aspects of entering foreign markets proposed by Franco et al. (2008) are considered by internationalization theories, most prominently the Uppsala Model and the Eclectic Paradigm. Regarding the 'how' aspect or the choice of entry mode, Johanson and Vahlne's (1977) Uppsala model suggests that firms will initially engage in low-risk and low-commitment foreign activities, such as exports, before incrementally engaging in foreign activities with higher commitment entry modes as they acquire additional knowledge and experience of the foreign market. In regards to what markets to enter, the authors propose that firms tend to enter markets with low psychic distance, that is, foreign markets similar to the domestic market in terms of language, culture, legal system, etc., as these markets are perceived less uncertain and risky. In essence, the authors contend that firms tend to expand into foreign markets perceived as less uncertain and risky given their extant knowledge and experience.

Another renowned theory concerned with the 'how' and 'what' aspect is Dunning's (1988) Eclectic Paradigm, generally referred to as the OLI framework, which provides a general explanation of how to enter foreign markets and, in particular, how attractive foreign direct investment (FDI) is as an entry mode. FDI constitutes a dominant group of entry modes and may be defined as investments made by an investor from one country to acquire an enduring interest in a company operating in another country with the purpose of having control over the management, production, or other activities (Moosa, 2002). Dunning (1988) proposes that

companies will engage in FDI if they obtain three distinct advantages; ownership advantages, location advantages, and internalization advantages. This implies that a company should possess some advantages exclusive to the firm, it should be in the interest of the firm to utilize the ownership advantages in a foreign market together with some location-specific factor inputs, and it should be more profitable for the firm to operate with these advantages itself than giving the rights to a foreign partner (Dunning, 1988).

What determines the two aspects of ‘how’ to enter specific markets and ‘what’ markets to enter depends, according to Franco et al. (2008), on what opportunities the firm is interested in and how it aims to exploit them. In addition, a firm’s motive to internationalize may be influenced by various factors, both internal and external to the internationalizing firm. Dunning and Lundan (2008) classify motives for FDI into four broad categories which have gained strong scholarly support: natural resource-seeking, market-seeking, efficiency-seeking, and strategic asset- or capability-seeking (Buckley & Casson, 1998; Cuervo-Cazurra, Narula, & Un, 2015; Czinkota, Ronkainen, & Gupta, 2021). According to van Tulder (2015), these motives belong to his classification of intrinsic motives, which broadly are about the efficiency gains accessible to a firm from operating in several countries. Moreover, IB scholars have become increasingly concerned with exploring whether and how intrinsic motives for engaging in FDI may evolve over time (e.g., Cuervo-Cazurra et al., 2015; Czinkota et al., 2021; Dunning & Lundan, 2008). It has been suggested that as firms gain experience from engaging in foreign activities and become more established in foreign markets, their motives for FDI are likely to evolve. In addition, these motives are subjected to the influence of external factors in the firm’s macro environment (Calof & Beamish, 1995; Franco et al., 2008). This highlights the dynamic nature of firms' motives for engaging in FDI and the need to consider how these may shift over time.

Furthermore, related to firms' experience of foreign market activities, experiential knowledge has been identified as a central determinant of firms’ internationalization process in the existing IB literature (e.g., Casillas & Menéndez, 2014; De Clercq, Sapienza, Yavuz, & Zhou, 2012; Eriksson, Johanson, Majkgård, & Sharma, 1997; Johanson & Vahlne, 1977). The concept of experiential knowledge may be defined as “learning that emerges from direct experience through international activities” (De Clercq et al. 2012, p.149). There are several views on the nature and development of experiential knowledge. On the one hand, there are scholars arguing that to develop foreign operations successfully, firms require experiential knowledge that is specific to the specific market (e.g., Casillas & Menéndez, 2014; Johanson & Vahlne, 1977). On the other hand, there are scholars suggesting that to understand how to successfully operate in new and unfamiliar foreign market conditions, firms must acquire firm-specific experiential knowledge of the internal resources and capabilities required to engage in international operations (e.g., Eriksson et al. 1997; 2000). Notwithstanding either of the two bodies of literature, it is claimed that firms occasionally expand internationally despite lacking experiential knowledge of their own (Forsgren, 2002). Instead, firms may decrease the perceived risk of international operations by integrating other firms' experience into the firm or imitating market leaders (Forsgren, 2002).



Despite the comprehensive amount of literature outlined in the preceding paragraphs, little research has explored experiential knowledge alongside shifting motives for FDI. This is regardless of the fact that research proposes that firms' intrinsic motives for FDI may shift due to advanced experience and establishment of foreign activities generated by increasing multinationality (Dunning & Lundan, 2008). Accordingly, there is an apparent knowledge gap in the existing IB literature and, thus, an opportunity to fill this gap. It is relevant to examine how shifting motives for FDI are influenced by the accumulation of experiential knowledge as it sheds light on the manner in which firms' internationalization strategies unfold over time, how firms' motives of FDI are influenced by experiential knowledge, and how firms can use previous experience to make enlightened decisions regarding their internationalization strategies. By gaining insights into these dynamics, firms may be able to recognize what type of knowledge and experience is most feasible for reaching desired outcomes and thus modify their internationalization strategies accordingly.

## 1.2 Aim and Objectives

Rooted in the theoretical background and problematization outlined in the preceding section, the overarching aim of this study is to investigate the interplay between firms' shifting motives for FDI and increased international experience and establishment. The thesis focuses on one aspect of firms' motives for foreign expansion; intrinsic motives. In addition, knowledge gained from the experience of foreign operations is the focus as it is related to firms' international experience and establishment. Consequently, the more specific aim is to investigate the intrinsic motives for firms' foreign expansion and explore whether and how the accumulation of experiential knowledge from increased foreign experience and establishment influences how these motives evolve over time.

In order to realize the aim of the study, the objectives may be outlined in three central stages. First, a thorough literature review is conducted in the international business and management fields, including literature on the motives that shape internationalization, experiential knowledge, and external factors potentially influencing the dynamics between these. Distinctive theories and propositions are reviewed, and their interaction is illustrated through a theoretical framework that serves as the basis for answering the research question. Second, interviews are conducted with employees at a chosen case company to understand whether and how motives have evolved and shifted over time and to get insight into how experiential knowledge has developed throughout the cumulative expansion. Complemented with secondary data sources, this data collection provides insight to meet the aim of this study. Third, to draw conclusions from the data and provide novel insights, a flexible pattern-matching process is applied to analyze how the pattern obtained from the empirical observations corresponds to and interacts with the theoretically proposed patterns. The objective is to outline where they coincide and where they diverge and, from this, provide a valuable addition to the literature on the motives for FDI and a deeper understanding of the role of experiential knowledge in shaping firms' internationalization strategies.

## 1.3 Research Purpose

The purpose of this study is to advance the understanding of the interplay between firms' intrinsic motives for foreign expansion and the knowledge acquired through their international experience while acknowledging external factors influencing the IB environment. In addition, this study seeks to develop practical insights for firms seeking to expand their operations abroad. Understanding the interaction between shifting intrinsic motives and experiential knowledge has crucial implications for firms' overall strategy and profitability in international markets, as it can assist in making more informed decisions and more effectively managing risks, targeting investments, and communicating across cultures (Cuervo-Cazurra et al., 2015). To realize the research purpose, this study attempts to answer the following research question:

***RQ:** How do firms' intrinsic motives for FDI evolve with increased international experience and establishment?*

## 1.4 Delimitations

A number of delimitations are imposed to define the boundaries of the study and to avoid extrapolating the findings beyond the explicit scope of the research to ensure the validity and reliability of the results. First, the study exclusively explores firms' intrinsic motives for engaging in FDI. Although firms may be motivated by external factors such as host country institutions, cultural distance, and regulatory regimes, van Tulder (2015) gives reason for extrinsic motives being more difficult to grasp from a management perspective and proposes that they have often been set aside for intrinsic motives in research. Second, although there are several ways in which firms may expand internationally, this study is restricted to studying the entry mode of FDI. Third, while firms may acquire knowledge in several different ways, the focus of this thesis is on the acquisition of experiential knowledge as it is considered the most important one for firms' internationalization (Eriksson et al. 1997: 2000; Johanson & Vahlne, 1977;). Lastly, the research is bound by studying a Swedish case company, given the feasibility of identifying a suitable company and subsequent data collection. Following this, the thesis does not include small or medium-sized MNEs or those operating in developing markets.

## 1.5 Outline of the Thesis

This thesis is structured around six chapters. Following the introductory Chapter 1, Chapter 2 reviews existing literature regarding intrinsic motives for FDI, experiential knowledge, and

external factors in the IB environment. Moreover, a theoretical framework is developed, serving as the basis for structuring the interview guide and subsequent data collection and analysis. Moving forward, Chapter 3 offers an in-depth explanation and justification of the research approach, design, and method for collecting and analyzing data. In Chapter 4, a flexible pattern-matching analysis is enforced to analyze the extent to which the empirical observations from the semi-structured interviews confirm or dismiss the patterns proposed by the theoretical premises outlined in the literature review. Lastly, Chapter 5 presents the study's key findings and considers to what extent the aim and objectives are fulfilled. Moreover, the theoretical and practical implications of the results are conferred, and the researchers suggest how the limitations of the thesis may be addressed through future research.

## 2 Literature Review

### 2.1 Intrinsic Motives for FDI

There are various different reasons why firms expand their operations internationally. Understanding why firms engage in FDI is crucial for firms' internationalization strategies and decision-making processes; however, this is complex as the underlying motives are widespread. Dunning and Lundan (2008) identify four main categories of FDI motives: natural resource-seeking, market-seeking, efficiency-seeking, and strategic asset- or capability-seeking. In an attempt to answer the question of why firms engage in FDI, Van Tulder (2015) further classifies these four categories as intrinsic motives of FDI. He proposes that intrinsic motives are mainly concerned with the microenvironment of the firm, building upon the resources and capabilities internal to a company. In addition to intrinsic motives, the author introduces two other groups of motives for FDI in line with motivation theory: extrinsic and mixed motives. Contrary to intrinsic motives, the author proposes that extrinsic motives originate from the institutions-based view and consider institutional factors in the home and host countries. Lastly, he suggests that mixed motives recognize sector differences and psychological effects and are "used as a frame to synthesize intrinsic and extrinsic motives" (p. 40).

In analyzing the motives for internationalization, Cuervo-Cazurra et al. (2015) contribute by providing a classification consisting of four groups of motives; sell more, buy better, upgrade, and escape. Furthermore, Czinkota et al. (2021) classify motives of foreign expansion into two groups, one proactive and one reactive, where the former is about internationalizing because the firm wants to, and the latter is about internationalization forced by factors beyond the ambition of firms. The proactive motives support van Tulder's classification of intrinsic motivations, while the reactive ones correspond to motives being more extrinsically.

The four categories identified by Dunning and Lundan (2008) have been widely supported in the IB field, and the motives presented in existing literature can readily be integrated within this categorization. Thus, the following subsections are classified according to Dunning and Lundan's (2008) four categories of intrinsic motives for FDI. Table 1 provides an overview of the motives, their explanation, and supporting sources.

*Table 1 - Intrinsic Motives for FDI*

<b>The Four Motives for FDI</b>	<b>Category (Dunning &amp; Lundan, 2008)</b>	<b>Explanation</b>	<b>Sources</b>
1	Natural resource-seeking	Access resources in foreign markets that are not available in the domestic market or that are available at a lower cost in the foreign market.	Cuervo-Cazurra et al., 2015
2	Market-seeking	Access a novel or larger foreign market.	Buckley & Cason, 1998; Cuervo-Cazurra et al., 2015; Czinkota et al., 2021
3	Efficiency-seeking	Rationalize the structure of established resource-based or market-seeking investments, enabling the firm to benefit from having dispersed activities across multiple geographic locations. For example, economies of scale/scope.	Cuervo-Cazurra et al., 2015; Czinkota et al., 2021
4	Strategic asset-seeking	Acquire and complement long-term strategic assets rather than exploiting existing ones to enhance global competitiveness.	Cuervo-Cazurra et al., 2015

### 2.1.1 Natural Resource-seeking

In terms of motives of FDI, Dunning and Lundan (2008) refer to natural-resource seeking as firms that are prompted to access resources in a foreign market either because they are not available at home or because they are available at a lower cost in a foreign country. The authors suggest that getting access to these resources should lead to the firm being more profitable and competitive in the market. They identify three leading groups of seekers, those that are seeking; (1) physical resources, (2) unskilled or semi-skilled labor, and (3) technological capabilities, management or marketing expertise, and organizational skills. The first group, seeking physical resources, occasionally searches for resources to secure supply or reduce costs, primarily including producers and manufacturers. For the second group of those seeking a supply of labor that is low-cost, the authors bring up high real labor costs in the home country as a main characteristic of firms. The third group comprises those resource-seeking firms that aim to acquire certain skills by undertaking FDI. Cuervo-Cazurra et al. (2015) ‘buy better’ motive concerns exploiting resources available in the host country because their home countries are deficient, and so it supports Dunning and Lundan’s (2008) natural resource-seeking motive. Dunning and Lundan (2008) note that a considerable proportion of these investments have, historically, targeted developing countries, and over time, there has been a declining trend in seeking low-cost labor as demand for unskilled or semi-skilled labor is reduced in the value-adding chain. Nonetheless, the authors explain that there has been an increase in the decentralization of MNEs’ routine service operations in

regions where there are cheap supplies of labor and where motives are to access technology, information, and specialized management competencies.

### 2.1.2 Market-seeking

Another set of motives emerges, according to Dunning and Lundan (2008), from the intent of accessing a new or larger market. The authors propose that the market-seeking motives are entrenched in supplying a greater demand, getting access to valuable insight to strengthen the competitiveness in the market, or with the purpose of reducing transaction cost and cost of production. Initially, many firms have supplied a foreign market through exporting, yet the authors claim that the decision to expand to a country may be encouraged by the host government, often based on either increased supply or tariffs and other import barriers which support production rather than exporting. Cuervo-Cazurra et al. (2015) claim that when a firm exploits existing resources and capitalizes on improved conditions in its home country, it is motivated to 'sell more'. According to the authors, the interest lies in being an MNE to access a larger market, supporting Dunning and Lundan's (2008) market-seeking motives. Czinkota et al. (2021) propose that international sales constitute a motive as it is one of the potential sources of higher profits and hence support Dunning and Lundan's market-seeking motive as well as Cuervo-Cazurra et al. 'sell more' motive.

Dunning and Lundan (2008) identify four reasons why firms engage in any sort of market-seeking investments. They claim that the first reason is when it is necessary to follow the actions of foreign suppliers or customers to retain business. The second reason proposed by the authors is based on the opportunity to differentiate the product and make local adaptations; this is especially important for firms selling consumer goods as it is critical to understand the local market, both in terms of products and doing business. A major motive suggested by Czinkota et al. (2021) is to gain a competitive advantage in a foreign market by providing a unique product. For this purpose, the authors suggest that special knowledge becomes critical in understanding the consumer and the market, suggesting that being in the 'right place' forms a motive for entering a particular market. A third reason for market-seeking is, according to Dunning and Lundan (2008), to reduce transaction and production costs by supplying from a shorter distance. Notably, the authors suggest that the activity and country will be relevant for the decision, suggesting that a product that can be produced in small amounts but is relatively costly to transport should be produced closer to the demand than the opposite. Adding to this third reason for market-seeking investment, Buckley and Casson (1998) continue on the Uppsala model and propose that market structure and cultural factors affect the strategic choices together with location costs, adaptation costs, and general cost of doing business abroad. Thus the authors suggest that an increase in transport costs or a loss of economies of scale in the domestic market or production is a motive for FDI.

As the fourth and final reason for market-seeking investments, Dunning and Lundan (2008) contend that an MNE may find it critical to have a physical presence to compete in the key market, having a more strategic intent of market-seeking. The authors further argue that the

most important reason and strongest motive for market-seeking FDI are encouraged by the host government and either tariffs restricting exports or policies encouraging further investments. In line with this, Czinkota et al. (2021) suggest that tax benefits can be a strong motive as they can encourage internationalization. The authors urge that firms may be able to offer the product at a lower cost in a foreign market or are able to capture greater profits.

### 2.1.3 Efficiency-seeking

With respect to efficiency-seeking, Dunning and Lundan (2008) suggest that the primary motive is to benefit from shared governance and cost efficiencies through, for example, economies of scale and scope. Furthermore, they argue that the intention is to capture differences in foreign markets, including cultural, institutional, political or legal, demand patterns, or market structures, and turn these into advantages, from having concentrated production to supplying multiple markets. According to the authors, the objective is to rationalize the architecture of established resource-based or market-seeking investments, enabling the firm to benefit from having dispersed activities across multiple geographic locations. This is also supported by Cuervo-Cazurra et al. (2015) as they argue that more intensive use of resources and capabilities from having an adjacent facility will enable firms to gain a competitive advantage and possibly be able to gain economies of scale.

Two possibilities of efficiency-seeking are assumed by Dunning and Lundan (2008). First, the authors propose that MNEs may be motivated by the opportunity to take advantage of differences in costs and factor endowments available in foreign markets. Second, the authors argue that MNEs may see an opportunity to gain access to economies of scale or scope or differences in local markets, including preferences of consumers and promising supply. Entering foreign markets with the motive to access economies of scale is further supported by Czinkota et al. (2021). They suggest that this is especially relevant when output volume is important, as entering foreign markets potentially means an increase in output which can reduce the production cost allowing firms to rise more rapidly on the learning curve.

As proposed by Dunning and Lundan (2008), these motives of FDI are generally recognized in firms that are large and have experience with foreign investment, likewise often with a standardized product. They further propose that, in the past, efficiency-seeking has appeared to be a motive once resource-based or market-seeking investments have reached a significant and substantial enough level to justify a certain degree of conversion. Cuervo-Cazurra et al. (2015) support these motives in two of their classifications, the 'buy better' and 'sell more'. As previously recognized, the authors argue that the former is about exploiting resources in a foreign country to avoid the costs of operations at home, while the latter is about exploiting existing resources from home to increase profits. Entering foreign markets based on either of these classifications is about taking advantage of different locational situations in an adequate manner; thus, they promote the efficiency-seeking motives reasoned by Dunning and Lundan.

#### 2.1.4 Strategic Asset-seeking

The last category of motives identified by Dunning and Lundan (2008) is strategic asset-seeking, which principally is about the motivation to improve strategic objectives and position by acquiring and complementing long-term strategic assets rather than exploiting existing ones. The authors explain that the principle is to sustain or advance the competitive advantage or weaken that of competitors by accumulating a greater global portfolio of 'physical assets and human competencies'. They further describe how, similar to the motive of efficiency-seeking, firms seeking strategic assets are looking to benefit from either the ownership of diverse activities and capabilities or that of similar activities and capabilities in various 'economic and potential' environments. Strategic FDIs aim to bring benefits to the organization and to advance its competitive position. The authors exemplify that various investments may have strategic intent, such as securing contracts by having a local partner, expanding the product range, strengthening capabilities, and outmaneuvering rivals. In line with Dunning and Lundan, Cuervo-Cazurra et al. (2015) identify 'upgrade' as a class of motives in which firms are seeking new sources of resources and capabilities, with the intention of using these and upgrading at home, potentially boosting their competitiveness. In line with strategic asset seeking, upgrade motives involve seeking new sources of resources and capabilities to improve the competitiveness of the firm.

#### 2.1.5 Shifting Motives

In recent years, IB scholars have become increasingly concerned with exploring firms' shifting motives for engaging in FDI. Dunning and Lundan (2008), Cuervo-Cazurra et al. (2015), and Czinkota et al. (2021) emphasize that as firms gain experience from foreign activities and as their establishment in foreign markets increases, their motives for engaging in FDI are likely to shift. It is recognized by Dunning and Lundan (2008) that the four different categories of motives for FDI are often pursued together and that it is difficult to separate strategic asset-seeking and efficiency-seeking motives from market-seeking and natural resource-seeking motives. Nevertheless, the authors postulate that as multinationality increases, the motives are likely to evolve from being mostly about accessing resources or greater markets to a larger concern covering motives regarding being more efficient and gaining a competitive advantage to enhance the firm's global market position. It is thus proposed that intrinsic motives may shift from simple market-seeking and natural resource-seeking to strategic asset-seeking.

Czinkota et al. (2021) suggest that the proactive motivations, in line with the intrinsic ones, are not prolonged as competitors are expected to follow actions, and thus the advantages will be diminished, and motives are likely to shift. Moreover, Cuervo-Cazurra et al. (2015) propose that managers' expectations which are continuously evolving through learning, play a crucial role in driving internationalization. They further suggest that increased experience of foreign operations will contribute to an understanding of conditions in both home and foreign countries, which in turn is likely to drive a shift in motives for expansion. In line with



Dunning and Lundan, it is implied that motives are likely to shift from buying better or selling more to being more about upgrading operations (Cuervo-Cazurra et al., 2015).

## 2.2 Experiential Knowledge

In exploring the interplay between firms' shifting motives for FDI and increased experience and establishment of foreign operations, the concept of experiential knowledge is substantially relevant. In regard to internationalization, De Clercq et al. (2012, p.149) define experiential knowledge as "learning that emerges from direct experience through international activities". The authors propose that the notion that internationalization is significantly affected by experiential knowledge and learning has found empirical support within the IB field. However, scholars hold different views of the foundations of experiential knowledge. In the following three subsections, these different bodies of literature are scrutinized.

### 2.2.1 Market-specific Experiential Knowledge

According to Eriksson et al. (1997), most process models of internationalization emphasize the vital role of market-specific knowledge in explaining firms' internationalization. Johanson and Vahlne's (1977) Uppsala model is a process model of internationalization, essentially suggesting that firms' commitment to foreign markets gradually increases as it acquires, integrates, and uses foreign market-specific knowledge. The authors construct the model based on the assumption that lack of knowledge about foreign markets hinders the development of international operations; however, such knowledge can be acquired, but due to its tacit character, firms can mainly acquire this knowledge through experience from foreign operations.

Johanson and Vahlne (1977) define market knowledge as information about operations in specific foreign markets. They distinguish between objective and experiential knowledge. While both knowledge types are important, the authors claim that experiential knowledge is critical in the international context as it needs to be progressively acquired through foreign operations because it cannot easily be transferred, which is in contrast to the objective knowledge which can be taught and transmitted. The authors further explain how firms need to acquire two types of knowledge for the establishment and performance of foreign operations. They propose that the first type of knowledge is general knowledge concerning organizational routines, procedures, and capabilities required to manage foreign operations developed from generic characteristics of various foreign markets, which can generally be transferred from the operations in one country to another as it is not location-bound. This contrasts what they define as market specific-knowledge concerning specific market characteristics, "...its business climate, cultural patterns, structure of the market system" (p.28). The authors propose that firms can predominately gain market-specific knowledge through experience in that said market; thus, it is experiential in its nature. Following this, the

authors emphasize experiential market-specific knowledge as the most vital knowledge type in internationalization.

Furthermore, Johanson and Vahlne (1977) suggest that current business activities in the foreign market constitute the primary source of experience, thus providing the basis for experiential knowledge and learning. Moreover, they explain how the expansion to foreign markets is uncertain and comprises risks due to differences from the domestic market. They postulate that it is increasingly difficult to collect and interpret information as the psychic distance between countries increases because the experiential knowledge the firm has acquired from the domestic market is inadequate in markets with significant psychic distance. They define psychic distance “as the sum of factors preventing the flow of information from and to the market”(p. 24) and exemplify it through disparities between home and host countries regarding culture, education, language, and business practices. However, the authors propose that firms’ current business activities in the foreign market, such as exporting or licensing, enable their acquisition of experiential market-specific knowledge, which in turn, reduces the risks and uncertainties inherent to foreign markets.

Casillas and Menédez (2014) further Johanson and Vahlne's distinction of experiential knowledge by considering two decisions inherent to the internationalization process: modes of operation and choice of location. The first type of experiential knowledge considered by the authors is knowledge regarding foreign markets, which includes market and institutional knowledge specific to each host market. This knowledge type supports Johanson and Vahlne’s market-specific knowledge. The second type of experiential knowledge proposed by the authors concerns knowledge regarding specific modes of operation that the firm has acquired through previous foreign operations, which builds upon Johanson and Vahlne’s (1977) notion of general knowledge. Casillas and Menédez (2014) explain how firms develop new resources and capabilities based on their experiential knowledge of foreign markets and specific modes of operation that they subsequently utilize for future foreign operations. The latter knowledge type will be elaborated upon in the subsection that follows.

### 2.3.2 Firm-specific Experiential Knowledge

Eriksson et al. (1997) draw upon the theoretical insights developed by Johanson and Vahlne by emphasizing the “need for experiential knowledge of the firm’s capability and resources to engage in international operations” (p.343). They propose three types of experiential knowledge that firms accumulate during their internationalization process: business knowledge, institutional knowledge, and internationalization knowledge. They suggest that firms must not only acquire knowledge about foreign markets and institutions but also about “the internal resources of a firm, and what the firm is capable of when exposed to new and unfamiliar conditions” (p.353). While the authors acknowledge that business and institutional knowledge is market-specific, they suggest that internationalization knowledge is firm-specific and applicable in all foreign countries. They propose that internationalization knowledge concerns the resources and capabilities of the firm required to engage in international operations; in particular, it refers to “knowing what knowledge is required in

different situations and different settings connected with internationalization, and where to seek this knowledge” (p. 345). The authors further suggest that this knowledge should be regarded as the type of knowledge required by firms in a distinct situation and that this explains how the choice of entry mode into a new foreign market may be explained by the aggregate countries that the firm has previously entered.

Building upon Eriksson et al. (1997) theoretical contributions, Eriksson et al. (2000) further consider the effect of variation, that is, the heterogeneity of the foreign markets that the internationalizing firm is subjected to. The authors propose that the accumulation of the three kinds of experiential knowledge introduced by Eriksson in 1997 is affected by the variety of foreign markets in which the firm operates. They argue that as firms are exposed to a diversity of institutional and business actors, they are simultaneously subject to a wider array of events which results in an improved ability to spot obstacles and opportunities in foreign markets, and thus they learn more. Consequently, the authors postulate that internationalizing firms' accumulation of knowledge is enabled by exposure to variation as the firms' assumptions regarding business and institutional actors are continuously confronted by new business situations.

### 2.2.3 Experiential Knowledge from Others

In contrast to Casillas and Menéndez (2014), Eriksson et al. (1997; 2000), and Johanson and Vahlne (1977), Forsgren (2002) proposes that firms occasionally invest in foreign markets despite lacking experiential knowledge of their own. The author's proposition stems from the fact that firms' own experience of foreign operations is not the only means through which they can decrease the perceived risk of international operations. Instead, he argues that firms can acquire experiential knowledge by integrating other firms' experiences into the firm or imitating market leaders. He further postulates that although acquiring knowledge through these 'short-cuts' may be less efficient than 'first-hand' knowledge acquired through own experience, it is important to recognize these 'short-cuts' as these may impact how firms approach foreign markets.

Essentially, Forsgren (2002) proposes that firms may decide to expand their operations abroad despite lacking experiential market knowledge of their own because the risk of not expanding abroad is considered to be even higher. He further suggests that firms may decide to expand to several foreign markets more or less simultaneously despite lacking market knowledge of the concerned countries and that this may be explained by the importance of having a first-mover advantage in every single market. All in all, the propositions developed by Forsgren (2002) raise several interesting research issues: How important is experiential learning as a general explanation of internationalization behavior? How often do firms invest abroad despite lacking market-specific knowledge rather than thanks to their possession of such knowledge?

## 2.3 External Factors Influencing FDI

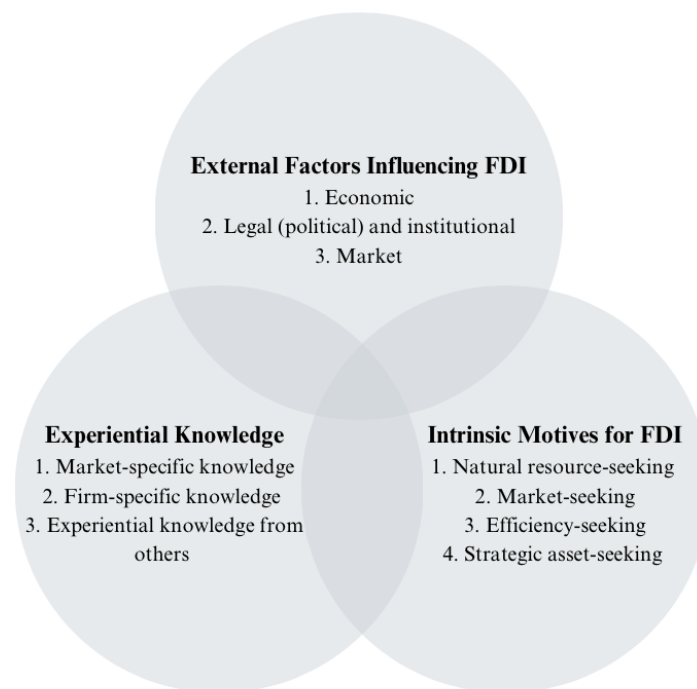
A firm's external environment significantly shapes its foreign expansions, given the firm's inseparable position from its macro surroundings. The global market is characterized by its interconnectedness, and changes in the macroenvironment have indisputable implications for firms. External macro-environmental factors can be defined as factors outside of the direct control of a firm; however, the comprehension of the dynamics of the external factors and the nature of their impact on the firm's environment contribute to the identification of opportunities as well as threats (Grant, 2016). Therefore external factors should not be neglected in the process of strategic decision-making, applicable to the majority of an organization's operations, including foreign expansion. According to Franco et al. (2008), the engagement in FDI as a mode of internationalization, particularly the direction and extent, finds an underlying stimulus in environmental factors. The authors consider the primary environmental determinants of FDI to be exchange rates, trade flows and barriers, institutions, and localized knowledge spill-overs. Their study concludes an ambiguous effect of these determinants on the different motives for a company's foreign investment.

The external factors identified by Franco et al. (2008), together with an empirical study by Calof and Beamish (1995), served as a basis for establishing a simplified categorization of external factors that present a positive, negative, or neutral influence on a firm's motives related to FDI. Calof and Beamish (1995) investigated the path and changes in a firm's internationalization and concluded that external environment-based factors such as government policy, competitive landscape, and acquisition opportunities have the potential to impact the direction of a company's internationalization strategy. The construction of categories of external factors based on the above examples is summarized in Table 2 below.

*Table 2 - External Factors Influencing FDI*

<b>Economic</b>	<b>Legal (political) &amp; Institutional</b>	<b>Market</b>
<i>E.g., Exchange rates, inflation rates, interest rates, taxes</i>	<i>E.g., Trade policies, fiscal policies, regulatory measures</i>	<i>E.g., Competitive landscape, changes in technology</i>

## 2.4 Theoretical Framework



*Figure 1 - Theoretical Framework*

Figure 1 illustrates the theoretical framework developed by the researchers conceptualizing the reviewed literature and their interconnections. The theoretical framework rests upon three building blocks: experiential knowledge, intrinsic motives for FDI, and external factors influencing the FDI decision. It serves as the basis for guiding the subsequent data collection and analysis processes. The dynamics of the framework may be summarized as follows: Firms may have various motives for engaging in FDI, ranging from the desire to exploit resources that are scarce in the home market or cheaper in a foreign market, seeking access to a larger market and new customers, seeking efficiency by for instance exploiting economies of scale, and/or acquiring strategic assets such as intellectual property. As firms acquire a richer set of market-specific and firm-specific experiential knowledge through their foreign business activities, they are better equipped to identify obstacles and opportunities in foreign markets, which in turn may influence their motives for entering new foreign markets. However, firms do not operate in isolation from their external environment: thus, firms' motives for engaging in FDI may be influenced by macroenvironmental factors in the IB context.

## 2.5 Chapter Summary

In this chapter, the intrinsic motives for FDI reoccurring in extant literature were classified according to Dunning and Lundan's (2008) four categories: natural resource-seeking, market-seeking, efficiency-seeking, and strategic asset-seeking. Moreover, literature emphasizing how firms' intrinsic motives are likely to shift as they gain experience from foreign activities was introduced (Cuervo-Cazurra et al., 2015; Czinkota et al., 2021; Dunning & Lundan, 2008). Furthermore, the concept of experiential knowledge was scrutinized as it has been identified as an important determinant of firms' internationalization process (e.g., Casillas & Menéndez, 2014; De Clercq et al., 2012; Eriksson et al., 1997; Eriksson et al., 2000; Johanson & Vahlne, 1977). In addition, the external factors influencing firms' international expansion were briefly discussed. Lastly, a theoretical framework was presented based on the literature reviewed in this chapter with the purpose of facilitating the construction of the interview guide and subsequent data collection and analysis.

# 3 Methodology

## 3.1 Research Approach

Given the nature of the research question posed in this thesis, Bryman and Bell (2011) suggest a qualitative research approach as it allows for exploring an obscure phenomenon and captures processes, mechanisms, and the social context inherent to the studied phenomenon. The authors regard the qualitative research approach as suitable when researchers are concerned with studying processes, such as “understanding how the past history of an organization shapes the present reality and how the interchange between agents and contexts occurs over time and is cumulative” (p. 404). The authors further regard qualitative research as principally inductive: drawing generalizable conclusions from observations to generate theory. In contrast, they explain that quantitative research is generally deductive, which implies that one or multiple hypotheses are derived on the basis of existing theories related to a specific field which subsequently ought to be empirically scrutinized.

However, the reasoning of both these research approaches has been criticized; deductive research for its strong dependence and logical outcome of testing a theory through hypothesis falsification as well as the ambiguous nature of relevant theory selection; and inductive approach for the ever-present insufficiency of empirical data for building a theory (Bell, Bryman & Harley, 2022). Addressing these limitations, a third research approach has been given attention for business and sociological studies: the abductive research approach (Bell et al., 2022; Timmermans & Tavory, 2012). The abductive research approach allows for seeking to justify a surprising phenomenon that has been unexplainable by existing theories, as it enables a researcher to recognize circumstances under which the phenomena becomes less ambiguous (Bell et al., 2022). In this study, the abductive approach was applied as it allows for patterns that emerge through the data analysis to clarify as well as alter the theoretical framework.

## 3.2 Research Design

The research design constitutes the foundation for the collection and analysis of data, and different types of research designs give priority to different aspects of the research process (Bryman & Bell, 2011). Commonly utilized in qualitative business research (Eisenhardt &

Graebner, 2007), a case study design is suitable for answering research questions concerned with the comprehension of how and why an observed phenomenon or pattern occurs (Yin, 2014). As the main objective of this study is to establish a thorough understanding of how experiential knowledge affects the intrinsic motives for FDI and the dynamics of this relationship, the case study design was found suitable as it allowed for an in-depth study within a real-world context. The purpose is to uncover and explore a phenomenon that emerges under rare or exceptional circumstances and provides a valuable depiction of an existing phenomenon (Eisenhardt & Graebner, 2007).

Eisenhardt and Graebner (2007) state that the selection of the cases in the case study is based on their relevance to be used to clarify and broaden connections, rationale, and theoretical understanding of a theoretical construct. Case studies can either be based on single or multiple cases, depending on the aim of the research (Yin, 2014). In order to answer the research question of this thesis, an embedded case study design was found appropriate as the studied company represents the case, and its different locations of FDI constitute the embedded units of analysis within the case. According to Yin (2014), the embedded units, or subunits, of the analysis are generally a source of enriched insights into the single case and allow for a more comprehensive study. Yet, the criticism of using case studies as a qualitative research design primarily stems from the excessive reliance on particular situations and, therefore, may be considered unable to generalize (Dubois & Gadde, 2002).

### 3.3 Data Collection Method

The purpose of the data collection method is to construct a sampling strategy, determine the sources of primary and secondary research data, and establish the method to obtain such data (Bryman & Bell, 2011). The following sections justify the selection of the case company and interview participants and details this study's sampling process. Furthermore, it explains the semi-structured interview design used to attain the necessary primary data and the use of secondary data.

#### 3.3.1 Case Company Selection

In order to identify a suitable case company for this study, the researchers formulated three broad criteria regarding the characteristics of the company. Firstly, the company of interest needed to have undertaken FDIs in between three to eight countries, with an exclusive focus on production-related expansion, as specified in the research question. Furthermore, to be able to understand the impact of experience and knowledge as well as external factors, the researchers formulated a criterion for the case company to be well established. Lastly, it was preferred for the company's FDIs to be located in countries psychically distant from each other and historically expanded at different points in time as a basis for an increased possibility of discovering shifting motives.



The case company selected for this study was recognized as adhering to the three criteria formulated in the foregoing paragraph during a presentation given by the company representatives as the researchers attended a company visit organized by Lund University School of Economics and Management. During the visit, the researchers approached a company representative and discussed whether the company would be interested in participating in the study. The case company selection is, therefore, a consequence of the application of convenience sampling, as according to Bryman and Bell (2011), it is primarily a result of the accessibility and availability.

### 3.3.2 Interviewee Selection

For the purpose of the primary data collection, semi-structured interviews were conducted with representatives from the case company. In order to identify relevant interview participants, selection criteria were established. The primary intention was to collect insights from participants with a current or former position in the company who are/were involved in FDI-related decisions and possessed significant knowledge about the related operations. Moreover, the underlying assumption of these individuals' knowledge about the utilization of the international expansion experience was also considered for the selection. Individuals who fulfilled all the above criteria were then anticipated to provide competent answers to the questions about the company's specific motives that led to engagement in FDI.

Following up on the company visit, contact was established with a company representative who was present during the presentation. However, as this person's competence within the company was unrelated to the research objective, the request was forwarded to the Executive Vice President of one of the company's business areas. By means of the initiated email communication, an introductory meeting was scheduled in order to provide a brief background and explain the objectives of the study. Furthermore, the purpose of this meeting was to identify individuals who meet the formed criteria. According to Bryman and Bell (2011), this sampling method is referred to as snowball sampling, where the first interviewee is asked to provide and support contact with other potential interviewees. As a result of the introductory meeting, five interview subjects were selected and respective interviews were scheduled. Besides the Executive Vice President for Business Area Duni, the interviewees were holding the current positions of Chairman of the Board of Directors (hereinafter Chairman), Chief Financial Officer (CFO), Director of Manufacturing Operations, and Senior Advisor. Table 3 presents the interviewees, their current, and previous positions within the company.

*Table 3 - Overview of Interviewees*

<b>Interviewee</b>	<b>Current Role</b>	<b>Previous Position (s) in the Company</b>
Interviewee 1	Senior Advisor	Corporate Development, CFO, Executive Vice President Business Area BioPak
Interviewee 2	Director of Manufacturing Operations Duni Group	Director Strategic Sourcing, Product Area Manager
Interviewee 3	Executive Vice President Business Area Duni	Corporate Development Manager, Marketing Manager, Executive Vice President Commercial
Interviewee 4	CFO Duni Group	Group Controller, Executive Vice President Corporate Development
Interviewee 5	Chairman of the Board of Directors	CEO

In addition to primary data, secondary data was collected from the case company's website, including published annual and other company reports, and internal presentations provided by the interviewees. Prior to conducting the interviews, the secondary data was used to gather initial information about the case company to further the researchers' understanding of the company's operations and to further validate its relevance for this study. Additionally, the secondary data complemented the primary data generated from the interviews. According to Bryman and Bell (2011), using additional data sources complies with triangulation, allowing for cross-checking the data, which can reduce the likelihood of misinterpretations of the primary data.

### 3.3.3 Interview Design

Semi-structured interviewing is, according to Bryman and Bell (2011), one of the two major approaches to interviewing in qualitative research. The authors explain that compared to the unstructured interview, the researcher performing the semi-structured interview has an interview guide that provides some guidance on questions and topics to be covered. They further explain how the predetermined set of questions provides a framework for the interview while there is still an opportunity for open-ended exploration of captured perspectives. While a similar wording is used for asking questions, the interviewer is able to adapt questions depending on insights provided by the interviewees, serving as an opportunity to gain otherwise omitted information (Bryman & Bell, 2011). As suggested by Bryman and Bell (2011), the semi-structured format is suited when there is a clear focus on the research and case, allowing for addressing more specific questions. Furthermore, the

authors suggest that it is the advised approach to take when more than one person is involved in conducting the fieldwork to enable some level of comparison due to consistency in the interviewing process. Following this, the semi-structured approach to interviewing was found as the most suitable interview design for this study.

The questions in the interview guide were formulated based on key theoretical insights from the foregoing literature review (see Appendix B). Using theories when constructing interview questions is advised by Bryman and Bell (2011) as it guides what data to collect to answer the study's research question. Based on topics that appeared, the questions were further adapted to better grasp the surfaced direction, in line with the semi-structured interview narrative provided by Bryman and Bell (2011). Before the scheduled interviews took place, the addressed company representatives were informed about the aim and objectives of the research, the interview design, and the approximate length of the interview (see Appendix A). Moreover, in order to optimize the relevant data collection from interviews, the interview guide outlining the research topics in more detail was sent to the interviewees shortly before the approaching interviews (see Appendix B). Additionally, the interviewees were made aware of the preferred language of the interview to be English and asked whether that was acceptable for them.

Although the primary intention was to conduct the interviews in person, this was only possible with two interviewees, given their presence and availability at the company's headquarters in Malmö. The remaining interviews took place through the online communication platform Microsoft Teams, allowing for video conferencing from multiple locations that substituted the in-person interviews. The interviewees were asked for permission to record the interviews and their consent to disclose the company name as well as their own, which all of the participants agreed to. The interviews were then recorded for transcription purposes, which simultaneously enabled interviewers to remain perceptive and adaptive throughout the whole interview and to promptly adjust the following questions according to responses. In order to prevent potential losses of data from the recording, for each interview, one of the interviewers took notes of the most significant points.

### 3.4 Data Analysis

To analyze the data generated from the semi-structured interviews, the interviews were transcribed using an online AI transcription tool called Otter.ai. The interview transcripts were studied multiple times to familiarize with the data and to compare with the recordings in order to prevent incomprehensibility and overcome transcription mismatches and errors. Moreover, to increase the legibility of the data, word, and phrase repetition and interjections were omitted from the collected data. Subsequently, the interview transcripts supported by the secondary data, together with the theoretical framework, served as the basis for uncovering patterns and themes consisting of intrinsic motives for FDI, experiential knowledge, and

external factors. The themes identified in the interview transcript were color-coded and thereafter compiled in a table which served as the basis for subsequent analysis and discussion.

Following the data transcription and coding, the data was analyzed using flexible pattern-matching analysis. According to Sinkovics (2018), flexible pattern matching is a highly relevant analytical approach in qualitative research, enabling the comparison of theoretical and empirical observations. Given the abductive research approach applied in this study, flexible pattern matching was considered a suitable method for its flexibility and compatibility with exploratory research designs. This approach is considered flexible, as it refers to the theoretical patterns established from the existing theory providing guidance for the explorations, which can then be further developed with patterns emerging from the collected data (Sinkovics, 2018).

In this study, the theoretical patterns were deduced from the theories introduced in the literature review. The empirical patterns were established as an outcome of the collected primary and secondary data, guided by using the theoretical framework constructed in the literature review chapter. These identified patterns then enabled for a within- and cross-case analysis, with the former allowing for obtaining initial insights into each case data and the latter for establishing patterns across cases (Eisenhardt, 1989). In this study, each FDI location was studied as a subunit of the case company. Therefore, a corresponding analysis of each subunit was applied as a form of within-case analysis and afterward, a cross-case analysis between the different subunits guided by the theoretical framework. Finally, a comparison between the theoretical framework and the collected data was made to conclude the matching or diverging patterns. The secondary data was analogously analyzed by color-coding the themes based on the theoretical framework and subsequently performing the within-case analysis, cross-case analysis, and pattern matching.

### 3.5 Validity and Reliability

In evaluating and ensuring the quality of research, Bryman and Bell (2011) propose two important criteria: validity and reliability. According to the authors, validity refers to whether the intended concept is actually measured or observed. For this qualitative study, construct, internal, and external validity is considered. Construct validity concerns choosing the correct measure used in a study, and for case study research in particular, using multiple sources of evidence is one of the key strategies to improve construct validity (Yin, 2014). In this study, this was achieved by using both primary and secondary sources of research data.

Moreover, ensuring internal validity is important as it concerns whether there is a match of theoretical ideas with what is actually measured and observed (Bryman & Bell, 2011). In the interview guide, questions were formulated based on concepts and their definitions in the

literature; thus, there should be a strong correspondence between what they aim to measure and what they really assess, increasing the validity of the research. A main consideration in qualitative studies is its subjective nature, referring to the possibility of participants including perspective and personality to experiences, reducing the validity of the research (Bryman & Bell, 2011). An interview is subject to bias, and the data attained, and concepts measured may just be the subjective experience of the participant (Bryman & Bell, 2011). Furthermore, for the case study research design, the internal validity concerns the difficulty of making inferences and can be addressed by conducting a pattern-matching analysis (Yin, 2014).

Furthermore, Bryman and Bell (2011) present external validity to be a challenge in qualitative studies as it is about generalizability, which is often limited by case studies consisting of few samples. This holds true especially given the convenience sampling, as this cannot be representative of the broader population as it remains unknown (Bryman & Bell, 2011). However, it is important to note that this study does not aim to draw any generalized findings but rather to provide a comprehensive perspective on the experience of the case firm and within the particular context it operates, as defined in the scope of this study.

The reliability of a qualitative study considers both internal and external aspects. Bryman and Bell (2011) consider the external aspect as a complex criterion to meet since it is about the degree to which the study can be replicated. The authors explain how this is challenging as it is not possible to control social settings. By describing the research design in detail, how data was collected, and the process of analyzing data, the replicability and, thus, the reliability of this research can potentially be strengthened. Moreover, Bryman and Bell (2011) prescribe internal reliability related to inter-observer consistency to concern the hazard of several interviewers together agreeing on input, knowledge, and conclusions based on the collected information. The authors further explain that the semi-structured format has lower reliability than a structured format often used in quantitative studies, limiting the reliability of the methodology. They suggest that this is because when data is collected through these means, there is room for interpretation by researchers leading to the risk of biased conclusions. For this study, the internal reliability was improved by each observer coding the data individually before coding it together; to ensure minimal difference in interpretations and strengthen the analysis.

Altogether, despite efforts to enhance the validity and reliability of this study, the subjective and contextual nature of qualitative research should be acknowledged, limiting the broader applicability of the study's results.

### 3.6 Limitations

The methodology applied in this study has several limitations. The primary limitation of qualitative research in general is its subjectivity, demonstrated in the difficulty of replicating

the study, generalizing the findings, and the possible lack of transparency (Bryman & Bell, 2011). This critique mainly stems from the fact that the researcher's perspective and the unstructured nature of the data collection heavily influence the focus of the study (Bryman & Bell, 2011). As this paper focuses on one particular case company, the generalizability of the findings may be limited. However, as previously mentioned, the aim of this study is to deeply investigate one case company rather than drawing generalized findings. Despite this limited generalizability, any insights derived and conclusions made may be applicable to firms similar to the selected case company.

Secondly, while it is favorable to base the interview guide on a theoretical framework, it implies that the data collected is dependent on questions in the interview guide, which in turn is limited to what is covered in the literature review. In the context of this paper, building the interview guide on the theoretical framework implies a risk of missing out on other relevant factors which may influence the motives for FDI but which are excluded from the framework. Third, although the semi-structured interview offers flexibility and enables interviewees with different roles to share specific knowledge and insights, this approach can limit comparability to some extent. Fourth, given the retrospective nature of the majority of the questions in the interview guide, the information generated from the interviews may be subject to memory bias as the interviewee's memory may be biased or incomplete when asked to recall events from the history of the firm (Bryman & Bell, 2011).

### 3.7 Chapter Summary

This chapter elucidated the methodological components of the study. It began with describing and motivating the choice of the qualitative and abductive research approach and the embedded case study research design. Thereafter, the data collection method was outlined, motivating the selection of the case company, interview participants, and sampling method, as well as the structure of the interview. Flexible pattern matching was introduced as the data analysis approach applied in this study and lastly, the validity, reliability, and limitations of the selected method were discussed.

## 4 Analysis and Discussion

### 4.1 Empirical Observations of Duni Group's FDIs

Since its founding in 1949 in Sweden, Duni Group, hereinafter Duni, has expanded into a multinational enterprise with more than 2000 employees in 22 countries (Duni Group, 2023). The company began its production with a paper mill factory in Skåpafors, Sweden, and a converting factory in Halmstad, Sweden. Today, roughly seven decades following its founding, Duni produces in six countries worldwide; Sweden, Germany, Poland, Thailand, New Zealand, and Australia (Duni Group, 2023). The company is divided into two business areas: Duni and BioPak. According to the Executive Vice President (interview, 27 April 2023), what distinguishes the two business areas, besides their different product offerings, is their business model and level of vertical integration. The Executive Vice President further explained that while the business area Duni is vertically integrated, owning its entire value chain from the paper mill in Sweden to the converting plants in Germany, Poland, Thailand, and New Zealand, the business area BioPak outsources its production to local producers in Australia.

According to a Senior Advisor at Duni (interview, 25 April 2023), the company initiated its foreign expansion in the 1950s-1960s by setting up sales offices in several Western European countries such as Germany, Netherlands, France, Switzerland, and Austria through a pure export model in which production was still located in Sweden:

*It started mainly by having production in Sweden and sales companies in different countries. The culture, at least at the time, was very decentralized, so it was setting up the sales company, hiring a manager, and starting up the sales operations in the country in an entrepreneurial way.*

Duni's current Director of Manufacturing Operations (interview, 26 April 2023) explained that the company's motive to initially expand outside of Sweden was access to other markets. It was not until 1972 that the company left its pure export model to set up its first foreign production facility in Bramsche, Germany (Senior Advisor, interview, 25 April 2023). Approximately 30 years later, in 1998, the company set up its second production plant in Poznań, Poland. Thereafter, in the year 2014, Duni acquired a production plant in Wolkenstein, Germany (Senior Advisor, interview, 25 April 2023). Relatively shortly thereafter, the company began its journey in the Asia Pacific by acquiring one production plant in Bangkok, Thailand, in 2016 and another one in Auckland, New Zealand, in 2017 (Senior Advisor, interview, 25 April 2023). In regards to the expansion outside of Europe,

Duni's CFO (interview, 27 April 2023) explained how the company realized that its European core market was saturated and that it was difficult to grow any further within that market:

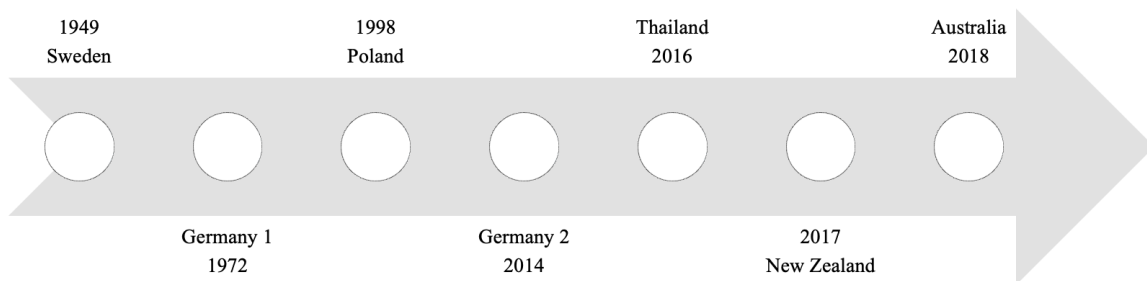
*The decision to go outside of Europe started basically because we had such a dominating market share already in Europe, especially in North Europe. So how can we expand quickly? How can we grow the business? Because organically, we were growing definitely, that is still a bit of a concern in North Europe. We have around a 50-60% market share. So it's quite difficult to grow further.*

Moreover, the Director of Manufacturing Operations (interview, 26 April 2023) explained the logic of Duni's international expansion process, initially exporting to countries before engaging in FDIs:

*Normally, when we reach other markets, we are starting with an export model. So we are delivering overseas containers to third markets, and then if it takes off, we place people there, open a warehouse, and then if it continues to grow, we are considering acquiring a company or starting effectively.*

The Executive Vice President (interview, 27 April 2023) describe how the products sold by the company are sensitive to transportation costs and have an effective geographical reach outside which transportation costs eat up profits, making it unprofitable to export finished products from the country of production to markets far away, thus providing a rationale for engaging in FDI close to the markets that the company serves. Following this, Duni has set up production sites closer to core markets in order to cut down on transportation costs and serve markets in a more competitive way:

*The type of products we are selling are very transport cost sensitive. So everything more than 1000 kilometers away from our factory is difficult to reach in a competitive way.*



*Figure 2. Duni Group's current FDIs*

Figure 2 illustrates a timeline of the establishment of Duni Group's FDIs in six different locations in five countries worldwide. However, over the years, the company has established and ceased production sites in several other countries. The Senior Advisor (interview, 25



April 2023) described how the company in the 90s had to close down production plants in, for instance, Spain, the Netherlands, and the United Kingdom because of insufficient scales to run the plants profitably. The Senior Advisor further emphasized the trade-off between logistics costs and efficiency in the decision to set up or close down foreign operations:

*So even if we have a couple of small, good factories, they are really difficult to be efficient sometimes because you have to invest a lot in smaller machines. So you have to look into that and make a trade-off between efficiency and sometimes logistics costs.*

In response to the question of why these production sites were closed down, the CFO (interview, 27 April 2023) further emphasized the trade-off between efficient production and staying close to core customers:

*I think that economies of scale are a very important factor. Because, yes, you're closer to the end customers, so you gain something from the logistics on the last mile and so on but it's always the business case that you need to value the economy of scale partway...If you have 16 small adding-up pieces, can you get that down to reducing 50% of the cost by putting it into two big factories? So that was, to simplify, economies of scale versus staying close to the customer.*

Moreover, the CFO (interview, 27 April 2023) explained that in the year 2004, a restructuring program was initiated, which was part of a broader plan to put the company on the stock list. Still, as the company was under financial pressure, a consolidation of the rather dispersed production sites was initiated. As a consequence, the CFO (interview, 27 April 2023) revealed that the company scaled down from sixteen to three production sites to centralize production and streamline the company:

*What we did at that time, we had 16 small factories in Europe that went to two converting units, one in Poznań and one in Bramsche, and the paper mill in Sweden. So that was a significant consolidation case in 2004-2005, and then Duni was listed in 2007.*

This was further emphasized by the Executive Vice president (interview, 27 April 2023):

*We've not only expanded, but we've also reduced the factories back in the early 2000s. Times were tough and we had a big restructuring program so then we went down to three [production sites] and that was Poznań, Bramsche and the paper mill. And then, since the stock listing in 2007, that's when we have expanded again.*

In the seven consecutive subsections, the insights gained from the semi-structured interviews and secondary data sources in relation to the theoretical framework are presented and analyzed for each of the six subunits of Duni's FDIs as well as the direction of Duni's future FDIs.

#### 4.1.1 Bramsche, Germany

Duni initially engaged in FDI through a greenfield investment in Bramsche, Germany, in 1972. Overall, the insights from the interviews indicate that Duni's main motive for setting up the production site in Bramsche was access to the German market, which at that time was and still is the company's largest market. Moreover, the FDI was motivated by getting access to the markets within the effective geographical reach of Bramsche. The Chairman (interview, 3 May 2023) points out the size of the German market as the main reason for setting up the foreign production:

*That decision was taken on the basis that Germany was our biggest market, so it was logical. We decided we needed to have local production because, at that time, the German market was three or four times bigger than Sweden.*

In essence, Bramsche constitutes a strategically important location as several other important markets, such as France, Austria, and Switzerland, can be served from the location with low transportation costs (Duni Group, 2013). The Executive Vice President (interview, 27 April 2023) provided support for the geographical location as an explanation for why Duni initially engaged in FDI in Bramsche:

*So in Europe, Bramsche is a good location, it's very centrally located, so we have a good reach. We chose Bramsche again for the geographical location, the center of gravity that I talked about.*

Moreover, the Senior Advisor (interview, 25 April 2023) explains how Duni first operated in Germany with an export model through a sales company in Hamburg, but as the company was growing, "...at a certain stage, it was considered that maybe it's better to have local production, at least local converting" To the question of why the company initially set up its foreign production in Bramsche, the Senior Advisor (interview, 25 April 2023) emphasized the external factor of a subsidy as a major driver for the decision:

*At the beginning of the 1970s in West Germany, it was certain areas that were a little bit behind, and there was more unemployment, etc. So there were some government subsidies to set up production in certain areas, and apparently, there were such subsidies that applied for this area in northwestern Germany at the time.*

Despite several rounds of restructuring and consolidation, the production site in Bramsche is still in operation almost five decades after its establishment. To the question of why Bramsche was kept as one of the two converting sites after the restructuring program in the early 2000s, the CFO (interview, 27 April 2023) explained that "... it was quite obvious that they had the size and they had the possibility to expand".

#### 4.1.2 Poznań, Poland

Roughly a decade after Duni's initial FDI in Bramsche, the company set up a converting site in Poznań, Poland, in the year 1998. Overall, the interviewees agreed that the FDI in Poznań

was motivated by getting access to the Eastern European market but, more importantly, to exploit the relatively low labor costs in Poland. As explained by the Senior Advisor (interview, 25 April 2023), in connection with the fall of the Iron Curtain and the opening of Eastern Europe, Duni started to look into setting up production in Eastern Europe to get access to the market but also to leverage from the relatively lower labor costs. The low labor-cost aspect of the FDI to Poznań was additionally highlighted by the Director of Manufacturing Operations (interview, 26 April 2023):

*Starting a factory in Poland in the 90s was definitely due to cost reasons, mainly due to the fact that we were able to produce napkins much cheaper in Poznań and also being closer to our market.*

The Chairman (interview, 3 May 2023) further elaborated on the low-cost labor aspect and how this extended the effective reach of Duni's products:

*At that time, the cost for production was much lower in Poland and then if you have a factory there, you can calculate that the higher the gross profit you have on the product, the longer you can transport the product. So if you put the production of the low end assortment in Poland you have a bigger reach.*

During the company's restructuring program in the early 2000s, the Senior Advisor (interview, 25 April 2023) explained that the converting site in Poznań was kept and that the converting of the manually labor-intensive 'low-end' products was moved to the site in order to exploit the low labor-costs:

*We moved certain of that production to Poznań in Poland, particularly the products that were more manually labor intensive and the products that could be more easily automated were moved to Bramsche.*

#### 4.1.3 Wolkenstein, Germany

After having operated with converting plants in only Bramsche and Poznań for almost a decade after the restructuring program, the company acquired a new factory in Wolkenstein, Germany, in 2014. Based on insights from the interviews, this FDI seemed to result from the successful stock listing in 2007, which led to further foreign expansions again (CFO, interview, 27 April 2023).

The majority of the interviewees emphasized that the factory in Wolkenstein was acquired for reasons slightly different than those of the previous factories. It was not principally because of the geography, market share, or low labor costs but rather that the factory produced products that covered a specific market segment in which, at the time, Duni was not present in. The CFO (interview, 27 April 2023) emphasized that by acquiring this company, a new market was reached:

*If you take Wolkenstein, that is slightly different because it came through an acquisition in 2014. We basically bought the factory, we bought the market, and we bought the customers. So they sold a lot of different specialty trades, high-quality napkins, which we did not really have at that time.*

The Executive Vice President (interview, 27 April 2023) highlighted the interest in getting access to a certain printing technology as a rationale for the acquisition in Wolkenstein: “*That was a rationale to get access to a certain printing technology, digital print, which we did not have in Poznań or Bramsche*”. The Director of Manufacturing Operations (interview, 26 April 2023) extended the argument of reaching a market segment and argued that the Wolkenstein factory had interesting strategic assets, which was a motive for the acquisition:

*Wolkenstein, that we acquired in 2014 was not done due to having a certain footprint but it was the segment and the strategic assets, in terms of specific machinery, high tech printing machines. That was one of the main reasons why we acquired the company.*

The Executive Vice President (interview, 27 April 2023) emphasized that it was not this specific technology that the company was searching for. Instead, it was made clear that the company was acquired to help Duni benefit from having a more unique offer and differentiate itself from its competitors. Such a unique offering was desired in order to tap into the customer segment which was new to the company and thus grow sales. Furthermore, it was argued that the acquired company was a stable business that could complement the current business. According to the Executive Vice President (interview, 27 April 2023) “it was very much of an outside-in perspective”, implying that the company was increasingly focusing on creating value for customers. To the question of whether the company was looking for a specific technology in advance, the Executive vice president answered: “*Not this technology per se, but we were looking for ways to differentiate and to have a unique offer*”.

The CFO’s (interview, 27 April 2023) response to whether prior international experience affected the decision to enter this market reflected the importance of considering the level of integration when acquiring an existing company. In 2014, by the time of this acquisition, the factory was left rather standalone, and no integration was forced as it was realized that it is a rather complex process. Instead, the focus was on having some short and easy synergies through purchasing raw materials and other measures. The CFO contends that it includes many aspects and identifies preferences of local management and different cultures to consider as key challenges:

*I think the difficult part is, should it be integrated or not? What about the culture? There are so many aspects when it comes to the integration that is unique. The local management can have preferences based upon that it was founded by a family, so there is a certain culture that you need to consider. You need to adapt to the unique situation for every case, I think that's a learning in itself.*

Looking back on the acquisition in Wolkenstein, the Executive Vice President (interview, 27 April 2023) also agrees that there are difficulties arising from the level of integration:

*And it proved very difficult for us to realize a lot of the synergies in Wolkenstein, so Wolkenstein has been problematic and there are many learnings from that.*

#### 4.1.4 Bangkok, Thailand

In 2016, Duni pursued its second Asian acquisition by becoming the majority owner (60%) of the Thai company Terinex Siam (Duni, 2017). By doing this, the company strengthened its geographical presence in Asia and was brought closer to a market of high strategic importance (Duni, 2017). According to the Director of Business Area New Markets at that time (Duni, 2017), the acquisition brought about several advantages to the company, such as a wider product range which brought about access to novel and important customers. It is further argued that having production in Asia implies significant growth benefits. Moreover, it is suggested that the Asian acquisitions have given rise to enlightening experiences and highlighted the importance of great competence present within the acquired companies (Duni, 2017).

In line with the previous acquisition in Wolkenstein, the company was considering how to expand into other markets. According to the CFO and the Chairman, it started already in 2014, with a ‘focus’ acquisition of a Singaporean trading company. The Chairman (interview, 3 May 2023) explained that this was made because they saw an opportunity to access the many luxury hotels in Singapore, but as they lacked knowledge about the market, this was a way to learn how to operate in the market while keeping risks at low:

*We didn't want to invest too much money because we didn't know anything about the market. Therefore we bought this trading company in Singapore to be more of a bridge over to the market in order to learn, understand, and really get the feeling of how difficult it is to succeed.*

Based on insights from all of the interviewees, it appears that identified market opportunities were a central motive for entering the Asian market, and Thailand in particular. Regarding the decision to acquire a company in Thailand, the Senior Advisor (interview, 25 April 2023) expressed that it was an action to take a step from being a very much European company and accordingly widen the market:

*Duni was, of course, an international company, but very much European. So, then we were thinking about, how are we going to take the next step, and that was going into Asia, with acquisitions.*

Following the acquisition in Singapore and the learning thereby, the Chairman (interview, 3 May 2023) expressed that they were persistent in acquiring a company in Thailand: “I mean,

*we had a lot of knowledge of the market. So based on the acquisition in Singapore, we had the guts in order to acquire the company in Bangkok”.*

Furthermore, the country in question was interesting as it is a market with huge potential, stemming from the large number of inhabitants and the extensive tourism (Senior Advisor, interview, 25 April 2023). The Director of Manufacturing Operations contended that the acquisition was made to have a footprint in Asia and to serve nearby markets. According to the CFO (interview, 27 April 2023), the decision to enter was much influenced by the local presence:

*So Duni wanted to have a footprint in Asia in order to serve markets like Thailand, Indonesia, Cambodia, and so on, so that was purely for geographic reasons.*

Other interviewees agreed that it was for geographical reasons and specifically accessing the markets around Thailand which was the major motive for the acquisition. This was especially highlighted by Senior Advisor (interview, 25 April 2023):

*We were acquiring a company in Thailand, with production, in order to have a production hub in Asia in order to expand. It is a good situation in Asia, where you're close to other markets.*

Regarding whether any other locations were considered, the Director of Manufacturing Operations (interview, 26 April 2023) concluded that, in the end, Thailand was the best opportunity. Adding to the geographical position and market potential, he suggested that also some cost motives were considered in the decision: *“It's a strategically well-positioned factory, with relatively low labor costs compared to Europe. And in the end, it was a good opportunity”.*

The CFO (interview, 27 April 2023) extended the motives of the location, and added that the acquired factory was producing napkins and other products which were related to the business:

*And then we acquired a factory that produces napkins and some other products that we use. So that was basically a decision to actually have local production, a local footprint in Asia to be able to quickly and cheaper sell these products in that region.*

The company had previously exported to Asia, especially to countries such as South Korea, Japan, Dubai, and Abu Dhabi, but it had not had any production in the continent and thus limited experience in the market. To overcome this lack of experience, a 60% hold in the company was imposed, leaving the rest to local partners with knowledge about how to run production in the foreign location (Senior Advisor, interview, 25 April 2023). This was emphasized by the Senior Advisor when asked about the company's previous market experience:

*You can say that that was one of the reasons that we didn't buy 100% of the Thai operations. We have a local partner owning 40% who knows how to do business in Thailand and supports us, and in that way, of course, we can support with modern equipment and in that sense, it should be a good marriage.*

Both the Executive Vice President and the Director of Manufacturing Operations elaborated on the benefits of entering an unknown market through a joint venture. The Executive Vice President stated (interview, 27 April 2023) that “*the strategy now is to acquire an existing company with an existing footprint*” because the regional partners assist in running the company, and there is a strong commitment from the local management. The Director of Manufacturing Operations (interview, 26 April 2023) further explained that over time, the Thailand acquisition has been among the more successful as there is local management in place that can be trusted. Thus, a major learning for the company has, according to the Director of Manufacturing Operations (interview, 26 April 2023), been to have a different shareholding percentage when entering markets farther away from the home market:

*I think that it is good to understand and it's important, also for Duni's way forward when it comes to acquisitions because what we learned is where we acquire companies far away from our home markets, it is important that we have management locally that we can trust and that stays on board after the acquisition. Because in the last couple of years, the acquisitions that are successful, like the one in Thailand, it's successful because the management and the local owners are very committed and they stay on board.*

#### 4.1.5 Auckland, New Zealand

In 2017, Duni continued its investments in Asia by acquiring 80 % of the New Zealand company United Corporation Limited, marketed under the name Sharp Serviettes (Duni, 2018a). The Auckland-based company was the leading supplier of table-setting products (Duni, 2018a) and, according to the Senior Advisor (interview, 25 April 2023), a former local distributor of Duni’s premium napkins. Acquiring companies with experience and knowledge of the market has been Duni’s strategy, according to the Director of Business Area New Markets at the time, and this acquisition generated new opportunities for cooperation and exchange of experience between the companies (Duni Group, 2018a). According to the CFO (interview, 27 April 2023), the dominant position of the company in New Zealand enabled Duni to secure the local market share, given the demand for goods labeled as locally produced. Accessing the market is regarded as the primary motive for the expansion to New Zealand, as evident from all interviews. The Senior Advisor (interview, 25 April 2023) emphasized that “*The small acquisition we made in New Zealand was for the New Zealand market. It's not good production habits, you are distant from all markets except the New Zealand market*”. Along the same lines, the Director of Manufacturing Operations (interview, 26 April 2023) explained the rationale of the acquisition of the company:

*We made a small acquisition and the background for that is access to that market, to get a market share in New Zealand. It is not a strategic move to have production in New Zealand, you can only use it for New Zealand, and it's very difficult.*

The Executive Vice President (interview, 27 April 2023) agreed about the main motive for the FDI in Auckland to be accessing the local market:

*It was more of an opportunistic approach where the opportunity came up. It's on the other side of the world, so you could debate the rationale of it, but we wanted to get a foothold in the whole Asia Pacific region.*

This foreign expansion through an acquisition enabled Duni to strengthen its knowledge and extend learnings related to the level of integration as well as the company's operations post-acquisition. According to the Director of Manufacturing Operations (interview, 26 April 2023), the learnings were particularly related to the importance of shared ownership and the role of local management in achieving a successful business performance:

*After the acquisition, the management left the company, and we had to find new people and the time difference is a major challenge for us... and if you have a change in management, you cannot really react from your work. So that's a major learning for us going forward, that if we do acquisitions in a different time zone with different culture, we will probably now go for a different shareholding percentage.*

Furthermore, the CFO (interview, 27 April 2023) reflected on the importance of financial and legal integration conforming to the criteria given its status as a listed company. He commented that after the experience of the expansion to Thailand, Duni acknowledged the need for the local management's governance:

*We need to be able to trust that they can fulfill these criteria and that the journey is not too big for them, but also that they are comfortable continuing to manage the daily operations, because we can't be there every day.*

#### 4.1.6 Sydney, Australia

The Sydney-based company BioPak Pty Ltd. was acquired with 75% ownership of the shares and votes and consolidated into Duni's New Markets Business area in 2018 (Duni Group, 2019). As the Director of Manufacturing Operations (interview, 26 April 2023) clarified, at the time of the acquisition, the company did not possess any production units, and their products were imported or manufactured by other, primarily Asian companies, which remains the case even to this date. At the time, New Markets offered a product range that was targeted at markets outside of Europe, and the strategic acquisition of BioPak drove the strengthening of Duni's position in the prioritized market of Asia and Oceania (Duni Group, 2019). Prior to BioPak, an acquisition of Biopac UK took place in early 2018, and synergies generated between these companies induced a share transfer of Biopac UK to BioPak (Duni Group, 2018b). As Biopac UK was a European business, it was consolidated into another business area, Meal Service (Duni Group, 2018b). The BioPak brand was eventually established in



Europe following the ambition to become a global brand and became one of Duni's two main brands, with the status of the strongest brand for sustainable packaging (Duni Group, 2020). In 2021, the two brands, Duni and BioPak, formed Duni Group's two business areas (Duni Group, 2022).

According to the Senior Advisor (interview, 25 April 2023), the motives for the acquisition of BioPak stemmed from Duni's ambitions to extend the product range:

*In the last 10 years, we have been focusing on not to only have one leg, the table top, but also to grow the meal service part. We made some acquisitions, not least the BioPak acquisition in Australia, which was part of seeking strategic assets and positions in an interesting market.*

The Director of Manufacturing Operations (interview, 26 April 2023) explained that the acquisition was principally motivated by expanding Duni's reach to markets beyond Europe but also by the changing legislation related to environmental sustainability:

*There was a lot of changing legislation like the plastic ban and so on, and Duni in Europe still has a pretty big share of plastic items in the assortment. So we need to heavily reduce this now. BioPak in Australia was already far ahead.*

The CFO (interview, 27 April 2023) recognized that during the years prior to the acquisition of BioPak, Duni started to acknowledge the strategic potential of sustainable packaging as a market segment given the rising demand and also validated Duni's extension into two business areas in response to events in the external environment:

*Instead of being dependent on 90% of all the sales from napkins, we realized that we could have two legs. So we looked everywhere and found a company in Australia that was called BioPak... So I think it was the plastic shift to fiber that triggered a lot of those decisions.*

#### 4.1.7 Future Direction of Duni's FDIs

Regarding the future direction of Duni's FDIs, the interviewees emphasized several important considerations. The interviewees pointed out the return back to the period before the global expansion and consolidation of production by means of altering the strategy back to the market expansion and local production. The Director of Manufacturing Operations (interview, 26 April 2023) explained that:

*And now we are actually thinking to do the opposite again, not going into 20 [markets] but in strategic markets, where we see growth potential, we are considering to have a footprint again, and that is mainly in South Europe and South East Europe. Because those are the markets where we see that we are not competitive if we produce in Bramsche or in Poznań.*

The Director of Manufacturing Operations (interview, 26 April 2023) further highlighted the sole motive being locally present in the new market by, to a large extent ruling out another potential motive for future FDI, the technological capabilities.

*It's mainly the distance to the market. There are not many reasons actually to acquire companies due to that they have technologies that we don't have because there's not such a technology that is so much different from anything that we already have.*

Similarly, the CFO (interview, 27 April 2023) detailed the future market expansion in particular countries in accordance with the Director of Manufacturing Operations but also highlighted the potential market expansion outside of Europe, although less definite:

*We are interested in continuing the expansion outside Europe, as well as inside Europe, we are still not that present in the south- and southeast of Europe. And if we look outside Europe, we have selected certain areas to continue the journey in APAC. But we'll also have some presence, although small in the US. So that is a big shot as well.*

Another consideration for future FDIs that interviewees acknowledged is acquisitions as the preferred form of FDI, despite certain efforts dedicated to establishing greenfield production, as explained by the CFO (interview, 27 April 2023):

*There's a risk connected to [acquisitions] that you pay too much. The other alternative is greenfield investments which are less risky but takes much longer time. So you need to balance those two. Acquisitions, absolutely, will continue to be important. But I still hope that we in some markets can also do some more organically, like we're doing in US where we have not acquired a company but organically built that up.*

The Executive Vice President (interview, 27 April 2023) justified the choice of acquisitions over greenfield investments in the case of future expansion into identified new target markets:

*We want to access the South and Eastern Europe market. We can do it greenfield, buying machines and starting to produce ourselves or we buy a company. And we did the math and calculation on everything and realized that it will take too long time, plus we didn't have the volumes to make the business case fly to build up production ourselves. It is better to buy a company that has a big volume already, customer contracts, plus a factory up and running.*

The Chairman (interview, 3 May 2023) also emphasized acquisitions as the future entry mode while also emphasizing the essential attributes of the company: “You have to be flexible,

*agile, light in terms of investments and you have to be close to your customers*". Moreover, he referred to the possibility of shared ownership of future production units, following the current setup for their acquired companies:

*We may not be doing investments by ourselves. We might look into some cooperation with others, etc. So I mean, the production is not something that we compete with because we are sharing the factories in Asia today with others.*

## 4.2 Patterns across Duni's FDIs

### 4.2.1 From Market- and Resource-seeking to Strategic Asset-seeking

The analysis of Duni's FDIs reveals a dynamic evolution of the company's intrinsic motives over time, and it is evident that, for each of the locations, several motives have coexisted. This confirms Dunning and Lundan's (2008) proposition that the four categories of intrinsic motives are often pursued together. The coexisting and shifting nature of Duni's intrinsic motives for FDI were emphasized by the Senior Advisor (interview, 25 April 2023):

*I would say all of this applies to a certain extent, all of the time. During this journey, seeking markets was a lot of the drive in the 1960s and 1970s. Seeking more efficient production that was definitely very high on the agenda in the 1990s and until 2010. And then you can say, again, after 2010, seeking markets has become a little bit more important.*

Based on insights from the empirical observations, it is evident that natural resource-seeking was the motive for the FDIs in Poland, Thailand, and Wolkenstein. In Poland and Thailand, it was for the relatively lower labor cost. Undertaking FDIs in host countries to exploit resources and lower labor costs are, according to Dunning and Lundan (2008), motives of natural resource-seeking; this is also supported by Cuervo-Cazurra et al. (2015). In Wolkenstein, the motive was not to access low-cost labor but rather the more advanced printing technology, which the company did not have at the time. This also aligns with Dunning and Lundan's (2008) natural resource-seeking motive, seeing as seeking technological capabilities is included in their exemplification of the motive (Dunning and Lundan, 2008).

Market-seeking motives appeared to have had a major impact on all of Duni's FDI decisions: however, in slightly different ways. The company's initial FDI in Bramsche was, according to the Chairman (interview, 3 May 2023), motivated to better serve the nearby market, where growing sales were present. This is in line with Dunning and Lundan's (2008) market-seeking motive, as the authors state that this motive emerges from the intent to access a new or greater market. Another reason for market-seeking motives claimed by the authors is a

reduction in transaction and production costs by supplying from a shorter distance. This has, according to the majority of the interviewees, been a rationale for engaging in FDI in countries close to key markets and customers, including Bramsche as one example.

For Wolkenstein, the motive was not about accessing the nearby market but rather a specific market segment of more exclusive printed napkins. Czinkota et al. (2021) and Dunning and Lundan (2008) suggest that the differentiation of a product and the desire to provide a unique product constitute market-seeking motives. In Bangkok, market-seeking was very pertinent as it was the first acquisition of a factory after undertaking the first FDI in Asia in Singapore, mainly motivated by better serving nearby markets. Thus it was simply in line with market-seeking, as Dunning and Lundan (2008) include supplying a new and greater market in their definition. As evident from several of the interviewees, this was also the reasoning behind entering New Zealand and Australia.

None of Duni's FDIs seem to initially have been undertaken with efficiency-seeking motives. This may relate to Dunning and Lundan's (2008) suggestion that efficiency-seeking has appeared to be a motive once resource-based and/or market-seeking investments have reached a substantial enough level to justify a certain degree of conversion. While efficiency-seeking was not a motive for setting up the two factories in Bramsche and Poznań, seeking economies of scale was the main motive when the company decided to cease production in several European countries and centralize all production in Bramsche and Poznań. The opportunity of getting access to economies of scale is described by Dunning and Lundan (2008) as an apparent rationale for the efficiency-seeking motive; this is also supported by Czinkota et al. (2021). This was emphasized by the Senior Advisor (interview, 25 April 2023) when asked about efficiency-seeking motives:

*Just to take a typical example of seeking more efficient production was during the 2004/2005 project of making a more efficient production setup when we invested in building out in Poznań and also invested in the production unit in Germany and closed the production in Sweden. We were looking into a more efficient setup and getting economies of scale in the production. That's clear.*

In addition to the market-seeking motives for the acquisition in Thailand, both the Chairman and Senior Advisor proposed that entering the market was a great opportunity because of the extensive tourism and large number of inhabitants. This may also be considered an efficiency-seeking motive, as the company had the intention to capture differences in foreign markets, including cultural demand patterns and market structures (Dunning & Lundan, 2008). This also applies to the acquisition of BioPak in Sydney as that FDI partly was motivated by supplying a demand following changing legislation.

As evident from the empirical observations, Duni acquired the factory in Wolkenstein and the company in Australia with more of a strategic intent and to extend the product range. The factory in Wolkenstein was an expert in printing, and so the main motive for the acquisition was access to the technology, according to the Director of Manufacturing Operations

(interview, 26 April 2023). Dunning and Lundan (2008) argue that when an FDI is made with the motive to acquire long-term strategic assets to complement the firm's global portfolio, it is strategic asset-seeking. Similarly, the acquisition of BioPak in Australia had strategic motives in the sense of increasing competitiveness and benefit from diverse activities and capabilities, this is supported by Dunning and Lundan (2008) as well as Cuervo-Cazurra et al. (2015).

Table 4 presents an overview of Duni's diverse motives for its present FDIs. While the company's FDIs have been driven by a variety of intrinsic motives, some motives seem to have weighted stronger than others for the different locations. Overall, seeking markets appears to have constituted the overarching motive behind Duni's foreign expansions. However, while Duni's initial foreign production site in Bramsche was purely driven by market-seeking motives, the subsequent investment in Poland was motivated both by seeking markets and, perhaps more importantly, by exploiting low-cost labor. Moreover, when these two facilities were retained during the restructuring program in the early 2000s, efficiency-seeking in the sense of achieving economies of scale was the central motive. When the third European production site was acquired in Wolkenstein, the company was mainly seeking a new technology to help it extend its market by accessing a new market segment. Thus the dominant motive for Wolkenstein was demonstrated to be strategic asset-seeking, followed by market-seeking.

The interviewees agreed that when the company later expanded to Asia, the primary motive was access to a greater market with a promising supply. Thailand and Bangkok, in particular, were an opportunity because of the advantageous location and low labor cost, thus incorporating natural resource seeking as an important motive. Furthermore, the acquisition in Auckland was made purely with the intention of reaching the New Zealand market, making market-seeking the dominant motive. Finally, the FDI in Sydney was made with a strategic rationale to extend the business, and hence strategic asset-seeking seemed to be the dominant motive, whereas some efficiency motives seem to have also been considered as the FDI was undertaken with the motive to comply with demand patterns.

In essence, it is evident that Duni's intrinsic motives for FDI have altered over the years. Table 4 reveals a pattern indicating that the company's early FDIs were more influenced by the desire to find new markets and exploit resources in terms of low-cost labor, while the company's more recent FDIs seem to have been motivated by seeking strategic assets. This finding conforms to Cuervo-Cazurra et al. (2015), Czinkota et al. (2021), and Dunning and Lundan (2008) proposition that the motives for FDI are likely to shift over time as firms acquire increased experience and establishment from operating in foreign markets. In particular, Dunning and Lundan (2008) argue that the motives are likely to evolve from merely market-seeking and resource-seeking to strategic asset-seeking.

Table 4 - Intrinsic Motives for Duni's FDI's

Motive for FDI	Examples	Bramsche	Poznań	Wolkenstein	Bangkok	Auckland	Sydney
<b>Natural resource seeking</b>	<i>Accessing resources which are not available or at a lower cost than home</i> *Physical resources *Low cost labor * Technological capabilities, management or marketing expertise, and organizational skills.		Low cost labor	Technological capabilities	Relatively low cost labor		
<b>Market seeking</b>	<i>Accessing novel / larger market</i> * Greater demand * Minimize transaction cost * Policies to promote FDI over exporting - Follow actions of suppliers / customers - Differentiate the product - Being at the right place for knowledge -Physical presence	Increased demand in market  Minimize transaction cost by supplying from shorter distance	Increased demand in market	Being able to differentiate the product	Access new market	Access new market	
<b>Efficiency seeking</b>	<i>Turn differences in foreign markets into advantages</i> * Differences in Cost or Factor endowments. * Economies of Scale or scope - Cultural, institutional, political or legal, demand patterns, or market structures	Economies of Scale <sup>1</sup>	Economies of Scale <sup>1</sup>	Demand patterns of a more unique product	Demand patterns and market structure		Demand patterns
<b>Strategic-asset seeking</b>	<i>Complement long-term strategic assets</i> * physical assets * Human competencies - Diverse activities and capabilities or; - similar activities and capabilities in various environments			Diverse activities and capabilities			Diverse activities and capabilities

<sup>1</sup> The efficiency-seeking motive (economies of scale) was not the motive when initially undertaking the FDI but rather the motive when deciding to keep the production sites during the restructuring program.

#### 4.2.2 Learning by Doing and Doing by Learning

The FDI's undertaken by Duni over the years indicate an increased experience of international activities and establishment in foreign markets. In particular, this increased experience is mirrored in the acquisition and development of market- and firm-specific experiential knowledge throughout Duni's international expansion. This conforms with the notion that firms' internationalization is significantly affected by experiential knowledge (De Clercq et al., 2012). Moreover, this aligns with Johanson and Vahlne's (1977) notion that firms need to acquire two types of knowledge for the establishment and performance of foreign operations: market-specific and firm-specific knowledge.

The market-specific knowledge is explained by Johanson and Vahlne (1977) as knowledge concerning particular market characteristics, such as the business climate and cultural patterns. The authors further explain that this type of knowledge cannot easily be transferred from one market to another as it needs to be acquired from experience of foreign activities within that said market. The empirical observations of this study correspond to these theoretical propositions. For instance, the CFO (interview, 27 April 2023) emphasized how the company cannot simply copy learnings from one country where they have pursued an FDI to another as each location is unique:

*What about the culture? There are so many aspects when it comes to the integration that is unique. In Wolkenstein and Thailand, it is quite difficult to say that, now we*

*copy this, we change that, and then we do like this...So you need to adapt to the unique situation for every case, I think that's a learning in itself.*

The Senior Advisor (interview, 25 April 2023) further emphasized the difficulties in transferring knowledge from one market to another: *“But so you cannot take the knowledge and just copy it like that, you can take certain learnings”*.

Furthermore, it is evident that, as Duni has entered into countries with higher psychic distance in more recent years, the company has moved away from accumulating its own market-specific knowledge to increasingly obtaining valuable market knowledge through acquiring or pursuing joint ventures with local distributors and companies. The Chairman (interview, 3 May 2023) explained how the company attains market-specific knowledge through local firms to avoid the risks inherent to obtaining this knowledge from scratch through setting up local production of their own:

*So you're basically paying this premium to get their knowledge and expertise about operating in that specific market instead of having to have that knowledge of your own.*

This further aligns with Forsgren's (2002) proposition that firms occasionally invest in foreign markets despite lacking experiential knowledge of their own. Forsgren (2002) argues that firms can decrease the perceived risk of international operations by integrating other firms' experience into the firm. The Chairman (interview, 3 May 2023) indicated that this has certainly been the case for Duni in its most recent FDIs in the Asia-Pacific region:

*The steps that we took were absolutely needed: we have to have a company there, we have to have a dialogue, we have to understand the challenges in order to understand the market. So, I would say that the value of these companies today is extremely high.*

In addition to the market-specific knowledge acquired through its own foreign market experience and through acquiring local companies with market experience, it is evident that Duni has developed experiential knowledge that is not restricted to a specific market but rather specific to the firm. This aligns with Eriksson et al. (1997) notion that, in addition to knowledge about foreign markets and institutions, firms require knowledge about “the internal resources of a firm, and what the firm is capable of when exposed to new and unfamiliar conditions” (p.353). They refer to this as internationalization knowledge and suggest that the concept explains how the choice of entry mode into a new foreign market may depend on the aggregate countries that the firm has previously entered. This is further in line with Eriksson et al.'s (2000) proposition that as firms operate in a wider variety of foreign markets, they are subject to a wider array of events which results in an improved ability to spot obstacles and opportunities in foreign markets. The empirical observations support these theoretical propositions because as Duni has expanded to countries with higher psychic distance and thus variety, it seems to have gained crucial insights regarding the

resources and capabilities required to successfully engage in international operations, which have affected their future FDI decisions.

For Duni, this internationalization knowledge regards, among other things, the suitable type of ownership in psychically distant markets, the degree of integration, and the trade-offs between efficient and local production. For instance, through its FDIs in the Asia-Pacific region, Duni has learned that as it pursues FDIs in markets with high psychic distance from its home market, it is important that the local management stays on board after the acquisition. Following this learning, Duni has not acquired 100% of the companies in markets with high psychic distance but rather entered into joint ventures to ensure that the local management stays and runs the operations for a couple of years. This is explained by the Director of Manufacturing Operations (interview, 26 April 2023):

*It is important for Duni's way forward when it comes to acquisitions because what we learned is where we acquire companies far away from our home markets, it is important that we have management locally that we can trust and that stays on board after the acquisition.*

Moreover, Duni has altered its routines of entering foreign markets as it has acquired a broader set of internationalization knowledge. For instance, the company has shifted from entering foreign markets through greenfield investments to increasingly engaging in acquisitions and joint ventures. This empirical observation illustrates how Duni, through its experience and establishment in foreign markets, has obtained experiential knowledge which has played a part in changing the company's structures and routine for engaging in FDI. This aligns with Eriksson et al. (1997) proposition that the structures and routines developed by the firm through internationalization must be altered as it gains knowledge about its capabilities and needs in the foreign market.

#### 4.2.3 External Factors Influencing FDI and the Way Forward

The cross-case analysis revealed Duni's consideration of external factors throughout its international expansion and operations. A major external factor that historically impacted Duni's motives for FDI was the opening of certain markets as well as target market shifts induced by macroeconomic factors. The former factor is evident in the case of Poznań, as the fall of the Iron Curtain in 1989 was the primary enabler of starting production and accessing the Eastern European market. In the case of Bramsche, it was at that time government subsidies imposed to boost the development of West Germany that influenced that particular location choice. Similarly, the access to the Asia-Pacific market was influenced by the opening of China; however, due to the increasing impact of additional external factors that forced companies to reconsider or re-locate their production, the focus shifted. These additional factors are, to a large extent, related to production, transportation, and logistics costs and have become more prevalent in recent years. The Chairman (interview, 3 May 2023) emphasized how current logistic and production structures are in a rapid and extensive change:



*The distribution models and all the logistics, I mean, you're sending products all over the world, without any sense, it's only the pricing. Europe-Asia started basically when China opened up, and China was the whole production facility of the world. Now China doesn't produce anymore, because China is extremely expensive. Therefore, many companies moved out into other areas in the region. So I think most industries are rapidly and in-depth looking for other logistics and production structures.*

In addition, increasing traffic and transportation costs are recognized by the CFO (interview, 27 April 2023) as a progressively important consideration in the IB environment:

*Of course, there are more and more traffic costs. There is big congestion on motorways, which impacts logistics costs. So, mainly during the last 15 years, logistics cost has started to have a bigger impact which we might need to think about... These things are impacting the thinking all the time.*

The optimization of the distribution chain is closely related to another prevalent external factor, a shift toward environmental sustainability across all company operations. The environmental sustainability trend and requirements have not only incited Duni to implement sustainable practices in their value chains but also to extend their line of business, as demonstrated in the case BioPak. The Director of Manufacturing Operations (interview, 26 April 2023) explained how environmental sustainability constitutes an increasingly important consideration:

*You probably know about all ESG criteria now, where you need to report net zero scope 1, 2, and 3 emissions. So scope one and two are your direct emissions, like what emissions you have from your own operations, and scope three is the emissions from your suppliers in and outbound to your factories, and that is increasingly important for us, because we will not be able to reach our sustainability targets if we have inefficient supply chain setups.*

The Senior Advisor (interview, 25 April 2023) also recognized the importance of the sustainability-related regulations and implications of the ESG framework: “...everywhere we are, we need to have the ESG in mind to be as environmentally and sustainable as possible”. Correspondingly, the CFO (interview, 27 April 2023) addressed the issue affecting Duni’s current operations and even in terms of future considerations:

*There's legislation coming. If you go to a restaurant in Germany nowadays, if you're going to buy a coffee on the go, the restaurant needs to offer you a reusable option. So that is putting a lot of pressure on our business model... What will be reusable and how, and in what way will play out in a multibillion industry... [That is] interesting to follow, for us, because we need to bet on certain things in the future.*

The Chairman (interview, 3 May 2023) also addressed the issue of the environmental shift,

consistent with the points made by other interviewees:

*The world is changing rapidly and the things that we thought were an absolute truth for four or five years ago are now challenged. Most companies, like us, started as a local business and then we aspired to be global. But in terms of the broad environmental shift that we are going through, in my view, there will be a lot of local production because you are not able to reach your goals or your targets when it comes to this transformation that you're in. So the whole setup, when it comes to local production, or global production has to be questioned. That's one extremely important area.*

Several underlying external environment factors have been acknowledged as affecting Duni's operations across its markets as well as having an impact on its strategic decision-making. These included market openness and barriers, transportation and distribution costs, structures and changing business models, as well as global environmental sustainability requirements and demand patterns. This complies with Grant's (2016) statement about the importance of understanding the dynamic relationship between a firm's internal and external environment for identifying threats and opportunities to the firm.

In regards to the future direction of Duni's international expansion, it is evident that certain external factors will considerably shape the firms' motives for engaging in FDIs. In particular, environmental sustainability requirements will continue to have a substantial impact on businesses globally. There is accelerating pressure for business practices that comply with legislation as well as consumer demand, which Duni pursues to follow. Furthermore, the company has been extending its product range accordingly, as apparent from their latest FDI, the acquisition of BioPak. This can be seen as the firms' motives for FDI have shifted towards strategic asset-seeking, induced by the external environment. Besides the product range expansion, the strategic asset-seeking direction is implied by the consideration to continue establishing partnerships with local partners, in accordance with Dunning and Lundan (2008).

In addition, Duni's future foreign expansions seem to continue to be characterized by the motive to expand into new markets, primarily through acquisitions of companies in the pursuit of capturing a share in new markets and establishing a local presence outside saturated markets. Evidently, the market-seeking motive that has historically shaped Duni's foreign expansions remains highly relevant for its future FDIs. Furthermore, Duni's emphasis on acquisitions as the preferred future entry mode seems to be the result of the utilization of firm-specific experiential knowledge accumulated through Duni's experience and establishment in foreign markets. This is consistent with Eriksson et al. (1997) proposition that firms obtain experiential knowledge about the internal resources and capabilities required in different foreign situations and that this knowledge explains how the choice of entry mode into a new foreign market may be explained by the aggregate countries that the firm has previously entered.

# 5 Conclusion

## 5.1 Research Aim and Objectives

The aim of this study was to explore whether and how the accumulation of experiential knowledge from increased experience and establishment in foreign markets influences how firms' intrinsic motives for FDI shift over time. To achieve the aim, the following research question was formulated:

*How do firms' intrinsic motives for FDI evolve with increased international experience and establishment?*

In order to answer the research question, a thorough literature review was conducted on the existing literature regarding intrinsic motives for FDI, experiential knowledge, and external factors influencing the IB environment. Thereafter, five semi-structured interviews were conducted with employees at the chosen case company to understand the interplay between its motives to expand internationally and the experiential knowledge acquired through its experience and establishment. Lastly, a flexible pattern-matching analysis was enforced to analyze and discuss whether the empirical patterns developed from the interviews corresponded to or dismissed the patterns proposed in the existing literature. The insights developed from this embedded case study contribute to the existing literature by illustrating how the motives for FDI evolve as firms acquire and employ experiential knowledge. Moreover, the empirical observations highlight that firms' decisions and strategies regarding foreign operations cannot be analyzed in isolation from their external environment. Following this, the aim and objectives of this thesis have been achieved.

## 5.2 Key Findings

The key findings regarding the interplay between shifting motives for FDI and experiential knowledge that emerged from this embedded case study may be summarized in the following way. First and foremost, the analysis of Duni's FDIs illustrates how a firm may simultaneously have several motives for expanding its operations internationally. This finding confirms Dunning and Lundan's (2008) proposition that the four categories of intrinsic motives for FDI (natural resource-seeking, market-seeking, efficiency-seeking, and strategic asset-seeking) are often pursued together.

Furthermore, the analysis illustrates how, while coexisting, one motive may weigh heavier than others. As indicated by Table 4, Duni's intrinsic motives for FDI seem to have shifted over time; however, these shifts have not followed a linear progression as several motives have been present for each location. Initially, Duni's foreign expansions were driven simply by accessing new markets and making production more efficient by exploiting cost advantages. Over the years, as the company gained increased experience in foreign operations and became more established, the motives have evolved into finding new ways to gain a competitive advantage to enhance the firm's global market position. This pattern of shifting motives aligns with Cuervo-Cazurra et al. (2015), Czinkota et al. (2021), and Dunning and Lundan's (2008) proposition that the motives for FDI are likely to shift over time as firms acquire increased experience and establishment from operating in foreign markets. In particular, it confirms Dunning and Lundan's (2008) prediction that the motives are likely to evolve from merely market- and resource-seeking to strategic asset-seeking. This shift is reinforced by considering the characteristics of Duni's future FDIs, where in addition to accessing new markets and having a local presence, the company recognizes that future FDIs will increasingly be undertaken with the motive to comply with legislation and conform to a rapidly changing business environment to enhance its competitive position. Hence, the direction of Duni's future FDIs lends further support for the shift away from FDIs merely motivated by accessing new markets and exploiting differences in resources to FDIs directed by the desire to obtain a strategic edge over competitors.

Another key finding regards how the acquisition of experiential knowledge may work as an explanation for the shifting intrinsic motives for FDI. It is evident from the analysis that as a consequence of Duni's increased experience and establishment of foreign operations, the company has developed both market-specific and firm-specific knowledge (in line with Casillas & Menéndez, 2014; Eriksson et al. 1997; 2000; Johanson & Vahlne, 1977) which has contributed to an improved understanding of how to successfully engage in FDIs. The analysis further emphasizes how Duni, throughout its foreign expansion, has moved away from obtaining market-specific experiential knowledge through setting up foreign operations from scratch to obtaining this knowledge by acquiring local firms in the foreign market (in line with Forsgren, 2002). Regardless of the means of knowledge acquisition, increased knowledge about conditions in specific markets and the resources and capabilities required in particular situations has enabled Duni to identify new ways in which it can engage in FDIs to improve its competitive position, thus providing a rationale for the shift towards strategic asset seeking motives for FDI. Moreover, this confirms with Cuervo-Cazurra et al.'s (2015) proposition that the shift in firms' motives is likely to be driven by the increased experience of foreign operations.

Moreover, the analysis demonstrates how factors in the IB environment played an integral part in Duni's foreign expansion decisions, which confirms an interconnectedness between the firm's internal and external environment, as suggested by Grant (2016). Among other factors, the opening of previously closed markets, such as Eastern Europe and China, seems to have influenced the direction of Duni's FDIs. Furthermore, laws and regulations seem to have shaped and continue to shape the company's motives for engaging in FDI. This may be

illustrated through the FDI in Bramsche in which favorable regulations steered Duni's market-seeking FDI. In addition, the acquisition of BioPak in Australia seems to have been motivated by seeking strategic assets to sustain the firm's long-term competitive position despite an accelerating scope of governmental and international institutional regulations and requirements related to sustainability objectives. Essentially, the rise of environmental sustainability may constitute one of the external factors impacting the shift towards strategic asset-seeking motives for engaging in FDI. A few decades ago, the general focus in the IB environment was on growth and low-cost production. However, in the past two decades, the IB environment has become increasingly characterized by awareness regarding climate change, and so firms are increasingly pressured to be environmentally sustainable. With this pressure, it is natural for firms to seek strategic assets to sustain their long-term competitive position.

In conclusion, the key findings of this study provide empirical evidence for experiential knowledge as an explanation for shifting intrinsic motives for FDI. The findings support the premise regarding the evolution of motives outlined in existing theories from market- and resource-seeking to strategic asset-seeking.

### 5.3 Practical Implications

Considerable managerial and theoretical implications arise from the key findings of this study. For managers engaged in foreign expansion decisions, it is crucial to understand the dynamic nature of intrinsic motives for FDI and the role of experiential knowledge in shifting these motives. First and foremost, as firms may have several motives for engaging in FDI simultaneously, and as these may shift as they acquire experiential knowledge, managers should repeatedly assess their intrinsic motives for FDI and modify their strategies accordingly. Furthermore, managers should prioritize the acquisition of both market-specific and firm-specific experiential knowledge throughout the firm's international expansions, as this knowledge may substantially affect the motives for future international expansions. Moreover, through effective knowledge management and utilization, the processes and strategic decision-making related to further expansion may be improved. Additionally, managers need to consider how the rise of environmental sustainability is shifting motives toward increasingly engaging in FDI to acquire new strategic assets to maintain a competitive edge in a decade of climate action.

Furthermore, the findings have connotations for existing theories regarding intrinsic motives for FDI. While the empirical observations support the four categories of motives suggested by Dunning and Lundan (2008), the findings of this study indicate the existence of a potential fifth intrinsic motive: seeking legitimacy. The insights developed pinpoint environmental sustainability and changing legislation together with shifting demand and consumers' expectations on operations as increasingly important considerations in foreign expansion

decisions. While firms may still be motivated to engage in FDI to seek new or larger markets, low-cost labor, and/or to acquire and complement long-term strategic assets, FDIs in the 21st century may increasingly be driven by a desire to seek legitimacy. This involves engaging in FDIs that are considered appropriate for the firm's social responsibility objectives and, perhaps more importantly, avoiding undertaking FDIs that violate these objectives.

## 5.4 Limitations and Future Research

This thesis is subjected to a number of limitations; however, these limitations, together with the findings, present several interesting avenues for future research. First, as this study investigates the FDIs of one particular firm, the findings can not be generalizable to a broader population of firms. Thus, to improve the generalizability of the findings, future research should assume a multiple case study design including several firms engaging in FDI. Furthermore, as this study is based on a case company from a specific industry, the findings cannot be generalized beyond the industry. Future research may consider companies from other industries which can result in discovering similarities or differences in the researched subject and have implications for particular industries. Moreover, as the case company of this thesis resides in a developed market, it may be relevant to conduct similar studies, including firms from developing markets, to discover the role of the market's level of development in the dynamics of experiential knowledge and shifting motives for FDI. This is decisive to consider as firms operating in developing markets are expected to have different starting points and thus different motives for expanding to foreign markets, hence eventually a different pattern. Similarly, analyzing firms of different sizes and scopes and at different stages of their learning curve may provide interesting implications for the motives for FDI.

Another limitation of this study stems from the limited scope, which may neglect other factors influencing motives for FDI, such as political and institutional factors. Thus, future research on the topic should encompass a cross-disciplinary stance, combining premises from the IB research with premises from the political science field to more accurately capture all factors influencing shifts in the motives for FDI. In addition, including political and institutional considerations in future research would allow for exploring the rising concern for environmental sustainability and how this may constitute the building blocks of a fifth motive for FDIs: seeking legitimacy.

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# Appendix A

## **Cover letter to Interviewees**

As businesses increasingly operate in a global market, international expansion has become a strategic imperative for many firms. In this context, our study aims to investigate firms' intrinsic motives for engaging in foreign direct investment (FDI) and explore whether and how the accumulation of knowledge gained from increased foreign experience and establishment influences how these motives shift over time. We believe that your experience and insights regarding international expansion and operations can provide valuable insights for internationalizing firms' overall strategy and profitability in international markets, as it can assist firms in making more informed decisions and more effectively managing risks, targeting their investments, and communicating across cultures. To achieve our research aim, we are collecting data from in-depth interviews with representatives from Duni as well as secondary data sources, such as annual reports. This data will subsequently work as the foundation for analyzing whether and how Duni's motives for FDI have evolved over time and if knowledge and learnings from your experience of foreign operations have had an impact on these evolving motives.

# Appendix B

## Interview Guide

### General questions

#### Information about the interviewee

1. Name
2. How long have you been at the company?
3. Position/previous positions
4. Responsibilities/role in the company

### Specific questions

#### *Question asked regarding the first foreign expansion*

5. Do you know what made the company want to engage in foreign production as opposed to staying domestic?
  - a. In what year?

#### *Questions asked for each subsequent foreign expansion*

#### Foreign expansion

6. What, if anything, do you know about the expansion to location X?
  - a. When did this take place?
  - b. Did the company set up its operations from scratch, or did the company acquire an existing operation in the foreign country?
    - i. Why?
7. What were the motives for having production in this location?
  - a. On a scale from 1-5, how important were the following factors in choosing the location (*where 1 implies that it was not important at all and 5 implies that it was the main driver of the decision*)?

Scale		1	2	3	4	5
Motive	Examples	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
a Seeking resources	Natural Physical Human (labor)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
b Seeking markets	Demand/supply Policies (tariffs)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

<b>c Seeking more efficient production</b>	Cost reductions Economies of scale/scope	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
<b>d Seeking strategic assets</b>	Long-term competitive advantage Greater portfolio of assets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

- b. Were there any factors in the international business environment driving the expansion to this particular location?

Experiential knowledge

8. Did you have any prior experience with the particular market/country before entering?
9. In what way, if any, did this prior international experience (or lack thereof) affect the decision to enter this market/country (positively and/or negatively)?
  - a) Did your prior international experience cause you to do anything differently than you did before?
  - b) Did your prior international experience affect the choice of location?
    - i) If yes, how?

**Summarizing questions**

Past international expansions

10. Do you know about any production sites in any other locations which have been closed down?
  - a. If yes, which location and which year?
  - b. Do you know the motives for starting and subsequently closing this production site?
11. In the decision to enter into a new market, how do you incorporate your existing knowledge base from foreign business activities?

External factors

12. In what way, if any, did changes in the business environment affect the company's expansion over the years?
  - a. Can you think of any specific events?

Future operations

13. Are you currently planning for any future international expansions?
  - a. Where? In which markets?
  - b. Why? What are the motives for this expansion?
  - c. Have you gained any knowledge from previous international operations that has led you to this decision?