

## **Key success & failure factors of Chinese companies in Norway**

- A cross-case analysis of four failed Chinese companies in Norway

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## **Abstract**

In recent years, more and more Chinese companies come to Norway to invest. Due to the huge difference between China and Norway in all aspects, the operation of these companies in Norway has become the focus of attention.

The purpose of this research is to gain empirical insights in depth into the key success & failure factors of Chinese companies in Norway, and direct the management of the Chinese multinationals to pay careful attention and control to these identified critical factors to increase the odds of success of overseas investment in Norway.

This research is conducted in a qualitative, multiple-case study based on semi-structured interviews and secondary research in four Chinese companies in Norway. The findings indicate that legal factors, cultural difference, business strategy, organisational structure and selection of people are the key success & failure factors of Chinese companies in Norway.

This paper is among the first attempts to identify the key success & failure factors of Chinese multinationals in Norway.

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# 1 Introduction

The research topic is inspired by the new phenomenon that more and more Chinese companies come to Norway to invest in recent years.

Chinese investments in Norway started since 2000. Over the last two decades, both number and scale of Chinese investments in Norway have increased. China has become a notable actor in Norway, and currently ranks between 10<sup>th</sup> and 15<sup>th</sup> place in the list of countries with the largest FDI holdings in Norway (Gåsemyr & Sverdrup – Thygeson, 2017, pp.101-102).

Chinese M&As (mergers and acquisitions) in the Norwegian market until 2017 totals around USD 7 billion (Gåsemyr & Sverdrup – Thygeson, 2017, pp. 102-103). Table 1 provides an overview of major larger Chinese M&As in Norway from 2002 to 2018.

Year completed	Chinese investor	Entity in Norway	Size of investment in USD millions (stake)	Sector
2003	Sinochem,	Atlantis Holding Norway AS	105 (100%)	Energy
2008	COSL	Awilco Offshore ASA	2500 (100%)	Energy
2010	Grand China Logistics (HNA)	Offshore Hearvy Transport AS	380* (60%)	Transportation
2011	China Bluestar Group (China Chemical)	Elkem	2000 (100%)	Chemicals
2015	China Bluestar Group Elkem (China Chemical)	REC Solar Holdnings AS	640 (100%)	Energy
2016	Reignwood Group	Voss Of Norway AS (Voss Water)	105* (55 %)	Consumer
2016	Golden Brick, Qihoo and Beijing Kunlun	Opera Software (consumer division)	575 (100%)	Software, IT
2018	Qumei Home Furnishing Group	Ekornes	630 (100%)	Consumer

**Table 1** An overview of major Chinese M&As in Norway (USD 100 million and larger), 2002-2018.

\* Reporting and final price estimates vary between sources, the most conservative estimate being chosen. Note that the figure does not indicates smaller investments that have taken place.

Source: Retrieved from Mathy & Sverdrup – Thygeson (2020, pp. 82-83)

From Table 1, it can be seen that China Bluestar's acquisition of Elkem in 2011 and China Offshore Service Limiteds (COSL)'s acquisition of Awilco in 2008 together totals USD 4.5 billion, which were in their time among the largest Chinese acquisitions in Europe (Kristoffersen, 2019, pp. 25-26).

According to statistics from the China Ministry of Commerce (MOFCOM) (2020, p.34), as of the end of 2018, the stock of Chinese direct investment in Norway was USD 1.998 billion.

Then, the questions are: among all the Chinese outward foreign direct investments (Chinese OFDI) in Norway, including M&As and greenfield investments, which of them are successful and profitable? Which of them are failed and unprofitable? And among the failed ones, why are they failed? Since Norway becomes increasingly attractive for Chinese investors, therefore, finding out the reasons for the failures of Chinese multinationals in Norway and identifying the key success & failure factors for them becomes particularly important for the Chinese investors who have invested in Norway and who are going to invest in Norway. If there have been more attention paid to these critical factors, the failures can be avoided, and the chance of success will be increased.

In addition, this paper contributes to the growing literature on the critical success & failure factors of Chinese OFDI at country-level, including both Chinese M&As and greenfield investments at different industries such as service industry and construction industry, and fills the research gap of Chinese OFDI in Nordic countries. This paper is among the first attempts to identify the key success & failure factors of Chinese companies in Norway. Furthermore, this paper is also of mounting importance for scholars, Norwegian businesses, and policymakers.

## **1.1 Research focus and research objectives**

The research focus and research objectives of this thesis are:

- 1) To find out the reasons why some of the Chinese companies failed in Norway.
- 2) To identify the key success & failure factors of these Chinese companies in Norway.
- 3) To compare the similarities and differences of the key success & failure factors identified across these companies in Norway to gain empirical insights in depth.



## **1.2 Research questions**

In order to pursue the research objectives, the following research questions are posed:

- *Why are some of the Chinese companies in Norway failed (unprofitable)?*
- *What are the key success & failure factors of these Chinese companies in Norway?*

## **1.3 Research design**

Because of the exploratory nature of this research, case study approach is chosen in this study. Four failed (unprofitable) Chinese company cases in Norway are selected: Malungen Gjestegård (Yang Yang AS), Verkshotellet AS, SRBG Norway, and China Liangtse Wellness AS. Based on these four cases, this research aims to gain in-depth empirical insights into the key success & failure factors of Chinese companies in Norway, not to draw conclusions of general applicability.

## **1.4. Structure of thesis**

Chapter 1 Introduction: Set the stage for this research with a clear focus, purpose and direction.

Chapter 2 Literature review: Review and summarize up-to-date research and articles on Chinese investment in Europe with specific time frame (the last 4-6 years), and specific level of the geographical region (Europe can be divided to Western, Southern, Eastern, Baltics and Nordic countries). The literature review is classified by different aspects such as Chinese outward foreign direct investment (OFDI) in Europe, Chinese OFDI in Norway, and key success & failure factors of Chinese OFDI.

Chapter 3 Methodology: Discuss the research methods used in this thesis in detail, including using case study method, using semi-structured interview and secondary research as data collection method, using cross-case analysis as data analysis method, and validity and reliability.

Chapter 4 Case presentation: Present the four selected cases and give an overview of the four cases' failure.

Chapter 5 Findings: First, analyse each case separately, find out the reasons for the failure, identify key success & failure factors, and give recommendations; second, aggregately compare similarities and differences of identified key success & failure factors across cases, and give summaries.

Chapter 6 Discussion: Discuss the findings of this paper in relation to the literature review. On one hand, some of identified key success & failure factors in this paper are in agreement with the proposed key success & failure factors from the literature; on the other hand, some factors unincluded in the literature are also identified as being critical to the success of the Chinese companies in Norway.

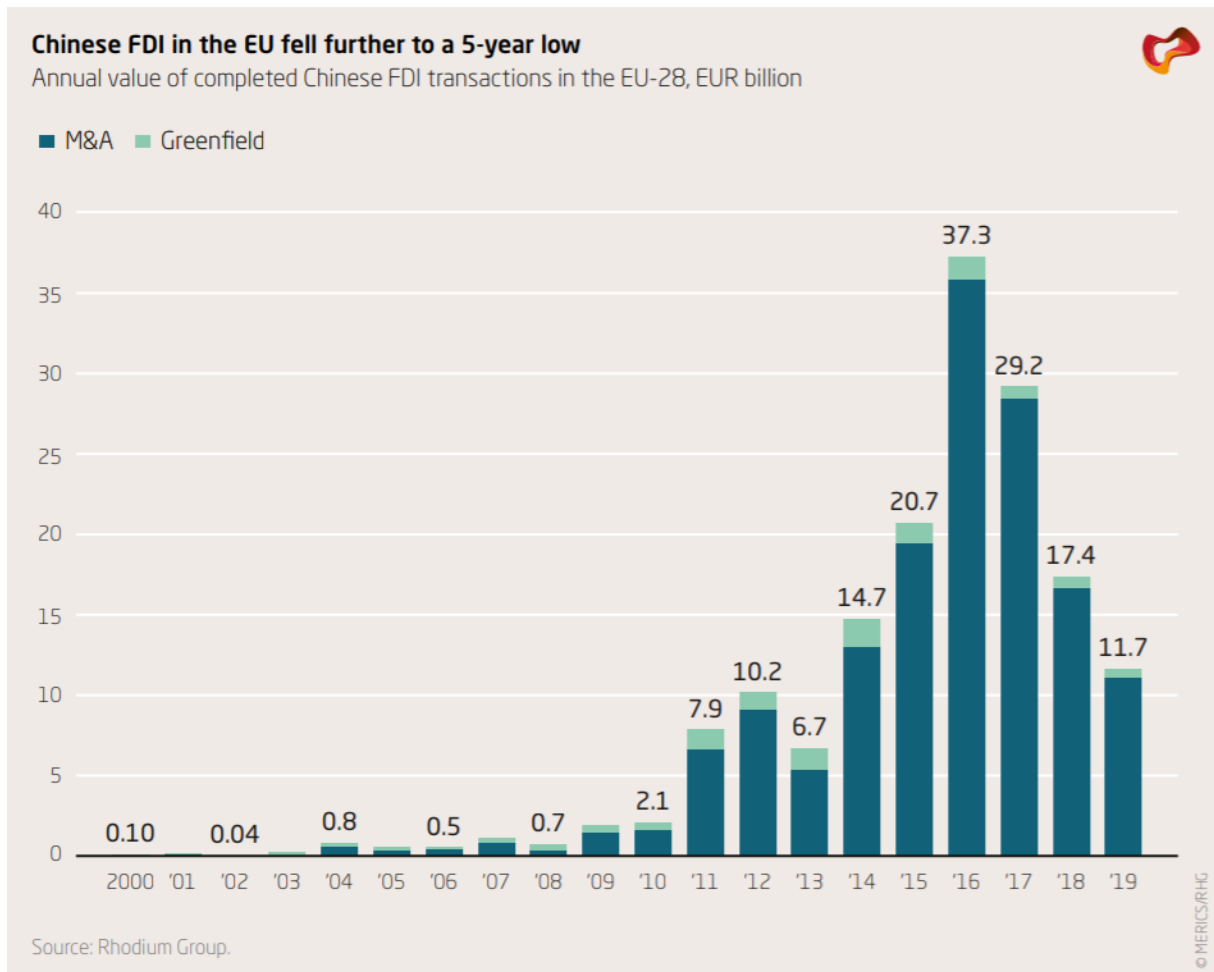
Chapter 7 Conclusion: Conclude by summarizing the answers to the research questions, discuss the implications and limitations of this paper, and give suggestions for the future research.

## **2 Literature review**

The literature review chapter will summarize up-to-date research and articles on Chinese investment in Europe with specific time frame (the last 4-6 years), and specific level of the geographical region (Europe can be divided to Western, Southern, Eastern, Baltics and Nordic countries). To discover potential research gaps in the existing literature, it is necessary to examine current research reports and academic articles that have a specific focus on this subject. The literature in this context will be reviewed and summarized in this chapter, classified by different aspects such as Chinese outward foreign direct investment (OFDI) in Europe, Chinese OFDI in Norway, and key success & failure factors of Chinese OFDI.

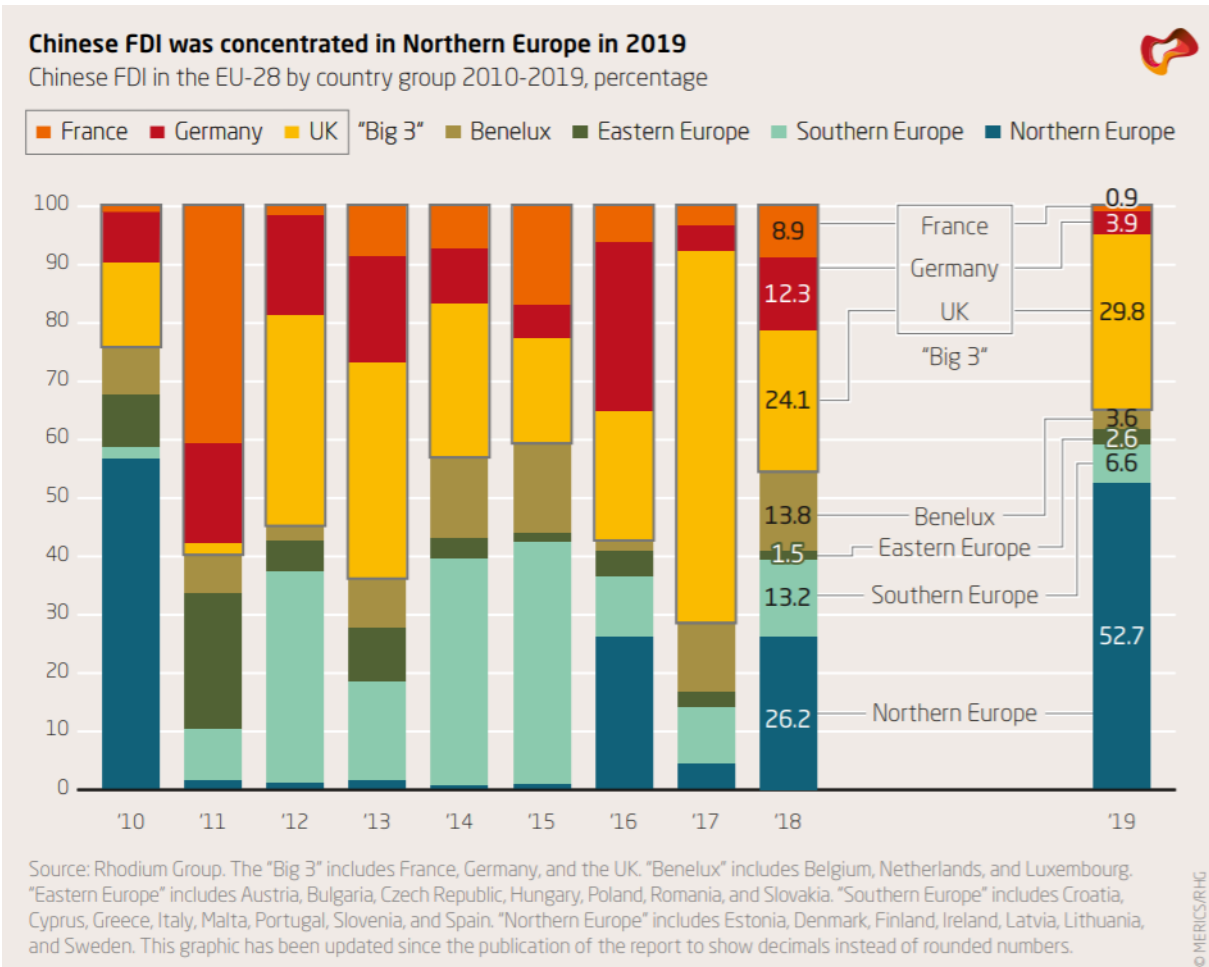
### **2.1 Chinese outward foreign direct investment in Europe**

China's Foreign Direct Investment in Europe has experienced a significant surge over the last decade. But since 2017, the trends of Chinese OFDI in Europe have declined as the Chinese government imposed restrictions to the Chinese OFDI due to uncontrolled outflow of capital towards the end of 2016, and protectionist stances that aim to prevent technology firms from slipping into the hands of foreign companies in Europe have become more widespread. These stances have resulted in that the European Commission proposed to have greater powers to block foreign investment and EU member states are modernizing FDI screening regimes (Hanemann, Huotari, & Kratz, 2019). In 2019, Chinese FDI in the EU-28 (see Figure 1) dropped to EUR 12 billion and back to 2013/2014 levels. The distribution of Chinese investment in the EU-28 (see Figure 2) was concentrated in Northern Europe which overtook the “Big Three” economies (UK, Germany, France) as the main destination of Chinese FDI and received 53 percent of all Chinese investment, mainly in Finland, Sweden, and Ireland. Meanwhile, the “Big Three” economies received only 34.6 percent of total Chinese investment. The industry mix of Chinese investment in EU-28 (see Figure 3) was concentrated in the consumer products and services, health and biotechnology, automotive, and financial and business services (Kratz, Huotari, Hanemann, & Arcesati, 2020).

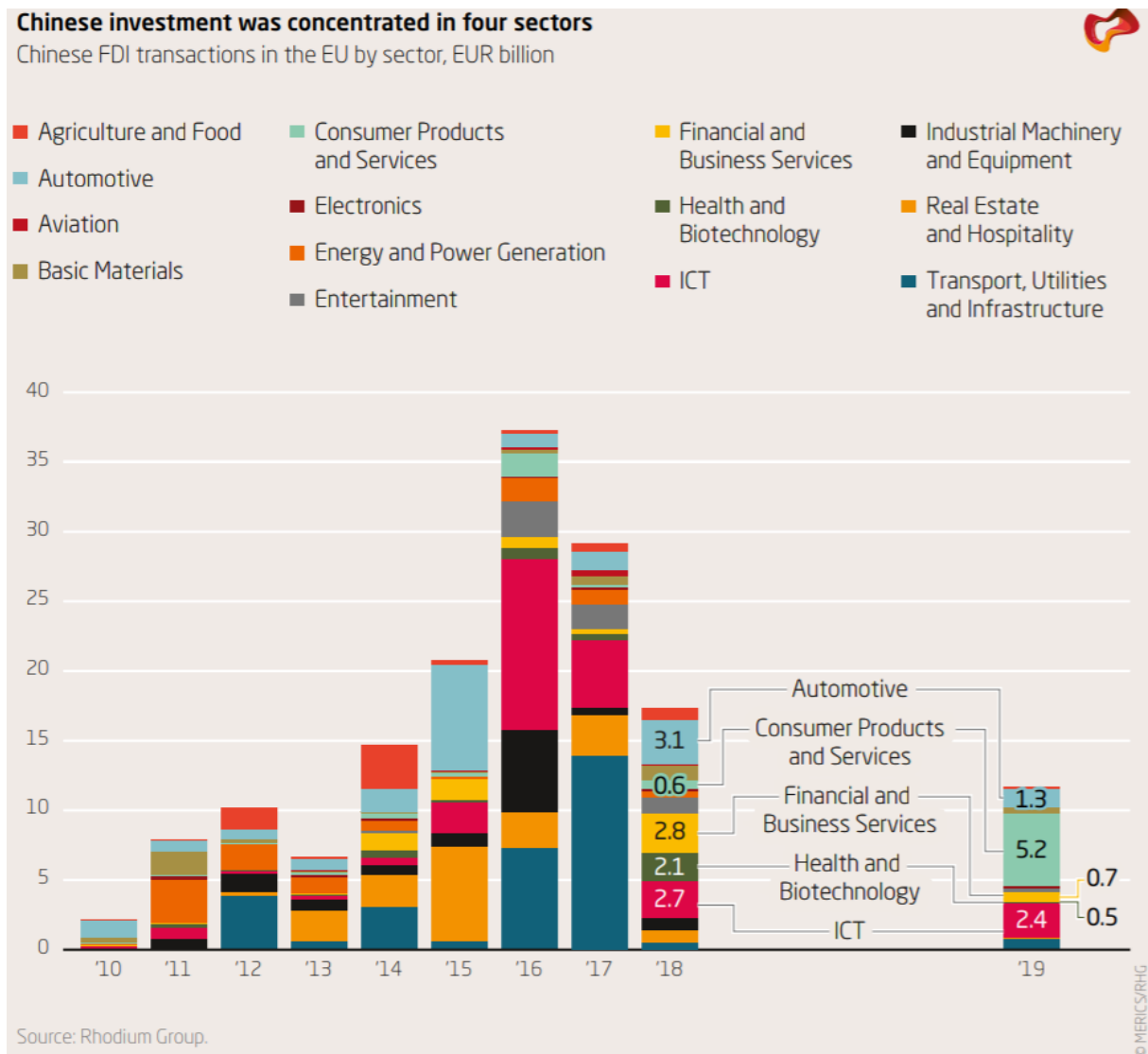


**Figure 1** An overview of Chinese FDI in EU-28 from 2000 to 2019.

Source: Retrieved from «Chinese FDI in Europe: 2019 Update » of Agatha Kratz, Mikko Huotari, Thilo Hanemann, and Rebecca Arcesati, *A report by Rhodium Group (RHG) and the Mercator Institute for China Studies (MERICS)*, 2020 (<https://www.merics.org/en/papers-on-china/chinese-fdi-in-europe-2019>)



**Figure 2** An overview of the geographic distribution of Chinese FDI in the EU-28 from 2010 to 2019. Source: Retrieved from «Chinese FDI in Europe: 2019 Update »of Agatha Kratz, Mikko Huotari, Thilo Hanemann, and Rebecca Arcesati, *A report by Rhodium Group (RHG) and the Mercator Institute for China Studies (MERICS)*, 2020 (<https://www.merics.org/en/papers-on-china/chinese-fdi-in-europe-2019>)



**Figure 3** An overview of the industry mix of Chinese FDI in EU-28 from 2010 to 2019.

Source: Retrieved from «Chinese FDI in Europe: 2019 Update » of Agatha Kratz, Mikko Huotari, Thilo Hanemann, and Rebecca Arcesati, *A report by Rhodium Group (RHG) and the Mercator Institute for China Studies (MERICS)*, 2020 (<https://www.merics.org/en/papers-on-china/chinese-fdi-in-europe-2019>)

The biggest research stream of Chinese OFDI in Europe is in the energy sector, which covers the aspects of recent trends, risks and opportunities, implications, policy drivers, and regions. Conrad & Kostka (2017) analyse recent trends in Chinese investment in the European energy sector and conclude that these investments have increased in size, targeted a wider number of countries and entered multiple energy sectors, in particular fossil, renewable energies and energy infrastructure. Southern European countries have gradually consolidated as important recipients of Chinese investments. The energy sectors of all four countries (Italy, Spain, Greece,

Portugal) have been primary beneficiaries. Italy and Spain have received significant investments in solar-related greenfield projects, whereas Greece and Portugal have mostly benefited from operations in wind-related ones (Pareja-Alcaraz, 2017).

Conrad & Kostka (2017) highlight the significant opportunities for substantial economic benefits and political partnership brought by Chinese investments in Europe's energy sector, but also point out growing concerns among policymakers and business managers in Europe, including unfair competition, economic risks and national security.

Based on the case CDP Reti, Otero-Iglesias & Weissenegger (2019) point out that State Grid Corporation of China's acquisition of CDP Reti has no direct threat to national security. But by using the "thought experiment" developed by Scholten and Bosman, they conclude that in a world where the importance of renewable energy increases, a framing power rather than control over the strategic development of a country's grid is sufficient to exert geopolitical power. Since State Grid Corporation of China's exponents on CDP Reti's board can at least partly influence the company's investment decisions, then the transaction grants China geopolitical influence over Italy's grid.

From the policy driver perspective, Liedtke (2017) concludes that Europe is not an important source of Chinese energy imports. Most Chinese energy investment in Europe serve both political and commercial goals. Politically, penetrating the European energy sector enhances the supply chain security of fossil fuels, promoting environmentally friendlier production techniques as well as increasing the shares of renewable energy and energy efficiency. Commercially, Chinese companies, by acquiring shares in established European energy companies, gain stronger global market positions, increase their energy supply chain and establish themselves further as truly international actors on the global energy markets. Additionally, make use of European technology and know-how, thus strengthen their energy-industrial capability and improve their international competitiveness.

Besides, there are also some other researches of Chinese OFDI in Europe, including the location choice, drivers and motivations, and other sub-European regions of Chinese OFDI. For examples, from the location choice perspective, Karreman, Burger, & Van Oort (2017) conclude that the importance of overseas communities in the location choices of Chinese firms is based on increased access to strategic information. The relationship between the size of an

overseas Chinese community and the probability of Chinese investment is stronger for communities hosting newer generations of Chinese migrants; in addition, they partially corroborate that this relationship is stronger when the education level of the community's Chinese migrants is higher, particularly in the context of knowledge intensive sectors and high value-added functions. And Zhang *et al.* (2012) propose that the potential of location in an established ethnic business community maybe an important determinant of the location decision for small emerging Chinese and Indian multinationals.

From the drivers and motivations perspective, Di Minin, Zhang, & Gammeltoft (2012) believe that technology exploration is still the most important motive driving Chinese companies to expand their R&D activities into developed countries in Europe. And Blomkvist & Drogendijk conclude that the main motives for Chinese investment in Europe are market seeking and strategic asset seeking (Blomkvist & Drogendijk, 2016).

Jacoby (2014) analyses the pattern of Chinese investments in Central and Eastern Europe (CEE) and concludes that Chinese investments in CEE have little to do with Chinese firms' preferences for liberal policy regimes, tolerance for corruption, or reliance on communist-era networks. He documents the current size and shape of Chinese firms' efforts to internationalize in this economic space, demonstrating an important difference between Chinese investment behavior in CEE and in the EU-15, namely the region's much more active use of greenfield activity (and lighter use of M&A and strategic alliances). Case studies of each mode (greenfield, M&A, and strategic alliances) reveal little evidence of a "China, Inc." He points out that Chinese firms in CEE are more motivated by market access than by technology or management assistance.

Based on the review of the studies on Chinese OFDI in Europe, it can be concluded that the studies mostly focus on energy industry, but not other industries (such as service industry). And there is much research on Europe-level or sub-European level such as Western, Eastern and Southern Europe, but very few research on the Nordic countries. This thesis will research Chinese investments in Norway from several different industries perspective to fill the research gap in this subject.



## 2.2 Chinese OFDI in Norway

The Norwegian and Chinese economies are highly complementary and have a deep foundation for cooperation, but the current trade, investment and cooperation between the two countries are far from reaching their scale and level. Chinese investments in Norway in the 2000s are more resource-and energy-related. For example, in 2003, Chinese investor Sinochem acquired and merged Atlantis Holding Norway AS (hereinafter referred to as Atlantis) which was originally a wholly-owned subsidiary of Norway Petroleum Geo-Service ASA (PGS), mainly dealing with oil and gas exploration and production, and headquartered in Dubai UAE. Atlantis owns 8 contractual blocks distributed in Tunisia and UAE (Sinochem, 2020). In 2008, China Oilfield Services Limited acquired and merged Awilco Offshore ASA (which was originally a Norwegian oil service company with operations related to drilling and housing rigs) and then changed the company's name to COSL Drilling Europe AS (COSL, 2020). This acquisition is by far China's largest investment in Norway (based on this empirical research).

And then in 2010, Nobel Peace Prize incident resulted in the six-year freeze of bilateral political affairs, which suppressed some Chinese investors' interest and opportunities in Norway, but several major investments were completed during this period despite the dysfunctional political relations, which includes in 2011, China Bluestar Group acquired and merged Elkem ASA ( It is a leading company in the global silicon material industry). This is by far the second biggest Chinese investment in Norway (based on this empirical research). On 19.12.2016, bilateral relations normalized again. Since then, actors on both sides are signalling increased economic interest and negotiating for a bilateral Free Trade Agreement.

The trends of Chinese investment in Norway from the early concentrated in natural resource and energy-related sectors to later geared towards specialized and relatively high-tech companies which are well-known leading actors in their sectors, and also consumer industries (such as Voss Water). Moreover, the trends also show the diversification among Chinese investors with the entrance of some private companies, but the main investors are still state-owned enterprises (Mathy & Sverdrup – Thygeson, 2020; Gåsemyr & Sverdrup – Thygeson, 2017).

In addition, Kristoffersen (2019, p. 26) points out that the typical sectors in Norway that hit both technology and consumer trends for Chinese investment will include: maritime and marine, energy and resources, seafood, tourism. In his report, he stated that Norway now has

the most Chinese tourists in the Nordic region. And he gave some good examples of the fact that Chinese companies themselves want to make money from the greatly increasing Chinese tourists to Norway. For example, in 2018, state-owned tourism giant Jin Jiang bought more than 50 percent of Radisson Hospitality, which operates Plaza in Oslo, as well as hotels in Trondheim, Stavanger and Kristiansand. Jin Jiang bought the shares from Chinese HNA Group - which also owns Hainan Airlines, one of China's largest airline. In the spring of 2019, Hainan Airlines started up the first direct flights between Oslo and Beijing. He believes that the direct route from Beijing will probably increase the number of Chinese tourists to Norway further, and direct flights could also play a major role in exporting fresh seafood to the rapidly growing Chinese market.

There has been some level of critical and concerns about Chinese investments in Norway in three main aspects: 1) Security (mainly about Huawei), 2) Chinese standards and practices (mainly about China Bluestar Group's acquisition of Elkem), and 3) national ownership in strategic areas (mainly about the Chinese investor Nubo Huang's interest in buying a sizeable area in Svalbard and a large piece of land in the northern part of mainland Norway—Lyngen for tourism-related developments). The debate about Huawei has been growing and becomes the focus in the last few years due to the international opinion shift on Huawei's upcoming development of 5G network. But the debate about whether Chinese owners would able to develop the company (Elkem) and take care of the Norwegian workers faded away as the company is now regarded as a very good case on how Chinese capital can contribute to good industrial development in Norway. And the debate about Chinese investor Nubo Huang to buy properties in Norway's Arctic also faded as the Norwegian government has bought the land in Svalbard and the other deal has since remained non-completed (Mathy & Sverdrup – Thygeson, 2020; Gåsemyr & Sverdrup – Thygeson, 2017).

In general, the Norwegian public debate on Chinese investment has been relatively positive. Economic relations between Norway and China are viewed as mutually beneficial, and Chinese investments in Norway are welcomed. After the normalization of relations in 2016, Norwegian business environments look forward to a golden age for Chinese capital flows to Norway (which has not come yet) (Mathy & Sverdrup – Thygeson, 2020; Gåsemyr & Sverdrup – Thygeson, 2017).

So far, there is very few literature about Chinese OFDI in Norway, which means that there is a huge gap for scholars to fill. This paper will focus on the key success & failure factors of Chinese companies in Norway to fill the gap in this context.

### **2.3 Key success & failure factors of Chinese OFDI**

The surge in Chinese OFDI since the early 2000s has attracted growing attention for international business scholars, but the aspect of key success & failure factors of Chinese OFDI has not been sufficiently studied.

In the first study that applies an absorptive capacity lens to see how overseas M&As from Chinese MNCs succeed in establishing a global competitive position, based on the case studies of TCLs acquisition of Thomson's TV business and Lenovo's acquisition of IBM's PC unit, Ping Deng (2010) proposed that whether, and to what extent, Chinese companies can effectively acquire strategic assets and enhance their competitive advantage is determined by those acquiring firms' absorptive capacity at multidimensional levels: 1) ability to understand strategic assets and its key determinant—prior related knowledge which will enable the acquiring firms to effectively value the target firm and acquire strategic assets; 2) ability to integrate strategic assets and its key determinant—combinative capabilities which will enable the acquiring firms to effectively assimilate and integrate the acquired strategic assets; 3) ability to apply strategic assets and its key determinant—strategy execution and effort which will enable the acquiring firms to apply the acquired strategic assets into commercial ends and enhance their business performance.

A recent research paper further enriches this process perspective based on empirical evidence of four leading Chinese M&As in Europe, and also argues that both pre-acquisition status factors (including prior related knowledge and cultural difference) and the post-acquisition process factors (including level of integration, integration speed, human resource related problems and integration process communication) affect post-acquisition capability reverse transfer of strategic assets in the post-acquisition stage of EMNCs' outward M&As. In addition, this paper identified three previously neglected success factors in post-acquisition reverse capability: home-country advantage, motivation-oriented complementary resources, and acquirers' attractiveness; and highlight the importance of pre-acquisition social integration behaviours of Chinese acquirers for M&A success (Ai & Tan, 2020).

By examining the case of Zoomlion's acquisition of CIFA based on the key FSAs and FSDs analysis of both Zoomlion and CIFA, SWOT analysis of both Zoomlion and CIFA, and the key CSFs analysis of both home and host country, the scholars identified several key success factors at the firm level, including 1) integration in R&D, marketing and sales; 2) the development of extensive communication and trust among the managers of both companies; 3) the exploitation of the Chinese market as a source of demand; 4) the shifting of selected production lines to the Chinese market (Spigarelli, Alon, & Mucelli, 2015).

In the research paper "*Comparing critical success factors between European M&As in China and Chinese M&As in Europe: A mixed-method analysis*" (Chen, Werle, & Moser, 2016), the scholars conducted a comprehensive literature review on the influencing factors for the cross-border M&A performance outcome, and grouped these factors into five perspectives, including strategy, culture, organisation, process, and external. And then based on a multiple-case study, their empirical analyses suggest that the critical success factors for the Chinese acquiring company are 1) to respect other cultures and not dominate them; 2) to involve its entrepreneurial CEO/chairman in the whole M&A process; 3) to keep the local management of the acquired European company in place in order to maintain know-how and motivation in the acquired European company and have clear and consistent guidelines for the integration of the two companies; 4) to consider interests and opinions from the public, media, unions and politicians in Europe.

The existing literature about critical success & failure factors of Chinese OFDI mostly focuses on Chinese cross-border M&As, but very few about other entry modes of Chinese OFDI, such as greenfield investment. Additionally, most of the existing literature in this subject is based on either narrow level (such as firm-level) or broad level (such as Europe-level), but very few is at country-level.

## **2.4 Summary of the literature review**

This paper contributes to the growing literature on the critical success & failure factors of Chinese OFDI at country-level, including both Chinese M&As and greenfield investments at different industries such as service industry and construction industry. In this study, it pays a special attention to Norway, a country that becomes increasingly attractive for Chinese

investors. This topic is also of mounting importance for scholars, Chinese investors, Norwegian businesses, and policymakers. This thesis answers the questions about why some of the Chinese companies in Norway are failed (unprofitable) and what the key success & failure factors of these Chinese companies in Norway are.

## **3 Methodology**

This chapter will in detail discuss the research methods used in this thesis, including case study method, data collection method, data analysis method, and validity and reliability.

### **3.1 Case study**

According to the literature review, there is very few empirical studies in the research topic of this thesis. Therefore, an exploratory study is undertaken for this paper (Sekaran & Bougie, 2013, p. 96). And qualitative research methods are used to further study the subject in detail because the data collected in this study is in the form of words, not numerical (Sekaran & Bougie, 2013, p. 336).

Case study is a widely used type of qualitative research methods, which focuses on collecting information about a specific object, event, or activity, such as a particular business unit or organization (Sekaran & Bougie, 2013, p. 103). Case study involves an empirical investigation of a particular contemporary phenomenon within its real-life context using multiple methods of data collection, which is well suited to explore new insights based on an in-depth study of selected cases (Yin, 2009, p. 18). Therefore, case study is used as the research method in this paper.

According to Yin (2014), case study can be categorized to a single case study or multiple case studies. A single case study is holistic, investigating one case in depth and usually considered when doing a critical or typical case; while multiple case studies study various cases that are similar in some ways (such as members of a group or examples of a phenomenon), which allows examination of what is similar and dissimilar about the cases in order to find patterns and uniqueness, particulars and generalizations in the cases developed. Thus, this paper uses multiple case studies because it is more powerful than a single case study as it provides more extensive descriptions and explanations of the phenomenon or issue.

Through the desk research, more than 30 Chinese cross-border investments (M&As and greenfield investments) in Norway are found. This paper focuses on the Chinese cross-border investments in Norway which are failed (unprofitable) and fully owned by the Chinese investor. This study uses conventional purely financial measures (such as revenue, annual results) for

performance evaluation to define whether a company is failed (unprofitable). Based on the financial measures in the financial statements of all these companies (except some companies are not liable for accounting in accordance with Norwegian law and regulation) from 2014 to 2018 (the financial statements for 2019 had not been announced yet when selecting the cases), and ownership percentage, only four Chinese company cases in Norway meet the criteria, including two M&As and two greenfield investments, which are Malungen Gjestegård (Yang Yang AS), Verkshotellet AS, SiChuan Road & Bridge (Group) Corporation Ltd. (Norway), and China Liangtse Wellness Norway AS.

### **3.2 Data collection**

Exploratory research often relies on secondary research and/or qualitative research methods to collect data (Sekaran & Bougie, 2013, p. 97). Secondary research is a research method that involves using secondary data (already existing data), including research material published in journal articles, research reports and similar documents which can be made available by public libraries, websites, data obtained from already filled in surveys, government and non-government agencies, etc. Secondary data is summarized and collated to increase the overall effectiveness of research (Given, 2008).

Interviewing is one of the more formal data collection methods for qualitative research and is very useful especially during the exploratory stages of research (Sekaran & Bougie, 2013). In semi-structured interviewing, the researcher uses a preplanned written interview guide gently to ask the interviewees relatively focused but open-ended questions about a specific topic, direct the interaction while giving the interviewees the opportunity to report on their own thoughts, behaviours, and feelings. In semi-structured interviews, the researcher has more control over the topics of the interview than in unstructured interviews. And in contrast to structured interviews that use closed questions, semi-structured interviews are more flexible. The flexibility allows researchers to ask unplanned questions as conversations unfold and curiosity is stirred, thereby generating novel or additional insights in the process (Given, 2008).

Therefore, in this paper, both secondary research and semi-structured interviews are adopted for data collection.

Sources of secondary data used in this paper include journal articles, corporate documents (including financial statements), websites, government documents, think tank reports, reports from commercial research institutes, and articles from online newspapers and online news, etc. The most valuable in-depth information for this paper is derived from semi-structured interviews with representatives. The interviews are done via phone calls and WeChat calls. The interviews are not taped, and anonymity is preserved. There are also informal follow-ups with emails, phone calls, and WeChat calls.

The preplanned written interview guide is developed in Norwegian, English, and Chinese. The interview questions are made according to the information gained from secondary research. Before each interview, secondary research is conducted, in which data about the Chinese investor and its entity in Norway are studied and the potential interviewees are identified. Then, the companies are contacted by email or by phone call, and an invitation for an interview with the representatives in the company, a short introduction to the research project and the interview questions are sent by email. After obtaining the agreement for an interview, the date and time of the interview are confirmed by email or by phone call. To review the full interview questions, please refer to Appendix 1.

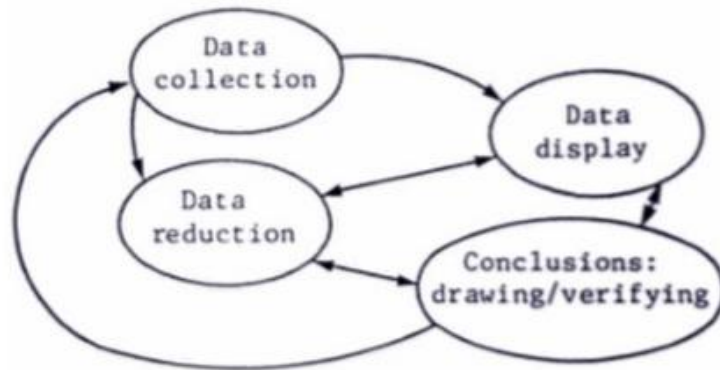
Additionally, in order to understand the relevant laws and regulations related to the cases in depth (collect data) and verify the relevant data collected from interviews and secondary research involving laws and regulations related to the cases (verify data), UDI (the Directorate of Immigration) is contacted. UDI is the central agency in the Norwegian immigration administration, and processes applications for protection (asylum), visitor's visas, family immigration, residence permits for work and study purposes, citizenship, permanent residence permits and travel documents. UDI also make decisions on rejection and expulsion (UDI, 2020).

### **3.3 Data analysis**

There are relatively few well-established and commonly accepted rules and guidelines for analyzing qualitative data in comparison to quantitative data analysis. However, over the years, some general approaches for analyzing qualitative data have been developed. There are generally three steps in the qualitative data analysis: 1) data reduction: coding and categorizing the data; 2) data display: presenting the data in quotes, a matrix, a graph, or a chart illustrating



patterns in the data in order to help the researcher and eventually the reader to understand the data; 3) drawing conclusions. The three steps is not a step-by-step, linear process. For example, data coding can help simultaneously to develop ideas on how the data may be displayed, as well as to draw some preliminary conclusions which can, in turn, feed back into the way the raw data are coded, categorized, and presented (Sekaran & Bougie, 2013, p. 337). The steps of qualitative data analysis are illustrated in Figure 4.



**Figure 4.** Components of data analysis: Interactive model (Miles & Huberman, 1994, p. 12)

Cross-case analysis method is chosen in this paper. According to Yin (2009, pp. 156-160), this method applies specifically to the analysis of multiple cases, treats each individual case study as a separate study, and then aggregates/synthesizes findings across a series of individual case studies. Cross-case analysis is a method that facilitates the comparison of similarities and differences across case studies with a view to supporting empirical generalisability and theoretical predictions.

In this research, repeated data collection and data analysis are involved. After conducting the interview for the first case, the interview notes and the data collected from secondary research are transcribed to a word-document. Then, I started to code and categorize the transcript. The same is done with the other three cases. Meanwhile, the transcripts are coded to identify the similar and different ideas expressed by different interviewees. After the full set of transcripts have been coded, use coding as a basis for analysis to identify who said what in conceptual terms, how frequently it was said, and whether pairs of ideas were expressed together. Finally, all the raw data collected from the data collection process are transcribed into one word-document to get an overview of the data.

After the categorization, the literature review is re-visited to ensure academic relevance (of the categories), and follow-up questions are communicated with the interviewees to ensure the accuracy of case analysis. Then, the themes/concepts are derived from the categories, including legal factors, cultural difference, business strategy, organisational structure, and selection of people. Finally, cross-case analysis is conducted.

### **3.4 Validity and reliability**

It is important that the conclusions derived from the qualitative data are reliable and valid. Validity refers to the extent to which the means of measurement are accurate and actually measure what they are intended to measure (Sekaran & Bougie, 2013, p. 351), which means that, if a research has high validity, then, the results it produced correspond to real properties, characteristics, and variations in the research phenomenon.

In this research, validity is considered in the very earliest stages when deciding how to collect data. To ensure the validity of the data, multiple methods and multiple sources of data have been adopted in this study. And to ensure that the methods and measurement technique are in high quality and targeted to measure exactly what this research needs to know, appropriate methods of measurement are chosen, thoroughly researched, and based on existing knowledge. For example, the interview questions developed in this research, are based on established theory, findings of previous studies, and information about these companies collected from second research. And the interview questions are carefully and precisely worded.

Reliability refers to how consistently a method measures something (Sekaran & Bougie, 2013, p. 350), which means, if the same result can be consistently achieved by using the same methods under the same circumstances, then, the measurement is considered reliable.

In this research, reliability is considered throughout the data collection process to ensure that the results are precise, stable, and reproducible. To ensure the liability of data, each measurement is carried out with the same steps in the same way by applying the methods consistently. For example, data collection for each case is carried out with secondary research and interviews, following the same steps in the same way by applying the methods consistently. When conducting the interviews, questions are phrased the same way each time, and specific responses are clearly defined.

In addition, the interviews have been conducted by phone call or WeChat call, so the mental, emotional, or moral barriers between the interviewer and the interviewees are reduced. Meanwhile, the interviews are conducted in semi-structure, which reduces the subjective influence of the interviewer. These increase the validity and reliability of this paper.

Furthermore, this paper triangulated the data by researching external reviews of these companies, including a literature review, secondary research, interviews with representatives of the four selected companies, and contacting UDI for verifying the relevant data collected from interviews and secondary research involving laws and regulations related to the cases, to increase the validity and reliability.

Both primary data and secondary data of this research are collected from three different language sources—Chinese, English, and Norwegian, which avoids unclear information due to the language barrier or limited data. This also increases the validity and reliability of this paper.

## 4. Case presentation

This chapter involves the case presentation of the four cases and gives an overview of the four cases' failure.

An overview of the four cases is seen in Table 2, and an overview of the four Chinese investors is seen in Table 3.

<b>Entity in Norway</b>	<b>Malungen Gjestegård (Yang Yang AS)</b>	<b>Verkshotellet AS</b>	<b>SiChuan Road &amp; Bridge (Group) Corporation Ltd. (Norway)</b>	<b>China Liangtse Wellness Norway AS</b>
<b>Year completed</b>	2015	2016	2014	2016
<b>Industry/Sector</b>	Tourist resort (Service)	Hotel (Service)	Construction	Health massage (Service)
<b>Entry mode</b>	M&A	M&A	Greenfield investment	Greenfield investment
<b>Management</b>	Chinese	Local Norwegian	Chinese	Chinese
<b>Chinese investor</b>	Beijing Guotong Baoyuan Investment Co. Ltd	Empery	SiChuan Road & Bridge Corporation Ltd	China Liangtse Group

**Table 2.** The four selected cases in Norway

<b>Chinese investor</b>	<b>Beijing Guotong Baoyuan Investment Co. Ltd</b>	<b>Empery</b>	<b>SiChuan Road &amp; Bridge Corporation Ltd</b>	<b>China Liangtse Group</b>
<b>Year founded</b>	2005	1999	in the early days of the founding of the People's Republic of China	1997
<b>State-owned or private</b>	private	private	State-owned	private
<b>Business scope</b>	Investment management	a wide range of businesses across industries, including health and beauty (fundamental and core industry), cosmetics research and development, hotel operations, manor and commercial real estate, etc.	Mainly investment, design, construction and operation of highways, railways, bridges, tunnels in the "big civil" infrastructure areas, and also clean energy, mineral resources, new materials, modern services, financial securities, etc.	Health care in traditional Chinese massages and therapies.
<b>Organisational structure</b>	Less hierarchical	Less hierarchical	very hierarchical and bureaucratic	Less hierarchical
<b>International experience in Europe</b>	No	Yes	Yes	Yes
<b>Motivation of FDI in Norway</b>	Market (profit) driven	Market (profit) driven	Responding to national policy of "infrastructure going abroad" and the "Belt and Road Initiative"	Brand internationalization
<b>Ownership in Norwegian entity</b>	100%	100%	100%	100%
<b>Size of Acquisition (NOK)</b>	12 million	20 million		

**Table 3** An overview of the four Chinese investors

#### **4.1 Malungen Gjestegård**

The Chinese investor is Beijing Guotong Baoyuan Investment Co. Ltd. (hereinafter referred to as BGBI) which was established in Beijing in 2005. Its business scope is investment management (the company's website is not available). The company owns a number of hotels in China and Asia and has also invested in Australia.

Malungen Gjestegård is in the municipality of Stange. The area of the Gjestegård is 46 000 square meters, which consists of 2678 square meters of building mass, spread over nine buildings, among them, including: Jaktslottet, an old hunting castle with fireplace built in 1898, has four accommodation rooms with a total of 9 beds, where it can be covered for up to 45 guests; Kvitbygningen, the oldest part dates from the 1860s, has now 6 guest rooms with a total of 16 beds, well-equipped conference room with space for up to 25 guests and two adjoining group rooms; Gildehallen, built in 1959, has modernized kitchen and wardrobe / toilet as well as winter insulated in 1994, accommodates up to 150 guests, and in summer season also outdoor seating for up to 60 guests; Bjørkhaug, built in 1937, has been a forestry dwelling and camp school, and currently has 9 guest rooms with a total of 24 beds (Therese, 2012). Malungen Gjestegård is a great place for wedding, baptism, company conference, Christmas celebration, etc.

BGBI was looking for a place like Malungen Gjestegård which was not far away from Oslo. When the decision makers saw the site on the internet, became fascinated, travelled here, and bought it. The acquisition was completed in July 2015 with an acquisition price of 12 million NOK (Christensen, 2017).

The motivation of the acquisition is optimistic about the market prospects of Norwegian tourism industry for profit. The target group is mainly rich Chinese. Since 2017, Norway has become the favourite country for Chinese to travel in Nordic. More and more Chinese tourists have travelled to Norway each year. Chinese tourists want to come here to play golf, fish, ski and hunt. In 2022, China will host the Winter Olympics. Winter activities such as downhill and cross-country skiing will be very special for Chinese tourists. Everything is right here in Malungen Gjestegård. And it is only about one and a half hours drive from Oslo, which is in perfect location. Malungen is a fantastic starting point for looking at the countryside, green forests, nature and its most popular sights. With its unique theme of country resort hotel with Norwegian forest, the Gjestegård is a great place to attract Chinese tourists. In Norway, there are not many country resort hotels with Norwegian forest as its theme and short distance to Oslo. This Uniqueness is the great competitive advantage of this Gjestegård. In addition, the market demand is large enough. The Chinese investor already has enough potential customers. After the acquisition, the management of Gjestegård are all Chinese. The local general manager is a Norwegian Chinese who has lived in Norway for many years.

The Gjestegård has the potential, but it is a long way to make a lot of money here due to its small passenger capacity. However, BGBI wants to invest and participate in the development. Malungen can be a good place to be, but it needs refurbishment. In addition, good accommodations with four-star hotel standards (according to Chinese standards, suitable for Chinese people) are needed. The plan is to expand 50 cabins with a total of 300 accommodations. Expansion focuses on high-comfort log-style cabins, and the guest rooms in the cabins should be 25-30 square meters (Malungen Gjestegård, personal interview, March 2020).

BGBI have had frequent interaction with the local government, local media, and local communities to promote, enhance understanding and trust. Therefore, the local impression is good, and there is no exclusion. The local community in Stange are actually incredibly supportive and view the Chinese investment in Malungen Gjestegård as a huge opportunity for Stange. The development and construction investment projects of the Chinese investor BGBI here are good for the local economy, business development and employment. BGBI has brought Stange's business community with good, financial muscle to build up a tourism industry to showcase Norwegian nature. The local community sees incredible potential in attracting Chinese tourists to Norway, and then huge amounts of money would be generated in the local community. It is an exciting scenario. To help the success of the project, all local companies that have been involved in Malungen agreed that all involved contractors who were involved from the start should invoice their services at cost price without making so much money on the two viewing cabins. The plan for 50 cabins has been fascinating, especially with regard to the effects of subcontracting and business. Meanwhile, construction partner Øst gave consultant assistance on guiding the developer and provided tips on Norwegian construction rules and regulations on, for example, insulation requirements. Øst controlled the construction to ensure it complying with Norwegian construction rules and regulations.

BGBI also faced many challenges here. Before coming to Norway to invest, the Chinese investor did not do related legal consultation on the Norwegian side. Various legal requirements are different between Norway and China, such as construction law, labor law, etc. Although the construction partner Øst provide consultant assistance on Norwegian construction rules and regulations, however, in many ways, due to the culture difference, the Chinese understanding is very different from the Norwegian understanding, which made the cooperation difficult.

By October 2016, two viewing cabins had been completed. The Chinese investor started to prepare a Norwegian-Chinese cultural exchange Christmas evening party with the Stange local community. “Malungen Gjestegård invites everyone to a real Chinese winter party with lights, artists, and ice sculptures. Add this year's Christmas table to spectacular surroundings at Malungen Gjestegård. offer an exotic Christmas table with Chinese party food made by renowned Chinese chefs, and entertainment with some of the foremost artists in China”, written on its webpage. About 2,000 people were registered for these Christmas parties (Christensen, 2017). In order to run this cultural exchange Christmas party well and show the Chinese culture to the local community, more than 50 people from China have been invited here, including investors, artists, chefs, actors, and people from all walks of life (Malungen Gjestegård, personal interview, March 2020).

When setting up the venue, UDI and the police came, saying that five of the Chinese were illegal workers, confiscated the passports of these five people, questioned them, and deported them within a time limit. They are not allowed to return to Norway within two years. The general manager himself has been fined NOK 15 000 after five Chinese expulsions by UDI (Christensen, 2017). The expulsion occurred in the wake of the Immigration Section of the Inland Police District conducting a routine check aimed at foreign workers in the serving industry in Stange. On day one, they were on a routine check and discovered that four worked illegally with kitchen and civil engineering work. Everyone had a valid tourist visa, but not a work permit. The next day, namely, day two, the crew returned for a closer chat. Immigration Section asked the Chinese if they had a contract of employment, who was the employer, salary- and working conditions and to what extent they were taken care of, including social benefits. The Norwegian Labor Inspectorate carried out a check in parallel with the police and revealed shortcomings here. On day two, another person worked illegally in the kitchen, who was a family member of the proprietor, had also only a valid tourist visa, but not a work permit, violated Norwegian law and observed working on par with the other four. According to the UDI's assessments, this was considered gross. On day two, the five Chinese's passports were seized, and they were deported within a time limit by UDI.

But the Chinese investor argued that these people are not here to earn money or work. And they are all invited by Stange municipality as a guarantee. BGBI believed that UDI misunderstood, and this issue can be solved by the Chinese logic, namely, explaining everything, if it doesn't work, then using “Guanxi” to solve this issue. They tried to explain to UDI, but it didn't work.



Then, they asked the Chinese embassy in Norway for help, but the embassy didn't help. The Stange municipal government also negotiated with the Norwegian Ministry of Foreign Affairs, but it didn't work, either. Meanwhile, the Chinese investor also hired a lawyer to call the police to cancel the deportation decision on the involved family member of the proprietor, but the deportation decision did not change. After that, the Chinese investor believe that the risk to invest in Norway is too high, and lost trust in continuing to invest. Therefore, all the rest construction projects stopped. And they are afraid that UDI and police will make trouble again, so they have no interest to run this tourist resort, either. They all went back to China.

Since the acquisition, the Gjestegård had been under renovation and construction, and had never opened, so there was no revenue or profit. In December 2018, the Chinese investor rent out one part of the Gjestegård to some Norwegian who do not use this part as a tourist resort. Till now, the Chinese investor still have no confidence or plan to operate the Gjestegård because they cannot understand or accept what happened.

## **4.2 Verkshotellet AS**

The Chinese investor EMPERY, established in 1999, is headquartered in Shenzhen. After 20 years of development, the company now has a wide range of businesses and regional international group with more than 2,000 employees (EMPERY, 2020). It has formed cross-industries, including health and beauty, cosmetics research and development, hotel operations, manor and commercial real estate, film and television media, electronic instruments, bars, and aviation, yacht, and famous car clubs, which has formed an industrial chain with independent characteristics of EMPERY, covering Asia-Pacific, North America and Europe. EMPERY is a modern multinational enterprise group.

Health and beauty is the fundamental and core industry of the Group, and also the starting point and trend of the Group's development. Because EMPERY pioneered China's healthy breasts project, it is hailed as an advocate of China's "breast revolution" and a leader of healthy breasts. EMPERY Healthy Breast has become one of the most well-known beauty brands in China. The market network includes 31 first-tier provinces and cities nationwide (except Taiwan, Hong Kong, and Macau). The number of terminal outlets is 20,000, and the annual sales amount reaches nearly 10 billion U.S. dollars (EMPERY, 2020). In terms of hotel operations and real estate, EMPERY owns many hotels not only in China, but also abroad, such as Norway, France,

and United States, etc. The hotel estates acquired overseas are high-end industries with historical culture, family heritage, high-end taste, deep heritage, and ancient colours Noble and classic fashion, and enjoy beautiful scenery configuration.

The Verkshotellet, built in 1911 by the cornerstone company Stålverket, has 28 bright and comfortable hotel rooms, own restaurant, conference room & banquet room (Verkshotellet, 2020). It is a historic, famous, and homely hotel in Jørpeland. The history of Stålverket is still oozing in the walls, and much of the original architecture and style is still preserved. It is the nearest hotel to Preikestolen which is one of Norway's most visited attractions and most spectacular photo motifs and was awarded as one of the world's most spectacular vantage points by both CNN Go and Lonely Planet (Preikestolen.no, 2020).

By New Year (2016), the Chinese group EMPERY acquired Verkshotellet in Jørpeland for NOK 20 million (Dagbladet, 2016). Meanwhile, EMPERY also made several other acquisitions in Rogaland, and purchased a house at Oanes ferry dock in Forsand municipality. Everything went smoothly. The motivation of the acquisition is that EMPERY fancies the tourism resources of Preikestolen. And Verkshotellet has the competitive advantages of the closest to the Preikestolen, and it is the only hotel close to Preikestolen. Nearly 300 000 tourists visit the Preikestolen annually (Dagbladet, 2016), which can bring high profit to the hotel. Another competitive advantage of the hotel is historic. Many locals have family traditions and company traditions to eat at this hotel, such as birthday parties, company meetings and dinner. In addition, as Norway is now the favourite country for Chinese tourists in the Nordic region, EMPERY is optimistic about the prospects of Chinese tourists traveling to Norway and plans to attract wealthy Chinese elite tourists to Rogaland and Preikestolen.

After the acquisition, the hotel does not specifically target Chinese tourists, but all tourists. In Verkshotellet AS, the board members are all Norwegian. All plans are decided by the board of directors. The management and employees are also all Norwegian. Moreover, the chefs are all locals. Only one Chinese works in the hotel, plays the role of linking, but does not participate in management. Verkshotellet AS holds two board meetings each year. The Chinese investor EMPERY sends a representative to participate these two board meetings. In addition, the representative of the Chinese investor often comes to Norway to communicate, understand the operation of the hotel, and participate in decision-making. Because of different culture, the

communication is difficult, but still works. Organizational structure of Verkshotellet AS is flat. Everyone is equal, and it maintains a Norwegian corporate culture.

The market demand for the hotel is seasonal. Winter is the off-season of tourism, with almost no tourists, and supply exceeds demand. Summer is the peak season for tourism, demand to hotel rooms is high, and supply is in short supply. In order to meet the needs of the hotel rooms during the peak season, thereby increasing annual income, after the hotel was acquired, the Chinese investor bought neighbouring properties of the hotel for the expansion of Verkshotellet, which, in the past few years, have resulted in the expansion and addition of more than a dozen hotel rooms (Verkshotellet AS, personal interview, March 2020).

Generally, hotel room price of all hotels in the same area with Verkshotellet is almost the same. But in peak season, hotel rooms of all hotels in this area are in short supply. The other hotels will raise the room price during the peak tourist season and lower the room price during the off-season tourism. But the management of Verkshotellet have decided that the price will be the same throughout the year, without raising the room price during the peak season or reducing the room price during the off-season. Moreover, in the off-season, the other hotels only keep a few people working in the hotels to reduce cost, but the management of Verkshotellet keep the same amount people working in the hotel as in the peak season. In addition, during the off-season, the revenue of Verkshotellet is very low, but the management of Verkshotellet did not have any business strategy to attract customers and increase its revenue in the off-season. All the above have resulted in the hotel unprofitable.

### **4.3 SiChuan Road & Bridge (Group) Corporation Ltd. (Norway)**

SRBG founded in the early days of the founding of the People's Republic of China, is a top 500 Chinese company and a top 250 international contractor (SRBG, 2020). It is a comprehensive multinational enterprise group in the domestic first-class infrastructure field. It is mainly engaged in investment, design, construction and operation of highways, railways, bridges, tunnels in the "big civil" infrastructure areas and the expansion of diverse industries such as clean energy, mineral resources, new materials, modern services, financial securities, etc. under the jurisdiction of more than 90 wholly-owned, holding molecular companies and shareholding companies (SRBG, 2020). The company adheres to "based on Sichuan, serves the whole

country, enters the world, pioneers and develops". As the backbone of promoting "Shu Road Difficulties" to "Shu Road Pass" and the model of "going out" for provincial enterprises, its market has spread to most domestic provinces, as well as more than 20 overseas countries and regions such as Africa, Middle East, Southeast Asia, Europe, Oceania, etc. (SRBG, 2020). Over the past 70 years, core competitions in deep-water long-span bridges, highway pavements, and complex geological long tunnels have been formed. Representative projects Mainly include: Wanzhou Yangtze River Bridge, the world 's largest long-span reinforced concrete arch bridge when completed; The main span of 1650 meters, the world's second and China's first suspension bridge when completed -- Zhoushan Xihoumen Bridge; Micangshan Tunnel, the third longest road tunnel in the world and the second longest in China; the first large-span bridge constructed by a Chinese-funded enterprise in a developed European country -- the Norwegian Hålogalandsbrua with a main span of 1145 meters (SRBG, 2020).

Due to fierce competition in the domestic market, and responding to national policy of "Infrastructure going abroad", and then there was such a project (Hålogalandsbrua project) just in time for "the Belt and Road Initiative", SRBG got the opportunity to bid for this project, and finally won this project. On 18. February 2013, SRBG started building the Hålogalandsbrua. With a length of 1,533 meters and a free span of 1,145 meters, the Hålogalandsbrua is Norway's second longest suspension bridge after the Hardangersbrua. By building the Hålogaland bridge just over Rombaken, it makes the E6 a full 18 kilometers shorter, and the travel time to and from Narvik towards Vesterålen / Lofoten and Tromsø is reduced by 15-20 minutes (Statens vegvesen, 2020). In addition, it directs traffic away from what is a high-risk and accident-prone road.

In 2014, SRBG established a wholly-owned subsidiary (greenfield investment) in Norway, namely, SiChuan Road & Bridge (Group) Corporation Ltd. (Norway) (hereinafter referred to as SRBG Norway). The management of this subsidiary are Chinese, and the construction team are also Chinese. However, according to Norwegian law, the company must employ some Norwegian local engineers, such as contract engineers, safety engineers, concrete engineers, etc.

The Hålogalandsbrua was the first major bridge contract SRBG received in Norway. Price was the most important criterion in the competition and SRBG's price was the lowest with NOK 3.8 billion (Statens vegvesen, 2020). The Norwegian Public Roads Administration (hereinafter

referred to as NPRA) has been very pleased with the quality of the bridge elements that the contractor SRBG has produced in China and transported by ship to Norway. The Hålogalandsbrua was supposed to be completed by the end of 2016, but it was officially opened on December 9, 2018. It was delayed for almost two years. The major challenge SRBG had was welding the bridge elements in Norway, which had not gone according to plan. NPRA cannot compromise on the quality of this work and therefore check 100 percent of the welding work. A higher percentage of errors had been discovered than normal. Then, widespread quality deviations on welding had led to much of the welding work having to be done again, and 100% X-ray of all welding work was carried out, which has led to further problems for an already strained project (Statens vegvesen, 2018). This led to delays in the project. Then, SRBG had taken on the quality challenge, and in order to increase the pace, they have staffed heavily.

However, there had been a lot to learn for a Chinese entrepreneur in an unfamiliar market. For example, the Danish company Davai AS, which was a subcontractor for SRBG, and had between 20-30 welders working on welding together the various elements of the bridge, became bankrupt during the project. It was clear that the Danish company had been very slow and was unable to do the job (Skoglund, 2018). There was no doubt that this further delayed the completion of the bridge.

In November 2017, SRBG won its second bridge project (Beitstadsundbrua) in Norway. The award criterion in this competition was also price, and the Norwegian Public Roads Administration chose the lowest price offer, which was SRBG with clearly the lowest price -- 277 million NOK that was 41 million NOK under PNC Norway, which was the next contractor on the list (Byggeindustrien, 2017).

Beitstadsundbrua is a 580-meter long road bridge over Beitstadsundet on county road 17 between Steinkjer and Malm in Trøndelag. The bridge is a steel box bridge with co-operative concrete deck in six spans. Beitstadsundbrua was scheduled to open for traffic on December 6, 2019, but it was finally opened on April 2, 2020, and had been delayed for almost four months (Kleven, 2020). There are several reasons for this. SRBG have underestimated the scope of work. Along the way, the HSE focus on diving assignments in connection with the work in the sea, which resulted in a much longer period of various work that has been carried out under the water surface than expected. There also has been a long period of construction of the bridge. SRBG has underestimated the handling of the steel case. There is a great need to work on the

surface of the steel case before the last coat of paint can be applied. This has taken longer than expected. The bridge elements of the Beitstadsundsbrua were made in China. The 12 items of 3000 tonnes were transported by boat from the port city of Nantong in China to the Tjuin industrial area in Malm in Trøndelag (Kleven, 2020). Much of the work that was delaying the bridge work could have been done earlier. Part of what they were doing at the bridge site with the steel boxes could have been done in a different place, such as in Tjuin or China, before the bridge itself installation. Construction management in the Norwegian Public Roads Administration was not satisfied with the progress of the surface treatment. It's low momentum, and the work was not well coordinated. The local welding company Fosdalen Industrier, which had the task of welding together the steel elements of Beitstadsundbrua, went bankrupt during the project. Moreover, adverse weather conditions have also put off work.

The Norwegian Public Roads Administration has demanded daily fines of NOK 200 000 for both bridges (Kleven, 2020). This amount will be finally determined in the final settlement.

In addition, SRBG has been facing many problems and difficulties in operation in Norway. The head office in China arranged an office in Norway, which was originally intended to allow this office to conduct in-depth market research. However, the head office arranged administrative staff to this office. These administrative staff do not have the professional knowledge or ability to do market research. In the end, the market research could not be done, and the office became a reception desk.

Since the company didn't conduct market research in Norway, therefore, the company knows very little about the Norwegian construction industry and the Norwegian market. All along, Norwegian public opinion thinks SRBG engages in price wars, deliberately lowers prices, and engages in unfair competition. However, the fact is that the company doesn't know the prices of materials, and only consults its subcontractors for the prices, so that the company cannot accurately quote, which led to unusually low quotations. This is one of the reasons that the project price quoted by the company is extremely low. Moreover, the company does not have its own construction equipment in Norway. Then, it has to either rent equipments, such as mechanical bulldozers, excavators, underwater pile driving equipment, or outsource this part of the project to the local contractors. Both equipment rental costs and outsourcing costs are extremely high which increase construction costs. In addition, the company must pay all

employees who are working in Norway in accordance with Norwegian wage regulations, which results in exceedingly high labour cost.

Nowadays, sometimes a project is a design and construction integration. The company has a construction team, but it needs large professional design companies and subcontractors (responsible for greening, underwater construction, etc.) who can be trusted as partners. Since the company didn't conduct market research, therefore, the company has no idea about the construction companies in Norway, which caused the company unable to determine its fixed and trustworthy partners in Norway. Then it has to outsource to unknown subcontractors. However, during both projects, there were subcontractors (for example, Danish company Davai AS and the local welding company Fosdalen Industrier mentioned earlier) that went bankrupt and could not continue to complete the contracted process. In a project, it is a process after a process. If one process is not completed, it results in that all the following processes cannot be carried out, which is a big reason for the delays of both projects.

Moreover, the company does not know the relevant local laws and regulations of Norway, such as labor law, HSE, etc. For example, Norwegian law stipulates that overtime is not allowed, but the company did not know about this, and the staffs worked overtime. In result, this issue was reported. The Norwegian government forced the company to make up all the costs and expenses related to overtime work, a total of more than NOK 1 million (SRBG Norway, personal interview, March 2020).

Additionally, the management of the subsidiary in Norway do not have real power. Everything is decided by the head office in China. The organisational structure of SRBG is very hierarchical and bureaucratic, and the interests of all parties intersect, so that the problems and solutions proposed by the management of the subsidiary in Norway cannot be directly communicated to the decision maker in a timely manner. It is time consuming and inefficient. As a result, the division of labor is often not clear, the responsibilities are not implemented, and there is no overall and specific plan (which can be seen during the both Hålogalandsbrua and Beitstadsundsbrua projects process).

From 2014 to the end of 2018, SRBG Norway lost a total of more than NOK 200 million in Norway (according to the financial statements of SRBG Norway).

#### **4.4 China Liangtse Wellness Norway AS**

The Chinese investor is China Liangtse Group that was founded in 1997, and is the first health care company in China, with a new model that specialise in traditional Chinese massages and therapies. As a result of the development for the last 20 years, China Liangtse Group has established more than 300 wellness centres all over China, and has its own R&D and 3 training centres, for the purpose of improving the qualified treatments to suit the modern life, and jointly established a Chinese medicine specialty with Shandong Confucian Business School to cultivate reserve forces for the long-term development of the enterprise. China Liangtse Group has become the market leader and has also great impact on Chinese health care industry. There are around 20,000 employees working for China Liangtse Group around China (China Liangtse Wellness, 2020).

China Liangtse is an international health and wellness brand that has spread to more than 100 cities around the world (China Liangtse, 2020). It is committed to providing diversified and multi-level health and wellness services to customers at home and abroad. The company has established a professional overseas development department to negotiate and cooperate with Germany, Japan, South Korea, Australia and other countries. In 2007, the company established the European headquarters of China Liangtse in Germany, and the first foreign branch in Bad Kissingen, Germany, and then quickly established three wellness centres in Lingdao, Hamburg and Bad Monret in Germany. In 2009, the wellness centres in Finland were opened, and branches in the Netherlands and the United Kingdom were established. Later, the company opened wellness centres in some other countries in Europe, such as Norway, Czech Republic. In 2019, wellness centres opened in Toronto, Canada, and in New York, USA as well. The company aims to lead China's health service industry to the world. The company's wide range of stress relieving and rebalancing treatments have been now well-known and popular abroad. All the treatments are based on traditional Chinese medical treatments, such as acupuncture, Tui-Na, reflexology massage, Lymph detoxing massage and many other meridian massages.

In 2016, China Liangtse Group established a subsidiary in Norway, namely, China Liangtse Wellness Norway AS. The motivation of investing in Norway is to aggressively promote its brand internationally and lead the Chinese health service industry to the world. Wellness centres invested in other European countries are also aimed at promoting the internationalization of its



brand. For example, wellness centres opened in Germany, Netherlands, United Kingdom, and Norway are not profitable, only wellness centres opened in Finland are profitable. However, the Group continues to operate these wellness centres and does not close them because they are not profitable. As long as the wellness centre doesn't lose a lot, then the Group will continue to operate it.

The business model and management policy are in accordance with China Liangtse Group. The general manager is a Norwegian Chinese who has lived in Norway for many years, and the employees are all Chinese. The company has many competitors at where it is located in Norway, but its competitive advantage is that the employees' skills of health massage are very good, and the company's service is also very good, which are confirmed by the local customers. The company's market share in Norway is very small, because it has very few health massage staff here. Only five when the staff are at the most, and only three when the staff are at the least (China Liangtse Wellness AS, personal interview, March 2020).

The main reason for the failure is that the health massage employees from China cannot obtain work visa in Norway because they don't meet the requirements for education/qualifications. The company did not do related legal consultation before coming to Norway to invest. Because the investment is already done, therefore, the company has to find another way to get the employees to work in Norway. First apply for a work visa to Finland from China, and then use a Finnish work visa to work in Norway, but according to Norwegian law, only allowed to work in Norway for max three months each time, and the premise is that the Norwegian company and the Finnish company belong to the same international company. However, this is not a long-term feasible solution because most of the health massage employees who have got work visa in Finland settle down in Finland gradually, and don't want to work in Norway back and forth. Substitutes are required every three months, which is not good for the business in the massage service industry. It is difficult to build a long-term relationship with the customers. The company doesn't have enough employees to work in Norway, which led to low revenue that is even not enough to cover all the expenses and costs. In addition, the cost for the employees to travel back and forth is very high, which led to the annual result even worse.

## 5 Findings

This chapter involves the cross-case analysis, including case analysis of each case separately and aggregated comparison of similarities and differences across cases.

### 5.1 Case analysis of Malungen Gjestegård

#### 5.1.1 Lack of related legal knowledge

Legal aspects can cover a wide range of topics, including labour, environmental and consumer regulation; taxation and reporting requirements; and rules on ownership, competition and corporate governance; etc. (Johnson, 2017, p.45). In this case, it involves labour regulation. UDI seized five Chinese's passports, deported them within a time limit and imposed a two-year entry ban on them because the five Chinese only had valid tourist visas, not work permits. Then, the Chinese investor argued that these people were not here to earn money or work. And they were all invited by Stange municipality as a guarantee. However, the UDI made its five decisions based on the nature of the relationship which was considered a serious violation of Section 55 of the Immigration Act. Section 55 applies to residence permit requirements in order to be able to work and stay, including both with and without remuneration for work.

#### *“Section 55. Requirement for residence permit in order to take up employment and residence*

*A foreign national who intends to take up employment with or without remuneration or who wishes to engage in business activity in the realm must hold a residence permit giving him or her the right to take up employment or engage in business activity, unless otherwise provided in or in accordance with this Act.*

*A foreign national who intends to take up residence in the realm for more than three months without taking employment must hold a residence permit. Residence in another country participating in cooperation under the Schengen Agreement is equivalent to residence in Norway. The King may issue regulations containing further provisions on calculation of the period of residence.”* (Immigration Act, 2008, section 55)

The five Chinese worked with kitchen and civil engineering work, which means that they engaged in business activity in Norway regardless of with or without remuneration. Therefore, they must hold a residence permit in Norway. But they only have tourist visas.

Tourist visa is one kind of visitor's visa in Norway. Visitor's visa to Norway includes visas for visiting family, visiting girlfriend or boyfriend, on business, attending a cultural event or visiting an organisation, tourism or visiting Norway for other reasons, and traveling with, or visiting, a family member who is an EU/EEA national. A person cannot work while visiting Norway on a visitor's visa and cannot apply for a residence permit while visiting Norway on a visitor's visa, either (UDI, 2020). Obviously, tourist visa is not residence permit. Therefore, the Chinese investor's argument cannot be justified. Labour market crime is a priority area in Norway. UDI is very strict at following it up.

In addition, the UDI is the authority with decision-making authority in deportation cases, not the police. When the Chinese investor tried to get the deportation decision on the involved family member of the proprietor cancelled, they should call the UDI, not the police. The UDI as the superior expert body, instructs the police and foreign service missions in immigration cases and processes applications for protection (asylum), visitor's visas, family immigration, residence permits for work and study purposes, citizenship, permanent residence permits and travel documents. The UDI also makes decisions on rejection and expulsion (UDI, 2020).

### **5.1.2 Lack related knowledge of cultural difference**

Collinson & Rugman (2006, p. 129-148) define culture as “the sum total of the beliefs, rules, techniques, institutions, and artifacts that characterize human populations” or “the collective programming of the mind.” They point out that the key elements of culture include language, religion, values, attitudes, customs, and norms of a group or society, and culture can be analyzed at two levels: the psychic distance between groups of people, and the differences in culture embodied in national institutions and socio-economic systems.

In this case, the Chinese investor is not aware of the culture difference between Norway and China. When the deportation happened, the Chinese investor tried to use “guanxi” to solve the issue, for example, asking Chinese embassy for help and asking the Stange municipal government for help. When it didn't work, the Chinese investor believes that the UDI has

political prejudice to them, makes trouble to them, and therefore it is impossible to do business in Norway. Besides, the Chinese investor thinks that it is very unreasonable that Norwegian immigration authorities and local government officials did not advise them about the rules of using Chinese labor.

“Guanxi” is an important cultural and social element in China and has been embedded in every aspect of Chinese social and organizational activities for centuries. Chinese firms develop guanxi as a strategic mechanism to overcome competitive and resource disadvantages by cooperating and exchanging favours with competitive forces and government authorities, and utilize guanxi to manage organizational interdependence and to mitigate institutional disadvantages, structural weaknesses, and other environmental threats (Park & Luo, 2001). For example, firms in China use “guanxi” to overcome administrative interventions by the Chinese government. Furthermore, the relational network under “guanxi” contains implicit mutual obligations, assurances, and understanding (Park & Luo, 2001). This is why the Chinese investor thinks that the local government officials in Stange should have given advice about the regulation of using Chinese labour in Norway.

However, in Norway, there is no culture of “guanxi”. Norway is a country ruled by law. When it comes to legal issues in Norway, you must use legal means to solve the problem, rather than using “guanxi” to solve the problem. Besides, the law is the same for everyone in Norway. These are the Norwegian culture. The UDI and police were doing regular foreign check on Malungen. Therefore, the UDI and police neither have political prejudice to the Chinese investor nor make trouble to the Chinese investor. Moreover, the Norwegian immigration authorities and the local government officials in Stange have no responsibilities to give advice to the Chinese investor about the regulations of using Chinese labour in Norway. It is the Chinese investor’s own responsibility to be aware of and obey the rules of labour regulations in Norway.

In summary, lack of related legal knowledge and lack of related knowledge of cultural difference ultimately led to the failure of Malungen Gjestegård. Therefore, the legal factor and cultural difference are the key success & failure factors for the company. However, more specifically, the cultural factor is more critical than the legal factor in this case because the UDI and police didn’t close the Gjestegård or shut down its business, but deported five Chinese within a limited time and imposed a two-year entry ban on them. Without these five people, the

Chinese investor can operate the Gjestegård as usual and make a profit. The reasons for the failure and related recommendations are summarized in Table 4.

The reasons for the failure	Recommendations
Use tourist visa to work or engage in business activities in Norway and lack legal knowledge of Norway’s regulation on tourist visa and labour regulation on work permit and residence permit.	Be aware of and adapt to legal factors that matters for the cross-border investment (such as regulation on tourist visa and labour regulation) before coming to Norway to invest.
Use “guanxi” to deal with legal issues in Norway and lack knowledge of cultural difference between Norway and China	Be aware of and adapt to cultural difference before coming to Norway to invest. There is no culture of “guanxi” in Norway, and Norway is a country ruled by law. Must use legal means to solve legal issues in Norway.

**Table 4** The reasons for the failure and related recommendations in the case of Malungen Gjestegård

Keep in mind that labour market crime is a priority area in Norway, and UDI is very strict at following it up.

**5.2 Case analysis of Verkshotellet AS**

**5.2.1 Lack related knowledge of business strategy**

“Business strategies are about how to compete in a marketplace” (Johnson, 2017, p.209). For example, a hotel has to decide a range of issues such as decoration, price, quality of service according to local competition from other hotels. In this case, it involves business strategies in pricing, staffing, and marketing.

1) Pricing

Generally, hotel room price of all hotels in the same area with Verkshotellet is almost the same. But in the peak tourist season, all the other hotels increase price, while Verkshotellet doesn’t, which means its price is lower than its competitors’ price. However, During the peak season, the competition is weak because hotel rooms of all hotels in this area are in short supply. All the hotel rooms will be fully booked anyway. Lower price does not create competitive advantage in such market circumstance and in fact, causes the hotel lower revenue.

Furthermore, in the off-season, all the other hotels lower their price, while Verkshotellet doesn't, which means that the price of Verkshotellet is higher than its competitors' price. However, during the off-season, the competition is strong because hotel room supply exceeds demand. At this time, lower price can create competitive advantage, which can cause Verkshotellet lose customers and then lose income.

If the Verkshotellet also raise the room price during the peak tourist season and lower the room price during the off-season as its competitors do, then it will increase its revenue. Therefore, it is very important for the Verkshotellet to set price appropriately.

## 2) Staffing

In the off-season, the other hotels only keep a few people working in the hotels to reduce cost, but the management of Verkshotellet keep the same amount people working in the hotel as in the peak season. It is obviously that the hotel doesn't need the same amount people working in the hotel in the off-season as in the peak season. It involves overstaffing problem here. In Norway, the various costs associated with employees are very high, such as wages. Overstaffing led to higher total cost, which reduced the annual result of the hotel. It is therefore important for Verkshotellet to solve the overstaffing problem and avoid overstaffing issue.

## 3) Marketing

During the off-season, the revenue of Verkshotellet is very low, but the management of Verkshotellet did not have any business strategy to attract customers and increase its sales revenue in the off-season. Obviously, it involves marketing issue here. *“Marketing refers to all activities a company does to promote and sell products or services to consumers. At its core, marketing seeks to take a product or service, identify its ideal customers, and draw the customers' attention to the product or service available.”* (Twin, 2020) Marketing can help Verkshotellet to build awareness and promote its communication with customers (Mansoor, 2019), which thereby can help the hotel to sell its food in its restaurant and hotel room service already available and thus increase its sales revenue, and also can help the hotel to seek the new type of food and new type of hotel room service that customers demand and accordingly grow its businesses. Therefore, marketing is important for Verkshotellet, especially in the off-season. The bottom line of any business is to make money and marketing is an essential channel to reach this goal.

In summary, lack of related knowledge of business strategy in pricing, staffing and marketing eventually caused Verkshotellet AS unprofitable. Therefore, business strategy is the key success & failure factor for the company. The reasons for the failure and related recommendations are summarized in Table 5.

<b>The reasons for the failure</b>	<b>Recommendations</b>
Compared to the competitors, hotel price is lower in peak tourist season, and higher in off tourist season.	Set price in the light of local market circumstance and local competition from other hotels, for instance, raise the room price during the peak tourist season and lower the room price during the off-season as its competitors do.
Overstaffing in off-season	Solve the overstaffing problem in a prompt, cost-effective, and professional manner, for example, instead of maintaining complete staff of full-time employees, the hotel can employ some part-time staff or full-time temps which is called “vikar” in Norway. Both options provide the business with low-cost labor when needed. This way, in the off-season, these part-time or temp employees can be reduced or eliminated without having to conduct layoffs and pay severance packages (which is legal in Norway), and it can avoid both understaffing and overstaffing and thereby keep the company operating smoothly.
Lack marketing	Conduct marketing to attract customers to sell the food and hotel room service already available and seek new food and hotel room service that customers demand, especially in the off-season.

**Table 5** The reasons for the failure and recommendations in the case of Verkshotellet AS.

## **5.3 Case analysis of SiChuan Road & Bridge (Group) Corporation Ltd.**

### **5.3.1 Selection of wrong people**

In this case, the head office in China arranged administrative staff to an office in Norway to conduct in-depth market research. But these administrative staff do not have the professional knowledge or ability to do the market research. In the end, the market research could not be done, and the office became a reception desk.

Market research is a systematic process of collecting, analyzing and interpreting information (data) about your target market, customers, competitors and the industry as a whole (Markus, 2019). Since the company didn't conduct market research in Norway, therefore, the company lacked related knowledge of the Norwegian market and the Norwegian construction industry. Furthermore, it caused a series of various problems.

#### 1) Material prices, machinery usage fees, outsourcing cost, and labour cost

Because the company did not conduct market research in Norway, thus, the company did not know the prices of materials, and only consulted its subcontractors for the prices, so that the company could not accurately quote, which led to unusually low quotations. This was one of the reasons that the project price quoted by the company was too low to make profit.

The company does not have its own construction equipment in Norway. Then, it has to either rent equipments, such as mechanical bulldozers, excavators, underwater pile driving equipment, or outsource this part of the project to the local subcontractors. Both equipment rental costs and outsourcing costs are very high in Norway which increase construction costs. In addition, the company must pay all employees who are working in Norway in accordance with Norwegian wage regulations, which results in very high labour cost.

However, the company didn't know about these when estimating the project quotation because the company didn't conduct the market research.

#### 2) Partner

Furthermore, due to lack of related knowledge of the construction companies in Norway, it is difficult for the company to determine fixed partners in Norway, and then the company has to outsource to unknown subcontractors. However, during both projects, there were subcontractors that went bankrupt and could not continue to complete the contracted process. In a project, it is a process after a process. If one process is not completed, it results in that all the following processes cannot be carried out, which is a big reason for the delays of both projects. Project delays will lead to increased costs, fines and other problems, which is very unfavorable for the company.



### 3) Legal

The company lacks related legal knowledge in Norway as the company didn't conduct market research, such as labor law, HSE, etc., which led to a number of problems and difficulties to the company. For example, because the company didn't know about the regulations of working overtime, the company let the staffs work overtime, which resulted in that the Norwegian government forced the company to make up all the costs and expenses related to overtime work, a total of more than NOK 1 million which increased total cost.

Moreover, during the Hålogalandsbrua project, because the company didn't know about the Norwegian welding requirements, widespread quality deviations on welding had led to much of the welding work having to be done again, and 100% X-ray of all welding work was carried out, which has led to further problems for an already strained project. This led to delays in the project. Welding was the major challenge in this project. In addition, during the Beitstadsundbrua project, because the company didn't know about the related Norwegian HSE requirements, therefore, the company underestimated the scope of work. Along the way, the HSE focus on diving assignments in connection with the work in the sea, which resulted in a much longer period of various work that has been carried out under the water surface than expected. This also led to delays in the project. It can be seen that legal factors are a primary cause of project delays in this case. The consequences of project delays have been discussed earlier.

Therefore, selection of wrong people is one of the main reasons that caused the company's unprofitability and failure in Norway.

If the company selects the right people to get the market research done, then the company will have better knowledge of the Norwegian market and the Norwegian construction industry, and thereby have a better understanding and estimation of various costs. Thus, an appropriate project quotation will be given by the company so that the company can make profit. Moreover, the knowledge gained from the market research can help the company to reduce the project delays, thereby reducing costs for the company and increasing the possibility of the company's profitability. Therefore, it is success critical to select the right people.

### **5.3.2 Inefficient organizational structure**

Organisational structure defines employees' roles, responsibilities and who they report to (Johnson, 2017, p. 439). In this case, the organisational structure is very hierarchical and bureaucratic. Power is centralized. The management of the Norwegian subsidiary do not have real power. Everything is decided by the head office in China. And the interests of all parties intersect. Thus, this organisational structure caused a number of consequences, such as slow decision making. The problems and solutions proposed by the management of the Norwegian branch cannot be directly communicated to the decision maker. It takes time for management decisions to percolate through the various levels of management and eventually be enacted. It is time consuming.

This way, it caused the Norwegian subsidiary often has no overall and specific plan, thereby the division of labor is often not clear, and the responsibilities are not implemented. For example, the handling of the steel case during the Beitstadsundsbrua project (see case presentation). Therefore, the Norwegian subsidiary is unable to deal with the problems encountered in Norway in a timely manner. However, the construction volume of the company's construction projects in Norway is large, the scope is wide and scattered, the construction strength is relatively insufficient, and the construction period is tight, which requires lightning-fast decision making. Thus, the inefficient organisational structure is one of the main reasons that caused the delays of both projects and also one of the main reasons that caused the unprofitability and failure of the Norwegian subsidiary. Therefore, it is success critical for the company to have an efficient organisational structure which can provide fast decision making.

In summary, selection of wrong people and inefficient organisational structure ultimately led to the failure and unprofitability of the company. Therefore, selection of people and organisational structure are the key success & failure factors for the company. The reasons for the failure and related recommendations are summarized in Table 6.

The reasons for the failure	Recommendations
Selection of wrong people resulted in that the market research in Norway was not conducted, which led to the company 1) lack knowledge of material prices, machinery usage fees, outsourcing cost, labour cost and various other costs in Norway; 2) lack fixed and trustworthy partners in Norway; 3) lack related legal knowledge in Norway such as labour law, HSE, etc.	Selecting the right people to get market research done in Norway in order to 1) know about the various costs so that the company can give an appropriate project quotation to make profits; 2) get fixed and trustworthy partners to complete the project on time; 3) be aware of and adapt to the related legal factors (which Norway is very strict at following up) to complete the project on time and avoid fines, increased costs and other consequences.
Very hierarchical and bureaucratic organisational structure resulted in slow decision making, which led to project delays.	Having a decentralized organizational structure which can provide lightning-fast decision making.

**Table 6** The reasons for the failure and recommendations in the case of SRBG Norway

## 5.4 Case analysis of China Liangtse Wellness AS

### 5.4.1 Lack of related legal knowledge

The legal aspects have been stated in the case analysis of Malungen Gjestegård. In this case, it also involves labour regulation. The main reason for the failure is that the health massage employees from China cannot obtain work visa in Norway because they don't meet the requirements for education/qualifications. On the website of UDI (udi.no), it lists the requirements relating to education/qualifications for a Chinese to apply for a residence permit as a skilled worker with an employer in Norway.

#### ***“Requirements relating to your education/qualifications***

*You must have one of the following types of education/qualifications*

- *a completed vocational training programme of at least three years at upper secondary school level, for example as a carpenter or health worker. There must be a corresponding vocational training programme in Norway.*
- *completed education or degree from a university/ university college, for example a bachelor's degree as an engineer or nurse*
- *special qualifications that you have obtained through long work experience, if relevant in combination with courses etc. A permit is only granted in such cases in exceptional*

*circumstances. Your qualifications must be equivalent to those of someone who has completed vocational training.” (UDI, 2020)*

However, the fact is that in China, none of the health massage employees has a completed vocational training programme of at least three years or completed education from a university/college in health massage because in China, there is no such vocational training programme at upper secondary school level or such education in university or college. Neither in Norway. Maybe some of them have long work experience in health massage. But it says very clearly in the requirements that UDI hardly grants a permit in such cases, and additionally, there is no such vocational training in health massage either in Norway or in China, so the long work experience in health massage does not meet the requirement that the qualifications gained through long work experience must be equivalent to those of someone who has completed vocational training. Therefore, the health massage employees from China cannot obtain residence permit in Norway.

For a company in the massage service sector, its business activity is to provide health massage service to the customers. Without health massage employees, then the company cannot provide any massage service to the customers, then the company is definitely unable to operate, and eventually fails.

The alternative, using a Finnish work visa to work in Norway for three months, is not a profitable solution because the company could not get enough Chinese massage employees to the Norwegian branch from the Finnish branch. Only 3-5 Chinese massage employees work in the Norwegian branch. The annual revenue generated by 3-5 Chinese massage employees is much less than the total annual cost and expenses of the Norwegian branch.

In summary, lack of related legal knowledge in Norwegian labour regulation ultimately led to the failure of China Liangtse Wellness AS. In this case, the labour regulation (which is the legal factor) has handicapped the company. Therefore, the legal factor is the key success & failure factor of the company. The reason for the failure and related recommendation are summarized in Table 7.

<b>The reason for the failure</b>	<b>Recommendation</b>
The health massage employees from China cannot obtain work visa in Norway because they don't meet the requirements for education/qualifications. Lack legal knowledge of Norway's labour regulation on work permit and residence permit.	Do related legal consultation to be aware of the labour regulation in Norway before coming to Norway to invest, especially for the company that wants to bring/depends on bringing its own labour from China to Norway.

**Table 7** The reason for the failure and related recommendation in the case of China Liangtse Wellness AS

## 5.5 Cross-case analysis

The aggregated key success & failure factors of Chinese companies in Norway identified from the four cases include legal factors, cultural difference, business strategy, organisational structure and selection of people. The cross-case analysis is seen in Table 8.

<b>Cases</b>	<b>Malungen Gjestegård</b>	<b>Verkshotellet AS</b>	<b>SRBG Norway</b>	<b>China Liangste Wellness AS</b>
<b>Key success &amp; failure factors</b>				
Legal factors	✓			✓
Cultural difference	✓			
Business strategy		✓		
Organisational structure			✓	
Selection of people			✓	

**Table 8** Comparison of similarities and differences of the key success & failure factors across the four cases

### 5.5.1 Legal factors

The legal factors are the key success & failure factors for the cases of both Malungen Gjestegård and China Liangste Wellness AS (hereinafter referred to as CLWA). In both cases, the legal factors involve labour regulation on work permit and residence permit, but the case of

Malungen Gjestegård also involves regulation on tourist visa. Regarding to the extent of criticality of legal factors in these two cases, the smaller for the case of Malungen Gjestegård, the larger for the case of CLWA because the labour regulation handicapped CLWA, not Malungen Gjestegård.

The legal factors are involved in the case of SRBG Norway, including overtime in labour law, HSE, welding requirements, etc. But the legal factors are not the key success & failure factors of this case. Verkshotellet AS is the only one that does not involve legal factors. This is because the Chinese investor EMPERY keeps the local management of Verkshotellet AS after the acquisition. The local management are familiar with local legal framework and regulatory environment, which can avoid legal issues.

It is success critical for Chinese companies to be aware of and adapt to related legal factors in Norway. And Norway is very strict at following them up. It is important to conduct related legal consultation before coming to Norway to invest.

### **5.5.2 Cultural difference**

Cultural difference is the key success & failure factor only for the case of Malungen Gjestegård, not for the other three cases. The Verkshotellet AS has local management who are familiar with local cultural environment, which can avoid cultural issues. Both SRBG Norway and CLWA are aware of, respect and adapt to the cultural difference in Norway (SRBG Norway & CLWA, personal interviews, March 2020).

It is success critical for Chinese companies to be aware of, respect and adapt to Norwegian culture difference. There is no culture of “guanxi” in Norway. “Guanxi” does not work in Norway. Norway is a country ruled by law and treats everyone equally before the law. When legal issues are involved, you must use legal means to solve the legal issues, not “guanxi”.

### **5.5.3 Business strategy**

Business strategy is the key success & failure factor only for the case of Verkshotellet AS, not for the other three cases. The business strategies in pricing, staffing and marketing of Verkshotellet AS are neither in the light of making the company profitable nor in the light of the

local market circumstance. But the business strategies of the other three cases are in the light of both making their companies profitable and their local market circumstances.

It is success critical for Chinese companies to have business strategy in the light of both making profit (increasing revenue and decreasing costs) and the local market circumstance.

#### **5.5.4 Organizational structure**

Organizational structure is the key success & failure factor only for the case of SRBG Norway. SRBG's organizational structure is very hierarchical and bureaucratic, and power is centralized, which cannot provide fast decision making. But in the other three cases, organisational structure is less hierarchical or flat, and power is decentralized, which can provide fast decision making.

It is success critical for Chinese companies to have less hierarchical or flat organisational structure which can provide fast decision making in Norway.

#### **5.5.5 Selection of people**

Selection of people is the key success & failure factor only for the case of SRBG Norway, not for the other three cases. The organisation structure of SRBG is very hierarchical and bureaucratic, and the interests of all parties intersect. It is difficult for people who really do things to have promotion opportunities, but it is easy to be promoted when they are close to the leader (SRBG Norway, personal interview, March 2020). But in the other three cases, the companies are staffed with the right people assigned with proper responsibilities.

It is success critical for Chinese companies to be staffed with the right people assigned with proper responsibilities in Norway.

## 6 Discussion

This chapter discusses the findings of this paper in relation to the literature review.

The identification of key success & failure factors of Chinese OFDI is critical to understanding this phenomenon of Chinese OFDI's failure (unprofitability). What is more, for the management of Chinese multinationals, it is important to understand what critical factors cause their failure overseas. For this reason, this exploratory study investigated key success & failure factors of four Chinese companies in Norway.

The findings of this study provide an adequate, unambiguous representation of key success & failure factors of Chinese companies in Norway and expand existing literatures of key success & failure factors of Chinese OFDI. Specifically, five key success & failure factors of Chinese companies in Norway are identified in this study, including legal factors, cultural difference, business strategy, organisational structure and selection of people.

The foregoing findings imply certain extensions to key success & failure factors of Chinese OFDI research. Researchers previously are mainly limited to identify the key success & failure factors of Chinese cross-border M&As. However, this study identifies the success & failure factors of both Chinese overseas M&As and greenfield investments.

Moreover, regarding to the key success & failure factors of Chinese cross-border M&As, previous researches mostly focused on strategic assets acquisition. But this study involves hotel and tourist resort acquisition which are not strategic assets acquisition. Thus, some of the critical factors identified from these previous researches cannot be applied to this study. For example, the acquiring firm's absorptive capacity to acquired strategic assets is the critical factor of Chinese cross-border M&As (Deng, 2010), which is not critical for the two acquisition cases in this paper.

On one hand, the findings of this study partly converge with prior studies, such as cultural difference (Ai & Tan, 2020; Chen, Werle, & Moser, 2016). On the other hand, the findings of this study are also different from the results of previous studies. For instance, key success & failure factors identified by this study include legal factors, business strategy, organizational



structure, and selection of people. These factors did not come forward as critical factors of Chinese OFDI in earlier research. This shows how the classification scheme developed here builds on and extends earlier models of key success & failure factors of Chinese OFDI. The reasons causing the findings of this study very different from the findings of prior studies can be that 1) the entry modes of the Chinese OFDI are different, such as M&A and greenfield investment; 2) the attributes of the acquired assets are different, such as strategic assets and non-strategic assets; 3) the levels of the study are different, such as firm-level, country-level, and region-level; 4) the industries of the study are different, such as hotel service industry, massage service industry, construction industry, information transmission industry, software industry, etc. For instance, for greenfield investment, everything starts from the scratch, and each country's macro-environment is different. Thus, legal factors can be critical factors, for example, in the case of China Liangtse Wellness AS.

Keep in mind, this paper aims to find critical factors of success & failure, not all factors. Some factors may affect, but not critical, for example, legal factors in the case of SRBG Norway.

## 7. Conclusion

This chapter concludes by summarizing the answers to the research questions, discusses the implications and limitations of this paper, and gives suggestions for the future research.

### 7.1 Conclusion

*Why are some of the Chinese companies in Norway failed (unprofitable)?*

The reasons of failure are various among different case companies.

In the case of Malungen Gjestegård, the reasons of failure are mainly lack of related knowledge of Norway's regulation on tourist visa and labour regulation on work permit and residence permit, and lack of knowledge of cultural difference between Norway and China. One who has tourist visa can not work or engage in business activities in Norway regardless of with or without remuneration. Norway is a country ruled by law and has no culture of "guanxi". When it comes to legal issues in Norway, you must use legal means to solve the problem.

In the case of Verkshotellet AS, the reasons of failure are mainly that the business strategies in pricing, staffing and marketing are not in the light of local market circumstance and local competition from other hotels and the goal of making profit.

In the case of SRBG Norway, the reasons of failure are mainly that selection of wrong people caused market research not done and the organisational structure is very hierarchical and bureaucratic. The company didn't conduct market research in Norway, which caused a series of various problems, including 1) lack of knowledge of material cost, labour cost, machinery usage fees and other various costs led to too low project quotation; 2) lack of knowledge of construction companies led to having no fixed and trustworthy partner, which led to project delays; 3) lack of related legal knowledge such as overtime in labour law, HSE, welding requirements, etc. led to fines and project delays. The hierarchical and bureaucratic organisational structure led to very slow decision making, which caused project delays. Project delays led to increased costs, fines and other problems, which is very unfavorable for the company.

In the case of China Liangtse Wellness AS, the main reason of failure is lack of related knowledge of Norway's labour regulation on work permit and residence permit. The Chinese health massage employees cannot get work permit and residence permit in Norway, which has handicapped the company.

*What are the key success & failure factors of these Chinese companies in Norway?*

As concluded in chapter 5, for the case of Malungen Gjestegard, legal factors and cultural difference are the key success & failure factors (hereinafter referred to as KSFF); for the case of Verkshotellet AS, business strategy is the KSFF; for the case of SRBG Norway, selection of right people and organisational structure are the KSFF; for the case of China Liangtse Wellness AS, legal factor is the KSFF.

## **7.2 Implications**

This paper is among the first attempts to identify the key success & failure factors of Chinese OFDI in Norway. This research is of high practical importance for Chinese companies and investors doing or considering cross-border investments in Norway. The key success & failure factors identified in this research can direct managerial priorities toward those few areas which should receive careful attention and control to achieve the cross-border investment success in Norway.

In addition, this paper has enriched the research on Chinese OFDI in several different aspects. First, prior studies mostly focus on Chinese OFDI in other regions of Europe, not Nordic countries; Second, prior research on Chinese OFDI has mainly investigated the M&As, not greenfield investments; Third, among the research papers of M&As, very few empirical research has been found to address the aspect of key success & failure factors. This research paper has helped to fill these research gaps.

## **7.3 Limitations**

As an explorative study, certain limitations should be kept in mind in interpreting the preliminary findings from this research. The first limitation relates to the weakness of case study research method. The findings derived from the four selected cases cannot be generalized

to all the contexts of Chinese cross-border investments. The second limitation relates to the subjective nature of judgements made by the participants in the empirical study. The identified key success & failure factors were based on the perceptions of the interviewees.

#### **7.4 Future research**

Regarding to future research, the findings from this research need to be verified in more Chinese OFDI cases in Norway.

In addition, future research could take advantage of the findings in this paper to test the “how” questions in a quantitative way, that is, how the identified factors influence the Chinese OFDI performance.

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# Appendix

## Appendix 1.

### Reflection Note

Chinese foreign direct investment (FDI) holdings in Norway currently ranks between 10<sup>th</sup> and 15<sup>th</sup> place in the list of countries with the largest FDI holdings in Norway and becomes notable in Norway (Gåsemeyr & Sverdrup – Thygeson, 2017, pp.101-102). Therefore, “The key success & failure factors of Chinese companies in Norway” becomes the research topic in my thesis. Obviously, “international” has been the main theme of my thesis.

The findings of my thesis include:

- 1) It is success critical for Chinese companies to be aware of and adapt to related legal factors in Norway, including Norway’s regulation on tourist visa and labour regulation on work permit and work residence. And Norway is very strict at following them up. It is important to conduct related legal consultation before coming to Norway to invest.
- 2) It is success critical for Chinese companies to be aware of, respect and adapt to Norway’s culture difference. There is no culture of “guanxi” in Norway. “Guanxi” does not work in Norway. Norway is a country ruled by law. When it comes to legal issues, you must use legal means to solve it, not “guanxi”.
- 3) It is success critical for Chinese companies to have business strategy in the light of both making profit (increasing revenue and decreasing costs) and the local market circumstance.
- 4) It is success critical for Chinese companies to have less hierarchical or flat organisational structure which can provide fast decision making in Norway.
- 5) It is success critical for Chinese companies to be staffed with the right people assigned with proper responsibilities in Norway.

And the conclusion of my thesis is that legal factors, cultural difference, business strategy, organisational structure and selection of people are the key success & failure factors of Chinese companies in Norway.

My thesis topic relates to two broader international trends. First, in responding to “the Belt and Road Initiative”, more and more Chinese companies come to Norway to invest. In my thesis,

the case of SRBG Norway is like this. In 2013, because of “the Belt and Road Initiative”, SRBG got the opportunity to bid for the Hålogalandsbrua project, and finally won this project. Then, SRBG established a wholly-owned subsidiary in Norway, namely, SRBG Norway. In 2017, SRBG won its second project – Beitstadsundbrua project in Norway.

In 2017, the Arctic and the Northeast passage became incorporated into China's “Belt and Road Initiative”. In January 2018, the Chinese government announced its vision of the "Polar Silk Road" and plans to include the Arctic in the "Belt and Road" initiative. In this Chinese Arctic policy document, the Chinese authorities encourage enterprises to build infrastructure and conduct commercial sea trials on new routes. Chinese Vice Foreign Minister Kong Xuanyou states that the Arctic countries do not need worry about China looting resources or destroying the environment. China will abide by the relevant rules adopted by the Arctic countries. In addition to transportation, Beijing also intends to mine raw materials such as oil and natural gas in the Arctic, use renewable energy, and develop fisheries and tourism (MOFCOM, 2018).

Then, in 2018, the Chinese multinational engineering and construction giant China Communications Construction Company (hereinafter referred to as CCCC) established its wholly owned subsidiary in Norway, namely, CCCC Norway. CCCC has submitted tenders for several road contracts in tender rounds at both Nye Veier and Statens vegvesen (Norwegian Public Roads Administration). The company is now one of the five foreign groups that have pre-qualified for building E6 with a bridge over Mjøsa for Nye Veier (Adresseavisen, 2019).

Furthermore, China's Arctic strategy may allow for increased value creation in Northern Norway, given that Chinese companies find good Norwegian partners. An offensive stance in this regard is Sør-Varanger's cooperation agreement with the city of Harbin in Northeastern China. This agreement will contribute to the development of industrial projects and activities in tourism, agriculture, trade and culture. Kirkenes plays a central role as a transport hub in connection with the Northern sea route, and good Chinese contacts are important. We can expect continued increasing activities from China in line with global warming and ice melting (Kristoffersen, 2019, p. 28).

Second, more and more Chinese love to travel to Norway. Norway has now the most Chinese tourists in the Nordic region (Kristoffersen, 2019, p. 26). China has become the largest Asian Market of the Norwegian tourism (Xie & Tveterås, 2020, p. 111). This attracts more and more

Chinese multinationals come to Norway to invest in order to earn money from Chinese tourists in the Norwegian tourism industry. In my thesis, EMPERY's direct investment in Verkshotellet AS and Beijing Guotong Baoyuan Investment Co. Ltd. (hereinafter referred to as BGBI)'s direct investment in Malungen Gjestegård are like this. Both EMPERY and BGBI are optimistic about the prospects of Chinese tourists traveling to Norway, and plan to attract wealthy Chinese tourists to Preikestolen and Malungen Gjestegård, respectively. Another example, in 2019, Hainan Airlines, one of China's largest airlines, established its wholly owned subsidiary -- Hainan Airlines holding company limited in Norway, and started up the first direct flights of the time between Oslo and Beijing, which may further increase the number of Chinese tourists traveling to Norway and impact the export of fresh seafood to the rapidly growing Chinese market.

My thesis topic links to innovation. In order to identify the key success & failure factors, a comprehensive analysis of each case is required, including industry, market circumstance, competitive advantage, etc. In the case of Malungen Gjestegård, it shows that there are needs in the marketplace for country tourist resorts with Norwegian nature as their themes. Chinese tourists love to enjoy the Norwegian nature, and want to come here to play golf, go fishing, go skiing, go hunting, etc. Winter activities such as downhill and cross-country skiing will be very special for Chinese tourists. Thus, Norway can work on to build such country tourist resorts to satisfy the market's needs, meanwhile, to have convenient and fast way to get to these places. Furthermore, Norway can start up more direct airlines between Norway's other cities such as Stavanger, Kristiansand and China's other cities such as Shanghai, Guangzhou.

My thesis topic relates to responsibility, too. That to identify the key success & failure factors requires to understand and analyse the company's management practices. In the case of SRBG Norway, Chinese construction workers were required to work overtime by the company. This shows that the potential that the employer ignores the health and safety of construction workers may arise. There is no doubt that overtime will make construction workers very tired and fatigued, lack of concentration and lack of physical strength, which will damage the workers' health, and will also lead to safety problems caused by lack of concentration or lack of physical strength. Employers neglecting the health and safety of workers is common in China. According to official figures, in 2019, about 81 deaths from work-related accidents each day on average in China (CLB, 2020). The poorly-regulated construction industry is where China's most hazardous jobs are and accounts for more than a third of all the incidents recorded on the Work

Accident Map (CLB, 2020). Physical injuries and illnesses always cause the reduction of craft productivity, work enthusiasm and an increased absenteeism rate (Yuan, Yi, Miao & Zhang, 2018, p. 1). Responsible management practices embrace triple bottom line optimization, embrace triple bottom line optimization and ethical decision making and create moral excellence (Laasch & Conaway, 2015, pp. 25-26), which means that, in the case of SRBG Norway, responsible management practices will pay attention to construction workers' health and safety, prevent constructions workers from losing their health because of work and protect constructions workers from harmful factors from their working environment. This can improve construction workers' efficiency and productivity (Yuan, Yi, Miao & Zhang, 2018, p. 17), which can derive cost leadership (Rajan, Ming & Evan 2019, p. 29), and thereby create competitive advantage (Johnson, 2017, p. 210).

In order to strengthen responsibility on the part of SRBG Norway, the following specific actions or decisions could be undertaken: 1) Norwegian government should popularize Norway's regulations of HSE to SRBG Norway and its construction workers, emphasize the importance that the company must obey all the HSE regulations, and conduct regular inspections on the company; 2) the company should provide enough protection measures to the construction workers, including health and safety training, health insurance, regular physical examination, health subsidies for high temperature and cold weather, necessary protective equipment and fixed vacations for construction workers, etc.

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## **Appendix 2.**

### **Email of interview invitation and interview questions**

Hi,

My name is Yuxia Wang, a master student of School of Business and Law at University of Agder (UIA) in Kristiansand, Norway.

My current mater thesis research topic is “*Key success & failure factors of Chinese companies in Norway*”. The aim of this research is to explore the key success & failure factors of Chinese cross-border greenfield investments and Mergers & Acquisitions (M&As) in Norway, and to improve the odds of success of Chinese overseas investment in Norway.

This research has high practical importance for Chinese investors doing or considering overseas investment in Norway. The key success & failure factors identified in this research can direct the Chinese investors to pay careful attention and control to achieve success.

This thesis will use multiple-case study as the qualitative research method. There will be interviews with representatives of some Chinese companies in Norway via telephone call or WeChat call. May I invite you (the representatives of this company) to the interview to participate in this interesting and practical research topic? Your consent and insights will be highly appreciated. The interview will be conducted in the semi-structured way so that you have freedom to express your views in this relatively new topic. The interview will not be taped and will be anonymous, and it will take you 20-30 minutes. I attached the interview questions.

I speak Chinese, English and Norwegian. If you prefer the interview in Chinese or Norwegian, it is also great for me. Thank you for your interest and looking forward to hearing from you.

Best regards

Yuxia Wang

## **Interview questions**

1. Why to establish/acquire the company in Norway? what are the drivers and motivations? (for market, brand, patent, technology, profit, natural resource, etc.)
2. What's the size of the investment to establish/acquire the company in Norway?
3. What's the business activities of the company in Norway?
4. What's the company's mission and vision? What's the goal of the company in three years?
5. Who is the management, the local talent or Chinese talent?
6. What kind of opportunities does the company in Norway have?
7. What's the company's competitive advantage and disadvantage compared to competitors? (price, quality, technology, etc.)
8. How is the demand to the company's products or services in the market?
9. What's the company's position in market? (market share, yearly revenue)
10. How has the company communicated proactively with all stakeholders (shareholders, investors, employees, suppliers, customers, etc.)?
11. How has the company promoted a positive image in local communities (considering local interests and opinions from the public, media, unions, politicians, etc.)?
12. What kind of challenges/difficulties does the company in Norway face? (such as political, economic, social, technological, ecological, legal, strategic, cultural, organizational, process, a limited knowledge of international markets, including market situation, regulations and customer base; a limited availability of managers with sufficient language proficiency, foreign culture understanding and an established social network; lack of integration effectiveness, lack of systematic process, for instance in strategy definition, roadmap development and execution, etc.)



13. Why is the company not profitable? What are the main reasons causing it? (such as low revenue, high operating costs)

14. What is the company going to do to become profitable? What are the solutions?