Planting trees in the land of a million elephants

A comparative case study of entry strategies in the Laotian forestry sector

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Executive Summary

The recent emergence of emerging market multinationals (EM-MNCs) and their road to internationalization is one of the main topics in contemporary International Business (IB) literature (Khanna and Palepu, 1997, 2004; Nachum, 2004; Ramamurti, 2004, 2008; Khanna et al., 2005; Luo and Tung, 2007; Peng et al., 2009). As globalization continues to erode borders, both WMNCs and EM-MNCs are increasingly looking to emerging economies to consolidate resources in order to supply growing demand. An increasing amount of IB literature has in recent years been devoted to examining if EM-MNCs posit distinctive resources and capabilities that make them more adept at operating in emerging economies.

This thesis aims at contributing to the above discussion within the context of the Laotian Forestry Sector (LFS), specifically the plantation sector aimed at producing different forms of pulp. This setting was interesting and worthwhile to study as it saw a rapid influx of both WMNCs and EM-MNCs in early 2000s, all of whom had to navigate in one of the poorest countries in the world, with several market imperfections and structural weaknesses. The aim of this thesis was thus to conduct a comparative case study of three carefully chosen case companies, namely Aditya Birla, Stora Enso and Oji Pulp and Paper in order to shed light on the discussion currently ongoing within the IB literature.

The thesis specifically looks at the dissimilarities in the different entry strategic aspects of each of the case firms, and subsequently seeks to discuss how these differences could be explained by the distinctive competitive advantages that each firm derived from their home country context. The analysis is embedded in a resource-based view approach, and made use of the institutional-based view to factor in the context-specific conditions that firms had to take into account when formulating their entry strategies.

The chosen approach provides for several interesting findings. First, there was substantial evidence to support the proposition that the chosen EM-MNC possesses a competitive advantage stemming from a stronger focus on network based strategies. However, the notion that EM-MNCs would possess competitive advantages derived from an ability to transfer experience and knowledge from one weakly institutionalized environment to another found little support. Although emerging
economies possess several similarities in terms of institutional structures and institutional weaknesses, local, in the sense of country-specific, knowledge was found to be important nonetheless.

Second, the analysis also finds that although WMNCs may have fallen behind in terms of networking capabilities, both of the chosen WMNCs found ways of mitigating the problems often encountered in countries with weak institutions. Stora Enso appreciated the importance of local knowledge and resources, and contracted a local firm to whom they gave high levels of autonomy. The resulting model was one that thoroughly integrated CSR into the plantation model, something that may lead to a competitive advantage in the future. Oji on the other hand, opted for an entry coherent with modern IB literature (Meyer, 2009; Lasserre 2007; Peng & Meyer 2011), namely by entering through an acquisition to gain access to local resources, and so facilitating a swift entry.

In summary, the analysis finds considerable support for the overlying proposition that firms’ entry strategies will be influenced by their home-country context. These findings contribute to the current IB discourse regarding the sources of EM-MNCs advantages by examples of how these advantages come into play in the LFS. Furthermore, the thesis gives an indication of the need for further integration of the resource-based view and the institution based view when explaining firm behavior in emerging economies. This is done by illustrating that there are certain resources and capabilities that firms either need to have, or need to acquire when entering an economy plagued by weak institutions. The findings may also have implications for prospective investors in the Laotian forestry sector, suggesting that a swift implementation may not always be the desired approach, but rather that an approach that incorporates local knowledge may be more beneficial. Finally, the findings of the analysis call for further research into a number of different areas: A more detailed analysis of the effect of one of the chosen country-specific resources of each case firm on its entry strategy; and a detailed analysis of how sustainable supply chain management and strategic CSR can develop into a competitive advantage for WMNCs when facing EM-MNCs in the global ar
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List of abbreviations

ASEAN Association of Southeast Asian Nations
CSA Country Specific Advantage
CSR Corporate Social Responsibility
EM-MNCs Emerging Market Multinational Companies
FDI Foreign Direct Investment
FSA Firm-Specific Advantage
FSC Forest Stewardship Council
<table>
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<tr>
<th>Acronym</th>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GoL</td>
<td>Government of Laos</td>
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<td>IBV</td>
<td>Institution Based View</td>
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<td>JV</td>
<td>Joint Venture</td>
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<td>LDC</td>
<td>Least Developed Countries</td>
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<td>LFS</td>
<td>Laotian Forestry Sector</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<td>NGOs</td>
<td>Non-governmental Organizations</td>
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<td>RBV</td>
<td>Resource Based View</td>
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<td>SE</td>
<td>Stora Enso</td>
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<td>SEA</td>
<td>South East Asia</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>USD</td>
<td>United States Dollar</td>
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<tr>
<td>UXO</td>
<td>Unexploded Ordinance</td>
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<tr>
<td>WMNCs</td>
<td>Western Multinational Companies</td>
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<td>WTO</td>
<td>World Trade Organization</td>
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Chapter 1 - Introduction

As a consequence of globalization, the global business arena has in recent years seen an increasing influx of economic powerhouses originating from emerging markets. These new fast-moving, sharp-toothed multi-nationals increasingly test and challenge traditional Multinational Corporations (MNCs) in areas which they previously dominated. This is particularly true in resource-seeking sectors in other emerging economies, where the influence of emerging market multinationals (EMNCs) is rapidly increasing. This has raised concerns about the effects of this phenomenon on the populations of the target economies. It has also given rise to a new strand of International Business (IB) theory literature regarding the internationalization processes of these new firms, and how their strategies align with conventional IB wisdom. Subsequently, a number of studies (Khanna and Palepu, 1997, 2004; Nachum, 2004; Ramamurti, 2004, 2008; Khanna et al., 2005; Luo and Tung, 2007; Peng et al., 2009) have sought to answer whether these players possess distinctive competitive advantages because they originated from emerging economies—and if so, does this equip them with advantages over traditional MNCs when entering into other emerging economies?

This new phenomenon has had a marked influence on the underdeveloped, land-locked country of the People’s Democratic Republic of Laos (Laos). Situated between rapid economic nations such as Thailand, China and Vietnam, the country has long been ignored by global multinationals due to its undeveloped economy. Over the past decade, however, spurred on by the economic development of its neighbors, Laos has experienced a steady GDP growth rate of approximately 7 per cent. This has seen the entrance of several MNCs searching to access first-mover advantages in this previously unexploited country.

One sector that has become particularly attractive for MNCs in recent years is the Laotian forestry sector (LFS), in which some of the world’s largest forestry companies currently operate. The increasing presence of both EM-MNCs and MNCs in this undeveloped economy offers an interesting and worthwhile opportunity to analyze differences between the two groups of companies. The central objective of this thesis is to undertake a comparative case study examining a contemporary EM-MNC alongside two traditional MNCs in the Laotian forestry sector.
1.1 Research Question

The goal of this thesis is to carry out a comparative case-study aimed at investigating the cause of the differences in entry strategies into the Laotian forestry sector of three carefully selected firms. Consequently, the research question that this study seeks to answer is the following:

What are the differences in entry strategies in the Laotian forestry sector, and what explains these differences?

The contemporary EMNC chosen for this study is the Indian conglomerate, the Aditya Birla Group (Birla). Their western counterparts are Japanese based Oji Pulp and Paper Group (Oji) and Swedish/Finnish Stora Enso Group (SE). The study will take a resource-based approach to explaining entry strategy formulation, and aims to explain differences by analyzing unique sets of resources and capabilities that may have been shaped by each firm’s home country context. The following overlying proposition has therefore been developed to help guide the thesis in answering the research question:

“Differences do exist among companies’ entry strategy as a result of their country of origin”

Furthermore, to test the above proposition, it was broken down into several specific propositions. These propositions will be developed on the basis of the theoretical chapter, and will subsequently be presented in the analytical framework.

1.2 Thesis structure

Figure 1 provides a graphic presentation of the thesis. A more detailed explanation on the different sections is carried out to the right of the figure.
The first chapter outlines the thesis topic, and the second chapter presents the methodological approach. This chapter outlines the research philosophy, strategy and design, and highlights the reasons for choosing the case and describes the process of data collection. In addition, the validity and reliability of the findings are outlined.

Chapter three will present the theoretical scope adopted guide the analysis and answer the research question. Moreover, a theoretical limitation will be outlined.

After the theory has been presented, the fourth chapter introduces the analytical framework. Using the theoretical base propositions will be developed in order to bridge the gap between theory and analysis.

Chapter’s five and six introduces the industry and case company selection subject for analysis. Chapter five will describe, in-depth, the institutional environment and the country attractiveness of Laos, while chapter six introduces the chosen case companies, Stora Enso, Aditya Birla Group and Oji Pulp and Paper Company. A profile on the companies’ forestry business models in the LFS will be the focal point in the chapter. This will conclude by laying out the independent variables of the thesis, namely the differences in the companies’ entry strategies.

Having set the scene and introduced the analytical framework in chapter four, chapter seven will discuss and analyze the findings from the research. The chapter will test the propositions to provide for an answer of the research question.

Chapter eight will provide a reflective account of the theoretical implications as well as implications and lesson learnt for the chosen case companies. Throughout the chapter suggested areas for future research will be highlighted.
The ninth and final chapter is the conclusion, where a reflection of the research process and the contributions will be summed up.

Chapter 2 - Methodology

Setting out to explore entry strategies of companies originating from different institutional and business environments into the LFS and explaining differences within these is the aim of this thesis. In the following chapter the aim is to elaborate on the methodological approach used to answer the research question. Firstly, an elaboration on the epistemological and ontological considerations that guide the thesis is carried out. Secondly, the research approach and design is presented. Thirdly, the data collection methods are justified and finally, the degree of data reliability and validity is accounted for.

2.1 Epistemology and ontology

This section will present our epistemological and ontological stance in this thesis. It is important to stress that there will *ceteris paribus* be elements of other epistemologies and understanding of reality in the research. Our stance is forged from natural sciences where it is applicable, however, in the social sciences is it harder to practice since our experiment cannot be controlled as it can in a laboratory. Below is what we are leaning against in the epistemological and ontological universe, but we are well aware that they are ideal models that one can never truly adhere to.

“Underlying any form of research is a philosophy of science that informs a scholar’s approach to the nature of the phenomenon examined (ontology) and methods for understanding it (epistemology)” (Van de ven, 2007: 14).

Creating knowledge is affected by how research is done, (Saunders et al 2003) and this chapter will describe the methodology we adopt in this thesis to answer our research question. Epistemology comprises the methods used for understanding research (Van de ven, 2007). This thesis takes as its point of departure the formulation of preconceived opinions (propositions) on how a phenomenon (entry strategy) is shaped, and what explains the differences in this phenomenon in order to answer the research question. In order to do this, empirical data is collected through interviews to substantiate or oppose these propositions through careful control. Therefore, our epistemological
and ontological stance lies within the realm of the positivistic research philosophy. Positivism is characterized by the researcher(s) being objectivists, both in regards to epistemology and ontology. This means that the role of the objectivist is taken when the authors’ are making decisions in an apparently value free manner and accepting that reality lies within the empirical world. Using this positivistic stance it is expected of us to be independent of the objects observed and that we, as researchers, are able to study these objects without influencing or being influenced by them.

However, the second part of the research question, *what explains these differences*, will most likely revolve around some subjective interpretations. In doing so, we leave the objectively positivistic tradition and move more into the realm of interpretivism. This tradition poses that in order to understand people’s actions one must be subjective. Interpretivistic researchers believe that “reality” is determined by people rather than by objective and external factors (Easterby et al, 2008). Saunders et al (2003) reinforce this argument by adding that important insights in this complex world could be lost if such complexity is reduced entirely to a series of law-like generalizations. Generalization is not the overarching factor in interpretivism instead it seeks to discover what Remenyi et al (1998:35) “call the details of the situation to understand the reality of perhaps a reality working behind them”. This is the interpretivistic element of this thesis, namely that the researchers will, in the discussion chapter offer their explanation for the difference in entry strategies.

Ontologically this thesis, because of its epistemological stance, is objective. The positivistic philosophy posits that objectivism is needed to create knowledge that it relies on the empirical world to do so, as argued above. Positivism is therefore ontologically objective due to the construction of an empirical reality.

Reflecting on the above the thesis offers no roadmap or final recommendations on how to create and realize an entry strategy in the forestry sector. Instead it extends an already developed entry strategic framework based on qualitative data collection. This justifies the positivistic line of thinking and rules out any subjectivist research philosophy such as social constructivism and relativism. This line of thinking goes well in hand with the approach of this specific research, namely that it is exploratory. The objective of exploratory research is to unveil “what is happening; to seek new insights; to ask questions and to assess phenomena in a new light” (Robson, 2002:59). This is exemplified in the broad first part of the research question which explores different entry

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1 Lasserre’s (2007) three entry strategic parameters: why, when and how
strategies and then narrowed down in the second part that attempts to explain the differences in the entry strategies. Our purpose is not only to test presupposed propositions on how the “world” is seen and then either support or discard them; we also have an ambition to develop and add new understanding to the research area. In order to conduct exploratory research one must be willing to change direction if new data is found or when insights occur. The initial theoretical framework was altered due to new discoveries within the researched field. These new discoveries were revealed to us through interviews with relevant experts and senior management officials. Our sources posses high knowledge of the industry and are experts in their field and for this reason we believe that the new data is valid. Exploratory research is also characterized by a high degree of flexibility. Having a high degree of flexibility comes with a non-negligible risk of straying of the initial research path which would have resulted in a continuous broad level of research, however, as argued above the research design allowed to first identify crucial points and then explore them in-depth. While it is true that the scope of the research venture initially is very broad, enjoying a high degree of flexibility, as the research progresses the scope narrows leading to a highly detailed understanding of the phenomena studied.

Our focus in this work is the study of different entry strategies carried out by three MNCs from different institutional backgrounds and offer an explanation for differences in these strategies. This is done through a multiple case study approach (the strength of this specific approach in our context is accounted for below). And it is these differences that the thesis seeks to objectively map, in order to investigate what resources and capabilities are required to enter the LFS, hence underlying the epistemological and ontological line of positivistic thinking.

In conclusion, our research is positioned within the positivistic philosophy of science. However, because we also seek to discover and surface new insights into the specific research area, we will deviate from positivism. The deviation is meant for our own opinions, and therefore we move towards a more interpretivist epistemology. Furthermore, it must be emphasized that this thesis is of an exploratory nature. Because the theory and literature of the field of study is still in its infancy we cannot carry out a rigid testing of hypotheses. This means that we have to develop propositions to understand what the differences are and what the main driver of these differences is. In order to do so, we are conducting a qualititative study with the objective of reaching more precise and substantiated assumptions reflecting the reality, which then can lead the way to hypotheses formulation and rejection or confirmation.
The next section will elaborate on the specific research approach adopted.

2.2 Research approach

The researchers conducted interviews with key actors within the LFS in order to gather the information for analysis needed to test our propositions and answer the research question. This was done on the basis of the theory chosen for the thesis (see chapter 4 for further detail). This means that we are using and testing already existing theory, and this falls under the deductive research approach. However, because the interviews revealed novel insights not accounted for by the chosen theoretical framework we undated the theory to incorporate this new information. This made us change and add some of our initial propositions thus making use of what Dubois & Gadde (2007) term “systematic combining” or abduction. Both the abduction and deduction approaches will be accounted for below as well as an elaboration of what this specific approach has done for our research.

As argued by Dubois & Gadde (2002), abduction is the process of having pre-conceived assumptions of what the connection is between theory and data prior to theory identification. At the same time that specific theory is modified seen in the light of ongoing adjustment of the empirical context in which we are present. It is especially useful if the research is a “process where theoretical framework, empirical fieldwork, and case analysis evolve simultaneously” (Dubois & Gadde, 2002:554). The constant matching and redirection between theory and the empirical world, which characterize the abductive method, is also necessary since the thesis concerns a field of study where little research has been conducted.

The abductive approach has enabled us to move from theory to the empirical data and back again to reshape our research question based on the new information obtained from our interviews. As Van de ven (2007:114) points out: “Abductive reasoning usually begins with a surprising observation or experience.”

As mentioned in the introduction of this section, one part of our research approach is testing already developed theories, thus making use of the deductive approach to research. Deduction is “the testing of a theoretical proposition by the employment of a research strategy specifically designed for the purpose of its testing” (Saunders et al 2003).

The deductive element in this thesis is based on propositions derived from Lasserre’s entry strategic framework (2007), the RBV and the IBV. The strategy, or design, which Saunders et al (2003)
refers to will be that of the case study. More specifically, because three companies have been chosen the final research design for this thesis is a multiple case study. This specific design, along with its strengths and weaknesses will be elaborated below.

2.3 Research design – The multiple case study

“A research design is a logical plan for getting from here to there, where here may be defined as the initial set of questions to be answered, and there is some set of conclusions (answers) about these questions” (Yin, 2003: 26, italics in original).

The research design adopted for this thesis is that of a multiple case study. The case is based on qualitative data which means that analytical generalization must be applied which the multiple case study design advocates. If the thesis was based on e.g. a survey method it would rely on statistical generalizations being made. However, this is not the case since no quantitative data has been collected for the answering of this particular thesis’ research question. As Yin argues in the following:

“In general, case studies are the preferred method when (a) “how” or “why” questions are being posed, (b) the investigator has little control over events, and (c) the focus is on contemporary phenomenon within real-life context” (Yin, 2003:2).

The multiple case study design has also been chosen because we assess three diverse cases of companies involved in the LFS and more specifically the differences in their entry strategies. Overall the case study’s strength is that it lets the researcher look into one or more organizations in depth over time (Yin, 2003).

As argued above the case study method allows the investigator to retain a holistic and meaningful characteristic of real-life events. Among such events, Yin (2003) argues that managerial and organizational processes fit with the case study method.

The overall theme of this thesis is differences in entry strategies in the LFS. Three companies have been chosen for entry strategic analysis, thereby forming the multiple case study foundation. Being students of development studies and granted access to three different companies originating from three different levels of development it would be unwise of us not to embrace this unique opportunity to investigate the differences in entry strategies and offer an explanation as to why they
differ. Also, Yin (2009) reminds us, and reinforcing our research approach: “[s]ingle case designs are vulnerable if only because you will have put “all your eggs in one basket”.

Paying attention to the fact that the country of origin and business culture there should be differences in the how the three companies conduct business in the LFS, as stated in the overlying proposition, the objective of this thesis is to determine and offer an explanation of the different entry models adopted by firms operating in this specific sector and explain the differences in these models. How MNCs originating from the developed world conducts business versus one from the developing world are significantly different (Nachum, 2004). This fact is not down played and the objective is not to generalize, but evaluate which entry strategy/strategies have been adopted. Is a strong focus on CSR and a deep commitment towards fulfilling the different stakeholder’s demands better than gaining quick access to land for setting up operations regardless of stakeholder perception? These questions are part of what this thesis seeks to shed light upon, and we feel that using the multiple case study approach, due to its time flexibility and the number of chosen case companies, in this specific setting, proves the optimal method.

The multiple case study will take on a comparative approach in order to highlight the differences in each firms entry strategy. “Comparative methods involve the nonstatistical comparative analysis of a small number of cases” (George & Benet:151). The researchers realize that one major factor that needs to be taken into account is that of multiple causality, pertaining that the same type of outcome can emerge in different cases via a different set of independent variables (ibid). However, as mentioned earlier the aim of the thesis is not to generalize but rather to illuminate several differences in our independent variables, and then from theory derive the dependent variables with which to investigate the causes for these differences.

2.3.1 Case choice

Forestry in the developing is on the rise which has lead to an increase in interest both from the international business world and academic community and is considered by developing nations as one way of alleviating poverty. From a (EM)-MNC view point the advantage lies in the cost saving aspect of entering these markets. It is these two factors which spurred the interest of this thesis.

Studying international business and development, a large part of the curriculum is the contribution, positive or negative, which MNCs have in this context made it natural to select a topic falling within the academic field. A profound interest in Laos from both having lived and worked in the country for a substantial period of time added to the interest for analysis. This emerging economy
has shown initiative to escape the Least Developing Country category and acknowledging the Millennium Development Goals (MDG) as a mean to this. Being son of an influential businessman in the LFS Fredrik knows how the sector works and how to navigate the Laotian society which can be a hurdle at some points in time. This particular insight into the sector as well as access to unique data sources further spurred to the specific chose of case.

In this research study the overlying hypothesis is that home country context will influence a firm’s entry strategy. The case companies have been chosen not necessarily because they are in Laos, but because they individually represent an archetype: one is an EM-MNC, number two a WMNC and finally a company from Japan. This case company selection is not based on random selection which hopefully would cover the entire population. Instead it is based on the theory selection arguing that fundamentally there exist differences in FDI investment behavior depending on the company’s country of origin. This means that we have made use of purposeful sampling

It was clear from the beginning that SE was to be part of the thesis and because of its size and the fact that it was foreign it was decided to find MNCs and EM-MNCs of roughly the same size but with different geographical origin. It was also clear from the beginning that Lao companies were not to be chosen due to company size and ownership. After researching the different actors in the LFS, an Indian conglomerate (the Aditya Birla Group) and the Japanese company (Oji Paper) was chosen on the basis on their size, business impact and the timeline for operations in the LFS. A detailed introduction of the case companies’ presence and operations in the LFS will be dealt with in a subsequent chapter.

In conclusion, the researchers feel that the choice of case companies allows for a large degree of confidence providing a significant variety of approaches used to conducting business in a developing country. Furthermore, we believe that the multiple case study design and theory choice used in this thesis justifies the logical plan Yin (2003) calls for.

2.4 Data collection

Given that this thesis is interested in analyzing three different entry strategies and offers an explanation of these differences, a qualitative data collection approach is preferred. Qualitative research is defined as any kind of research that produces findings not obtained by means of statistical procedures or other means of quantifications (Strauss & Corbin 1990:17). Therefore, the focus instead lies on in-depth understanding of words, opinions and experiences rather than on
quantitative data. This holds true in the case of understanding individual opinions and corporate strategic management of foreign entry moves.

Unfortunately we were not able to interview the involved parties in Lao P.D.R, however, the video call function in Skype made it possible for “face-to-face” interviews. This coupled with semi-structured interviews provided sufficient for a comprehensive and sound analysis required to answer the research question. The interviews were conducted in English except with SE’s COO Peter Fogde. Those interviews were conducted in Swedish. Therefore, quotes and comments from Mr. Fogde are translated from Swedish into English. This should, however, not compromise the overall meaning, since both parties are native Swedish and English speakers and the translation has been verified by both researchers and Mr. Fogde.

2.4.1 Interviews
The primary data for this thesis consists of eight interviews conducted via Skype between Denmark and Lao P.D.R and Denmark and Australia. The interviews were semi-structured, here used in the sense that the intention is to guide the interviewee as little as possible, allowing respondents to develop an argument, rather than 'tick a box' that was pre-defined by the researcher.

Because of this problematic, and yet very interesting, subject choice the data needed to complete and form a solid base for answering the research question and would primarily have to be primary and of qualitative form. According to Easterby-Smith et.al (2008) the main aim of qualitative data is to gain an understanding of the respondent’s perspective including not only their viewpoint but also why they have developed this particular viewpoint.

The interviewees for this thesis were:

- Mr. Peter Fogde, Chief Operating Officer, Stora Enso Laos
- Mr. Eng Kouangmanivne, Chief Operating Officer, Oji Lao Plantation Forest Co., Ltd.
- Mr. Ramesh Vasudevan, President, Birla Lao Pulp and Plantation Company Limited
- Mr. Stephen Midgley, director, Salwood Asia Pacific Pty Ltd.²

We set up Skype interviews with relevant industry specialist and top management representatives, see above, in the case companies in order to obtain the information we required (See appendix 3 for

² Mr. Midgley is a forestry expert recognized internationally with numerous awards, including a medal from the government of Vietnam for contribution to forest development and an Asia Pacific medal of excellence from the Commonwealth Forestry Association.
theme of interviews). This meant that a significant amount of the empirical data that was collected is of a qualitative and primary nature. Primary data are “the first occurrence of a piece of work” (Saunders et al. 2003). Furthermore, Saunders et al. (2003) argue that “[S]emi-structured and in-depth, or non-standardized interviews are used in qualitative research in order to conduct discussions not only to reveal and understand the “what” and the “how” but also to more emphasis on the “why””. This also follows our other sources that consisted of governmental published reports and industry specific texts that are first of their kind on the Laotian forestry sector. Primary literature can be both published and unpublished Saunders et al (2003), which further strengthen our method concerning primary data collection. The interviews varied in duration, ranging from one to one-and-a-half hour, and were both of a structured and semi structured nature.

All interviews were recorded and transcribed so that authenticity and validity was kept intact. The interviews were then transcribed and answers were discussed in order to determine if we got the required data. If we somehow felt we missed some information we would either set up a new interview or email the respondent. Furthermore, information gathered in earlier interviews were used to probe deeper in subsequent interviews with the same respondent so that the required information would be surface.

Structured interviews uses questionnaires based on identical or standardized set of questions (Saunders et al. 2003). The structured questions in our interviews were a list of topics and questions to be covered, which were identical from interview to interview. We then proceeded in a more informal manner asking open questions which allowed the respondent to develop his train of thought. This form of interviews provided us with the in-depth answers necessary to address the research question.

2.4.2 Emails/Skype interviews

Before the interviews were conducted a one page outline of our project was sent to all respondents. This was done in order for the respondents to have prior knowledge of the issues to be discussed during the interview, thereby not wasting time familiarizing the respondent with the subject area.

The Skype interviews had the advantage that we could have some personal interaction and that the person being interviewed was able to see us through the video feature. Email was used to provide us with various texts and documents on the subject as well as a means to send a questionnaire providing us with basic information on the case companies. As a pitfall towards this method one
could argue that a person filling out a questionnaire might fill it out fast thereby not really paying attention to the questions. Given that the interviews were conducted 'face-to-face', allowing for a personal rapport, along with the experience of both interviewers with the LFS, we are confident that the questionnaires were completed truthfully. Further, the questions were not on a sensitive matter and it was guaranteed that the information provided was not to be made public without the approval of the respondent.

2.4.3 Secondary data
Secondary literature was also applied in the data collection process. This was natural as the theory used had to be obtained from books as well as online academic articles and journals. We believe that the choice of the selected authors, researchers and articles provided us with a solid foundation and understanding of current trends and theories needed to complete the study.

2.5 Validity and reliability
"A good guideline for doing case studies is therefore to conduct the research so that an auditor could in principle repeat the same procedures and arrive at the same results" (Yin, 2003:45).

What has to be understood primarily in the assessment of the validity and verification of studies with a qualitative design is that researchers must be careful when attempting to generalize conclusions from the small sample to the entire population; as such a high level of data credibility is crucial for providing a sound and trustworthy analysis. There are, according to Yin (2003) four tests which are commonly used to establish the quality of empirical social research: (1) construct validity, (2) internal validity, (3) external validity and (4) reliability. The following chapter provides an overview regarding the validity and reliability of the case study findings.

2.5.1 Validity
Validity can be distinguished between those issues that are internal to the case study and those that are external, i.e. the application of the outcome to a broader population. A case study investigator can fail to stay objective and that subjective judgments could interfere with the data collection (Yin, 2003). However, this issue can be encountered by using multiple sources of evidence. To increase the internal validity of the thesis, several types of documentation and interviews have been used as sources of evidence. Moreover, to cross reference the gained material, information has been collected via different channels: from the companies themselves, a forestry industry specialist and
official rapports, both from the UNDP and the Government of Laos (GoL). The interviews have been critically reviewed against the obtained data to ensure that nothing presented from the companies was done in a “better” way than intended. Therefore, the research has not been misled by documentary evidence, but is based on a critical review of the content (Yin, 2009).

The multiple data collection approach enabled us to increase the level of validity. The conducted interviews were structured in a manner of in-depth and semi-structured nature (Saunders et al., 2003). The interview design and data needed meant that a list of pre-formulated questions was to be covered concerning company information (semi-structured nature), leading to a more informal setting where pre-scribes themes were introduced so that the interviewee could talk freely. If we, the researchers, felt that the answers given were straying of the intended track, we would direct the interview back to the theme in which data was needed. Using direct quotes from our interviews in the analysis gives us the opportunity to illustrate the exact considerations and strategic choices the different companies were faced with. In order to ensure a high degree of validity we constantly went back and forth from interview transcripts to ensure that the quotations were right. However, we were very aware of the threat to validity. Several factors count in favor of strengthening the level of the different types of validity.

Internal validity: The length of the interviews provided a lot of raw data which the researchers could use when using the research approach. This is likely to decrease the threat to internal validity and if conducted next year the results from the interviews would be similar.

This study’s purpose is not to generalize about the global forestry sector. For this to take place a larger sample of MNCs would have had to be examined as well as their presence in other nations’ forestry sectors. What this study instead does is to try to explain differences in entry strategies of three different companies in one specific sector in one specific country: the forest sector in Laos. This is done through purposeful sampling which has allowed the researchers to handpick the chosen case companies based on their country of origin and the theoretical assumption that they have pursued different entry strategies. We are well aware that this limitation to external validity exist, however, what this thesis proposes is further studies into the LFS, not the global forestry sector. And as Saunders et al (2003) argue, there is no problem as long as the researcher does not claim that the results or conclusion of the study can be generalized.

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3 Complete transcripts of the interviews are available in the appendixes
Saunders et al. (2003) point out that to strengthen the reliability of the data, it is important that the researchers document the procedures and research approach. Therefore, the interviews have been attached on the cd-rom in the appendix to make all information received available to the reader and other researchers. As information contained in this thesis is available to everyone, every researcher is likely to attain the same results and conclusion if he or she follows the same methodological approach.

2.5.2 Reliability
Reliability is concerned with whether or not the measurements will the yield the same results on other occasions, if similar observations will be reached by different observers and the amount of transparency in sense making from the raw material (Easterby-Smith et al., 2002). This means that reliability ensures that the evidence and the results obtained from the research would be the same if another person had conducted the research. The interviews were semi-structured, allowing the interviewee to use own wordings, allowing the authors to ask follow-up questions when elaboration on specific topics was needed. As always there is the threat of the data collected to be unreliable. Robson (2002) in Saunders et al (2003) cites four possible threats: (1) subject or participant error, (2) subject or participant bias, (3) observer error and (4) observer bias. Coupled together we believe that the data for analysis is reliable. This is because interviews were conducted via Skype video calls at a convenient time for the interviewee. Hence, no attention had to be paid for meetings coming up or project deadlines that had to be met.

The individuals being interviewed were all represented as Chief Operating Officer (COO), Chief Executive Officer (CEO) or corporate presidents, thus providing full insight into their day-to-day business decisions, as well as more long-term strategic planning. Furthermore, an internationally recognized industry expert with multiple publications was interviewed to provide background information on the LFS and to double-check the data collected from the companies. It could be argued that the company representatives at this managerial level would give us the “good” side of their operations. However, as the validity section above illustrates, the interview data was double checked and complete interview transcripts are included in order to have the “right” story at hand. It was made clear to all involved parties that a confidentiality form could be signed if required. Finally, because of already practical work experience in the sector, the researchers were in a position to assess whether some data were presented in a “better” way than they merited. Also,
whenever doubt about such concerns surfaced the data was double-checked with an industry specialist in order to verify its reliability.

Both researchers were present at all Skype interviews and formulation of emails. This minimizes the potential for differing conclusions being based on each researchers interpretation. Finally, it can be argued that due to family relations between one of the researcher and a COO, observer bias could have surfaced. However, the aim of the thesis was to create an unbiased analysis of the differences in entry strategies, having reliable data as the foundation.

Both researchers have already practical knowledge of the LFS. Being son of SE COO Mr. Peter Fogde Fredrik has been in the field on numerous occasions as well as undertaken internships for various NGOs working closely with the LFS. The other part of the duo, Henrik, undertook an internship at SE Laos working in the project provinces. From doing field work both researchers have experienced how the plantation sector works. This personal experience only adds to the study’s reliability.

**Chapter 3 - Delimitation**

This thesis takes a resource-based view approach to answering what explains the differences in entry strategies. More specifically, the thesis aims to look at specific resources and capabilities that MNC’s may have derived from their home country context, making up the dependent variables of the thesis. The independent variables, namely the differences in entry strategies, will be derived by an extended use of Lasserre’s (2007) entry strategic framework. This framework was chosen in place of Meyer’s (2002) entry strategy package, mainly because of the particular industry and context that is being discussed. The aspects of human resource management, marketing and logistics are not as applicable to the plantation aspects of a forestry project.

Furthermore, this thesis aims to analyze three specific firms, in the context of the LFS and the operations that these firms have conducted since their entries in 2005 and 2006 respectively. The above considerations allow for a focused research strategy.
Moreover, although there are several factors that influence the resources and capabilities of any particular firm, the scope of this thesis is mainly to highlight idiosyncratic resources and capabilities which are shaped, or to a certain extent influenced by, a firm’s home country context. The aim of the thesis is however, not to present an in-depth analysis of how resources and capabilities are shaped by home country context. Instead it intends to shed light on these particular relationships, and how they can be mirrored within the specific context of the LFS.

Another approach that could have been chosen to explain the differences in entry strategies could have been an industry approach, and how a particular industry shapes MNC strategy. However, such an approach would not to the same extent shed light on what the researchers found as interesting, namely if a firm’s home country context would have an influence on their competitive advantage in emerging economies. Similarly, a purely institutional based approach may also have helped in explaining these differences, but was opted against in order to allow for home country influences. Nonetheless, the institution-based view plays an important role in the thesis. Namely by illustrating the specific resources and capabilities that both are required in the LFS, and one that firms develop in a particular institutional context.

**Chapter 4 - Theoretical framework**

The purpose of this chapter is to present the theoretical base used in this thesis. The theories serve primarily to guide the data collection for the first part of the research question. In line with the abductive approach used, once the data has been collected, we will discuss the findings and how they fit with the pre-described theory that then will constitute the second part of the research question. The theory will serve as the main pillar for the analytical framework wherein propositions will be developed as a mean to answer our research question.

The thesis will primarily take the viewpoint of the firm, and how each firm’s utilization of its resources and capabilities influenced the type of entry that was chosen. It is assumed in the introduction that each of the firm’s posits different bundles of resources, which are influenced by the firm’s home-country context. The RBV is thus a central concept in the thesis, as it outlines a firm’s usage of internal resources. The theoretical chapter will thus firstly give an account of existing resource-based literature.
Secondly, Laos is a developing country undergoing an economic transition from a planned to a market economy where legal systems and bureaucratic procedures are unpredictable and underdeveloped. In line with several IB scholars (Meyer et al., 2009; North, 1990; Ingram & Silverman, 2002; Scott, 1995) because of the institutional influence on firms strategic set up the RBV needs to be complemented with the IBV. Therefore, the IBV will be used partly to illustrate the particular context of Laos, and the resources and capabilities required for this environment. More importantly however, is the notion that institutions from a firm’s country of origin affect a firm’s resources and capabilities. This is closely tied to the notion of CSAs developing into FSA’s. This theory will aid in pinpointing possible CSAs which will be used to explain the differences in each of the chosen case companies’ entry strategies.

Relevant literature combining the RBV/IBV framework with CSA and FSA literature is therefore of pivotal importance when answering the second part of the research question.

One of the main aspects of this thesis is the comparative element in relation to how WMNCs and EMNCs entry strategies differ. In order to establish propositions on which CSAs might influence these differences, the theoretical chapter will also look at literature examining the different CSAs and FSAs of western and emerging market MNCs.

Finally, the theoretical chapter will conclude by discussing relevant entry strategic literature. This will guide us in both creating a framework from which to gather data on the differences in entry strategies, and how these are influenced by home country specific resources and capabilities.

### 4.1 Resource Based View

This section will present the RBV of the firm which focus on the internal processes and resources of a company. The theory provides a framework for assessing what particular resources give firms a competitive advantage (Barney, 1991). With regard to this thesis, the theory will give an indication of the internal resources and capabilities that influence a firm’s entry strategy.

The RBV analyzes a company’s internal operations, more specifically it highlights the bundle of resources that can give a company a competitive advantage. The theory makes two underlying assumptions; 1) firms within an industry may be heterogeneous with respect to the strategic resources they control, and 2) that these resources may not be perfectly mobile across firms, and
thus heterogeneity can be long lasting (Barney, 1991). This means that a firm’s specific bundles of resources are unique, including a firm’s ability to manage its strategy which is mirrored in the implementation of its strategy.

Peng and Meyer (2011) make a distinction that Barney (1991) does not. They argue that a firm’s bundle of resources should be divided into two categories; 1) primary resources and 2) capabilities. Primary resources are defined as the tangible and intangible assets as well as the human resources that a firm uses to choose and implement their strategies (Peng and Meyer, 2011). A firm’s tangible resources can be seen on a firm’s balance sheet and can be divided into a firm’s financial and physical assets (ibid). A firm’s intangible assets on the other hand, are often harder to see and include resources such as reputational and technological resources. However, obtaining these resources does not necessarily result in a competitive advantage for the firm. Capabilities refer to the firm’s ability to use the resources at its disposal effectively. Capabilities can be difficult to measure, and are often based on tacit knowledge, and have more to do with the particular knowledge, routines and practices within the firm (Peng and Meyer, 2011).

Barney (1991) argues that not all resources have the potential to create sustained competitive advantage. In order to have the potential to create competitive advantage, resources need to have four attributes. First, a resource must be valuable. These are resources that “…enable a firm to conceive of or implement strategies that improve its efficiency and effectiveness” (Barney, 1991:106). Second, a resource must be rare. A resource that is valuable will not create a competitive advantage if all other firms possess the same resource. Third, although these resources with the above-mentioned characteristics can create temporary competitive advantage, this advantage will quickly disappear if the rare and valuable resources can be imitated (Peng and Meyer, 2011). In order to create sustained competitive advantage a firm’s resource needs to be imperfectly imitable (Barney 1991). In today’s literature, these characteristics are mostly attributed to capabilities, more specifically, intangible capabilities (Meyer & Peng, 2011). These capabilities can be difficult to imitate for three reasons. First, the ability of a firm to obtain a resource is dependent on the firm’s unique historical conditions, and will thus be difficult for another firm to imitate. Second, the link between the resources possessed by the firm and a firm’s competitive advantage is often casually ambiguous (Barney, 1991). Casual ambiguity refers to the difficulty to identify the casual determinants of successful firm performance (Meyer & Peng, 2011). Finally, a firm’s resource is imperfectly imitable if the resource is socially complex (Barney, 1991). This
attribute once again refers to the capabilities within the firm. It refers to intangible capabilities such as interpersonal relations among managers in a firm (Hambrik, 1987 in Barney, 1991), a firm’s culture (Barney, 1991), or a firm’s reputation among suppliers (Porter, 1980 in Barney, 1991).

Fourth, Barney (1991) argues that the last requirement for a firm resource to be a source of sustained competitive advantage is that there must be no strategically equivalent valuable resources that are themselves either not rare or imitable.

In recent years, scholars have begun to look at the RBV in relation to IB, and how it explains certain MNCs are more successful than others. More specifically, researchers attributing the RBV to IB were interested in two main questions: “Why some firms possess unique resources and competencies – relative to their competitors of other nationalities-and why they choose to use at least some of these advantages jointly with a portfolio of foreign-based immobile assets” (Dunning, 1995:466, in Peng, 2001). As will be discussed in the following chapter resources are based in a context, and firms need to manage the social context of their resources and capabilities in order to generate rents (Hoskisson et al., 2000). This is particularly important when adopting a RBV approach to entry strategy analysis in emerging economies. In modern IB literature little research exists regarding strategic differences in the social context of emerging economies (ibid).

4.2 Institution based view

“Institutions directly determine what arrows a firm has in its quiver as it struggles to formulate and implement strategy and to create competitive advantage” (Ingram & Silverman, 2002 in Meyer & Peng, 2005).

Firms performance is in part determined by the institutional setting in which it operates. This perspective is internationally known as the institution-based view (IBV) and supplements the RBV by including the institutional playing field when entering a foreign market. The following section will introduce the IBV.

Institutional theory is grounded in the notion that “actors pursue their interests within institutional constraints” (Ingram & Silvermann, 2002:1 in Meyer & Peng, 2005) as well as “the institution-based view of strategy focuses on the dynamic interaction between institutions and organizations and considers strategic choices as the outcome of such an interaction” (Peng, 2002 in Peng et al., 2009).
Institutions are commonly defined as “rules of the game in a society” (North, 1990; Peng and Meyer 2010). These rules include: Formal rules (laws and regulations) and informal rules (rules, customs, norms and culture). In addition, the above definition of “a society” is the host economy in which the MNC wish to enter. Furthermore, Scott (1995:33) in Peng (2002) defines institutions as “cognitive, normative and regulative structures, and activities that provide stability and meaning to social behavior” enhancing the role of institutions, namely reduce uncertainty for different actors by conditioning the ruling norms of behaviors and defining the boundaries of what is legitimate.

Therefore, it is no surprise that: institutions matter. Until recently this statement has not received much attention, but has merely been taken for granted when analyzing firm competitiveness through the RBV (Meyer & Peng, 2005). This is because the RBV was developed by studying American companies in America, i.e. in a stable institutional environment. Throughout the last decade, institutions have been subject to an increase in research since they cannot be considered as being “just” background conditions in a given country as first assumed (Peng et al 2009; Meyer & Peng 2005). This is because institutions shape the business environment of the foreign countries in which MNCs operate. It is argued that MNCs need to give consideration to institutional factors when formulating their global strategy, and in particular, when formulating entry strategies.

Institutions are considered to be either strong or weak. Strong institutions support the “voluntary exchange underpinning an effective market mechanism” (Meyer et. al., 2009). This means that the playing field is leveled out the stronger the rules are. In developed economies with strong institutions the aim is for institutions is to be invisible. Developing countries are, however, often characterized by weak institutions. Institutions are weak when they fail to ensure effective market conditions and they can even undermine markets. This point contributes to Khanna & Papelu’s (1997) claim that in emerging economies weak institutions and market failure lead to “institutional voids”. Institutional voids refer to three sources of market failure common in emerging economies. First, emerging economies are often characterized by information problems. This is because institutions control public information concerning business partners available to MNCs in order for them to conduct business. This creates information asymmetries, which is a path towards market failure. As a result MNCs need to allocate more resources to collect relevant information. In addition, they also face higher partner related-risks when deciding on which entry mode to use (Meyer et al., 2009). Second, emerging markets are often plagued by misguided regulations. These problems arise when policy makers “place political goals over economic efficiency” (Khanna &
Palepu, 1997:42). Third, inefficient judicial systems and weak contract enforcement often lead to an uncertainty regarding formal contracts and arms-length transactions. This often leads to a reliance on informal rules and regulations when ensuring that partners will hold their end of the bargain (ibid). In order to secure competitiveness, many firms operating in emerging economies thus rely on network based strategies (Meyer and Peng, 2005). For companies to overcome these institutional obstacles they often have to perform the above-mentioned functions themselves (Khanna & Palepu, 1997).

All of the above are characteristics of the developing world and emerging market economies. From limited information on potential local business partners, a high level of state owned enterprises, numerous rules, regulations and constraints when setting up and doing business to corruption, weak institutions define the playing field in developing countries (Meyer et al., 2009).

This point is important when relating the foreign entrant’s mode of entry to cost. From the above discussion the result of strong institutions will lower the costs of doing business, which will affect the mode of entry when setting up a FDI. As a direct result from this, entry modes are affected by the institutional framework in the MNC’s target economy (Henisz 2000; Meyer 2001 in Meyer et al. 2009). This also means that the stronger the institutions evolve in an emerging economy, foreign MNCs will experience a reduction in the need for permits, formalities and licenses “Thus costs and risks increase when institutional framework are weaker” Meyer et al (2009). However, emerging economies experiencing institutions getting stronger, i.e. a country’s legal framework, also see a shift from informal rules towards a society relying more on formal rules. Therefore, incentives for FDI are less lucrative, due to e.g. higher wages and unionization.

4.3 Country specific advantages

The RBV above has been strongly influenced by Rugman’s (1981) view that each MNC commands an idiosyncratic set of firm-specific advantages (FSAs), which give it a competitive advantage in relation to other firms. The notion developed by Rugman (1981), that such FSAs arise when the MNE has developed special know how or a capability that is unavailable to others, was the thinking that anticipated modern RBV literature (Rugman et al., 2011). With regard to the nature of this thesis however, it is particularly relevant to examine the second part of Rugman’s
internationalization matrix, namely a firm’s home-country assets, or their country-specific advantages (CSAs).

Rugman (1981, 2007) presents a matrix to analyze the nature, performance and strategies of MNCs. The first dimension of this matrix is a firm’s set of FSAs. FSAs are largely synonymous with the resources and capabilities approach, and have already been discussed in the previous section. The other building block in Rugman’s (1981) matrix is CSAs. All international firms are subject to country factors, unique to the business environment in their home country. These home country factors include a range of country specific environments, and consist of factors such as competitiveness, institutional frameworks and regulatory frameworks (Rugman, Verbeke, et al., 2011). These factors can in turn lead to CSAs for international firms (ibid). However, it is important to note that home country factors only lead to CSAs if the firm posits capabilities in turning these conditions into advantages. Most managers use strategies that build upon the interactions of CSAs and FSAs, and by doing so position the company in a unique strategic space (ibid).

If one applies the above to Porters diamond (1990), CSAs form the basis from which the multinational firm derives a home-base “diamond” advantage in global competition (Rugman et al., 2011). This home country national environment has significant influence on a firm’s competitive advantage and therefore its strategy formulation (Rugman et al 2011). Grant (2001) further strengthens this argument by arguing that factor conditions and related support industries may also influence a firm’s resource strengths. The influence that a home country has on a firm’s strategy is also influenced by the institutional setting in which the firm grows.

With regard to this thesis, CSAs and home country context will be used as the main guidelines for analyzing the explanation for any difference in entry strategies between the three case companies. In order to provide a foundation for formulating our propositions, we will now examine literature on the effects that home country contexts have on the resources and capabilities on EM-MNCs and MNCs.

4.3.1 EM-MNCs home country context

In recent years, an increasing amount of scholars (Khanna and Palepu, 2004; Luo and Tung, 2007; Ramamurti, 2008) have turned their focus to the internationalization process of the new players on the global market place; EM-MNCs. EM-MNEs have in many cases taken a different road to
internationalization than western companies. In addition to looking at the resources and capabilities of the firm, Ramamurti (2008) argues that one needs to look at the home country context in which EM-MNCs grew, and the advantages they gained from this context. Examples of this include the large labor pools in India and China, and protectionist policies that allowed infant domestic firms to grow strong without competition from MNCs.

One example of FSAs developed as a result of home country contexts is illustrated in Kumar’s (2008) study on the internationalization of Indian enterprises. Kumar (2008) argues that Indian MNCs is that they have evolved in a low-country setting, and hence, dealing with highly price conscious and demanding customers. This has developed into a unique capability in developing cost-effective processes. Ramamurti & Singh (2009) continues along the same line by arguing that high transaction costs in the Indian environment has led to vertical integration of operations being used to assure cost effectiveness. This has led to some firms developing skills in multi-plant operations across regions that are heterogeneous in the ethnic, linguistic and cultural make up (Athreye and Kapur, 2009).

Ramamurti (2008) also argues that certain country specific dis-advantages can lead to firm specific capabilities, and may be a source of competitive advantage when investing in other developing countries. For example, local firms from emerging economies were forced to grow in environments with several institutional voids. Such voids include unreliable power, congested ports and roads, corrupt bureaucracies, political and regulatory uncertainties and weak educational institutions (Khanna & Palepu, 2005). The prevalence of these country-specific disadvantages forced EM-MNCs to build unique, and difficult to imitate capabilities to circumvent these voids. This has result firms developing ad hoc coping strategies and strategic flexibility as well as understanding for other emerging economy contexts. These capabilities will in this thesis be grouped under the term adversity advantages (Khanna and Palepu, 1997).

In countries where legal institutions such as contract law and enforcement of property rights are weak, firms may also need to rely more on network and relationship based strategies. As a result firms develop the ability to enforce contracts, which are often informal using norms as opposed to litigation (Meyer et al., 2009). Therefore, networks and relationships with other firms, with agents in the distribution channels, and with government authorities are all important assets in emerging economies (Peng and Heath, 1996).
It is important to note the distinction that this thesis makes between networking capabilities and adversity advantage. Networking capabilities will refer specifically to a firm’s ability to create and leverage competitive advantages from networks, often developed in those countries where transactions are commonly based on personal relationships and networks (Kock and Guillén, 2001; Peng and Heath, 1996 in Meyer et al., 2005). Adversity advantage will refer to the coping strategies that EM-MNCs have developed in order to function effectively in institutional voids (Ramamurti, 2008). Although creating networks can be described as one such coping strategy, this thesis will separate the two and refer to adversity advantage as a familiarity of working in weak institutions, and that they will have an advantage stemming from the transferability of this experience to other emerging economies (ibid).

**EM-MNC Diversification strategies**

Khanna & Palepu (1997) argue that institutional voids explain the success of large, diversified corporations in emerging economies. RBV theory suggests that diversification is an outcome of emergent growth strategies, which in turn are driven by firm’s resources (Meyer, 2006). Firms then continually develop new resources and then seek new applications for them (ibid). In emerging economies high transaction costs often lead to firms internalizing operations, giving birth to large conglomerates with operating in several different sectors. Traditionally, firms pursuing internal growth can better realize synergies by diversifying into products or market that are related to their existing organizational capabilities (Teece et al., 1997 in Meyer, 2006). It is thus predicted, that related diversification leads to better performance than unrelated diversification (Montgomery, 1994 in Meyer, 2006). This does, however, not apply to firms operating in weak institutional contexts, large benefits can be reaped in overcoming market failures through diversification in markets with many distortions and inefficiencies (Nachum, 2004). Furthermore, developing country firms typically lack FSAs that increase the benefits of a focused strategy (ibid). Instead their advantages are often in conglomeration per se, and the value of such advantages tends to increase by further diversification (ibid).

In addition to industrial diversification, firms also expand through geographical diversification, establishing value added activities outside their home countries (ibid). For conglomerates, this is often done in order to ensure benefits from economies of scale (Dunning, 1993 in Nachum, 2004). This is particularly important for EM-MNC conglomerates, who often compete on the basis of low cost, and because home markets are often too small to provide significant scale advantages.
Developing country firms have thus exhibited a strong preference for horizontal diversification into unrelated areas (Nachum, 2004). Prendergast (1990) on the other hand, has shown that EM-MNCs goals to reach scale advantages through horizontally unrelated diversification could turn counterproductive. This is because such diversification can complicate production control and managerial functions, requiring managerial capabilities that may exceed those typical to them (Nachum, 2004).

This focus on gaining economies of scale has had a strong affect on EM-MNCs’ global strategy, and in turn their reasons for conducting FDI. Subsequently, gaining access to local resources and exploiting low-cost opportunities is often a vital part of EM-MNC strategy. This is epitomized by Ramamurti (2009) generic internationalization strategy of the natural-resource vertical integrator. Ramamurti (2009) argues that firms that hail from a country with a large appetite for natural resources will engage in cross-border backward integration to secure upstream natural resources for conversion into end products for the home market.

4.3.2 MNC home country context

International management literature on the internationalization strategies has its foundations in transaction cost economics (TCE). TCE see the existence of firms as a response to market failure. Profit seeking firms internalize operations when by doing so the costs of organizing and transacting business will thereby be lowered (Teece, 1986). In other words, the higher the transaction costs of performing an economic transaction, the more likely firms are to internalize operations. This is particularly true when firms enter emerging markets, which as described earlier are subject to weak institutions and high levels of uncertainty, resulting in even higher transaction costs. Another central point to the internationalization of WMNCs is the liability of foreignness concept. Researchers in IB have long theorized that MNCs doing business abroad face costs arising from the unfamiliarity of the environment, from cultural, political, and economic differences and from the need for coordination across geographic factors (Zaheer, 1995). This liability of foreignness has been the fundamental assumption driving theories of the multinational enterprise (ibid). Zaheer (1995) argues that in order to overcome the liability of foreignness, firms need to provide their overseas subunits with FSAs, often in the form of organizational or managerial capabilities. These resources and capabilities will be unique for each firm, and will be affected by the institutional framework in which they are shaped. As mentioned earlier, the IBV focuses on the dynamic interaction between institutions and organizations and considers strategic choices as the outcome of
such an interaction (Peng 2002, in Peng et al., 2009). This implies that the institutions in which a MNC has developed influences the company’s strategy. As mentioned earlier, EM-MNCs typically stem from weak institutional environments, and conversely, WMNCS originate from environments with strong institutions, having a considerable effect on the resources and capabilities that they posit.

WMNCs are generally thought to have an advantage over EM-MNCs based on several factors. First, Khanna & Palepu (2004) argue that WMNCs have an advantage in that they are well established and therefore have the benefits of incumbency, such as organizational capabilities and advanced technologies. This can be attributed to the fact that developed countries have long had strong institutions, with few market imperfections relative to emerging markets. This has allowed WMNCs to grow over time, and through learning capabilities, develop strong organization capabilities and advanced technologies (ibid). Another aspect of strong institutions is the access to stable financial markets, making it easier for WMNCs to raise low-cost finances in abundance (Khanna & Palepu 2004). Furthermore, WMNCs have an advantage in the sense that they have access to a highly skilled labor pool, available through a well-developed managerial labor market in their home countries (ibid). This will in turn have an effect on managerial capabilities.

Finally, it is important to note that the existence of strong institutions means a reduction in transaction costs. Thus there is less uncertainty and risks in conducting arms-length transactions. Subsequently, WMNCs often rely on market based exchanges and put more focus on carrying out activities central to their competencies, and outsource other aspects of their operations.

4.4 Entry strategies

This section will present theories concerning international firms’ entry strategies in resource-seeking ventures. Lasserre (2007) bases his theory on entry strategy on the choices that firms need to make when entering new market(s). This thesis will take these choices as the basis for the analysis. Furthermore, other authors’ views on entry strategy will also be presented, in order to create a broad view of existing theory.

Lasserre (2007) argues that a company’s entry strategy involves answering three questions:

1. *Why* does the company want to enter the country?
2. *How* can it enter?
3. *When* is it appropriate to enter?
A firm’s foreign entry strategy is a multidimensional construct consisting of multiple parameters on which the firm has to decide for the optimal mix for a successful and competitive strong market position in the desired market (Meyer, 2002). Meyer’s views on entry strategy will be applied below into each of the sections.

4.4.1 Why enter
Lasserre (2007) argues that a firm’s strategic objective is the starting point for the formulation of any entry strategy. This notion is further developed by Meyer (2002:3) who argues that “entry strategies are to a higher degree determined by strategic intent, which in turn concerning entry strategies in emerging markets is derived from the firm’s Global strategy”. It is also important how the environment of a particular country may fit into the Global strategy. When establishing a new business operation, firms pursue specific opportunities to extend corporate strategy, to exploit or enhance the firm's resources and capabilities in a specific location (Meyer, 2002). Thus the strategic intent links the Global strategy with the specific local context.

Entry strategy literature distinguishes between different strategic objectives upon entering a new economy (Lasserre, 2007). The four major types of objectives are market development objective, resource access objective, learning objectives and co-ordination objectives (ibid). Resource seeking firms have key performance indicators that include, costs, quality and supply access (ibid).

Country attractiveness is also an important factor that firms take into account before entering a new economy. Lasserre (2007) argues that firms need to assess two key questions when deciding on possible entry into new markets; are the competitive conditions in the country such that a business is likely to generate a return equal to or higher than the cost of capital and, second, are the risks of operating in this country acceptable for the shareholders and employees? (ibid) The table below groups the above into two main categories; market and industry opportunities, and country risks, and highlights the country attractiveness for investments.
With regard to investments in natural resources, national governments are often very sensitive about the protection of their natural resources and more often require controls on foreign activities in such types of industries (Lasserre, 2007). This not only has an effect on firms as to whether to enter, but also on the other questions of when and how to enter. This will be dealt with more closely in the next sections.

**4.4.2 How to enter**

From the point of view of the foreign investor, the typical choice of entering a country is based on a combination of two major dimensions, namely the ownership dimension and the intensity of the investment (Lasserre, 2007). These dimensions lead to a variety of different types of entry, and should be influenced by several factors. Firstly, the overall attractiveness, as mentioned earlier, will affect the intensity by which a firm enters. A high-risk market, for example, would make a joint venture (JV) a more desirable entry mode (Lasserre, 2007). Secondly, government requirements in some countries naturally influence the range of entry modes that a firm is able to choose from. Lastly, Lasserre (2007) argues that a firm’s resources and capabilities will influence the chosen mode of entry.

As already mentioned, a firm’s entry strategy when establishing an FDI project depends on a vast variety of factors. One such factor is the decision on how to enter the preferred market. This choice is centered on whether the MNC wishes to acquire resources when setting up operations or build the
FDI entirely itself. Entry modes can be classified into three types: 1) Greenfield, 2) acquisition and 3) a JV (Meyer, 2009; Lasserre, 2007).

The latter two modes are used when the MNC wishes to tap into local resources, either by incorporating the local organization in total (acquisition) or by partially integrating the local firm in the value chain (JV).

An acquisition is the “purchase of stock in an already existing company in an amount sufficient to confer control” (Kogut & Singh, 1988:412 in Meyer, 2002). An advantage of this mode is the immediate control over local assets. However, possible obstacles can arise from having to cope with an acquired firm that does not necessarily match the organizational structure and culture of the investor.

A JV is desirable when building a wholly owned affiliate is too expensive or the speed of entry is of vital importance for the company. Furthermore, a JV partly reduces the transaction cost of the market, yet at the expense of coordination costs between the parents of the JV (Meyer, 2002). However, partners coming from different cultural backgrounds having different goals may create conflicts and thus operational and effective control can be difficult to achieve due to constant negotiation. Finally, MNCs need global coordination among its subsidiaries. This objective might be hard to achieve, an example could be a simultaneously product launch around the globe (Meyer and Peng, 2011). These advantages and disadvantages makes JVs an appropriate entry mode when the MNC needs resources from two or more firms, when the transfer of these resources or expected benefits are subject to high transaction costs and finally, when it is not practical to integrate the parent firm into one firm, due to either being state owned or too big relative to the project’s size.

Boiled down, if two companies are trying to reach an objective which neither could on its own, and where high uncertainty is a likely outcome, JVs is an entry mode that most likely will work in such a situation.

In a Greenfield operation, the MNC builds a wholly owned subsidiary granting it full control of the FDI project and thereby enjoys the most freedom concerning for example location. This means that the MNC can decide for itself where production is to be built based on vital issues such as lowest factor costs (Meyer, 2002). The Greenfield entry bears the highest risk of the three modes because of the restricted access to local resources (Meyer, 2009). This means that the MNC stands alone on issues such as training, the possible challenges connected with a construction project in a foreign
country including: construction standards, the professionalism of local contractors and the pitfalls of local bureaucracy (Lasserre, 2007).

Common for all three modes of entry is, according to Meyer (2002), first the extent to which level the entering MNC requires resources, which depends on the strategic objectives of the MNC, and second, the resources that are found within the MNC, in unbundled form on the local market and, in bundled form in local firms. Once the mode of entry has been decided upon the relevant resources have to be acquired and integrated into the preferred entry mode.

Entry by JV or acquisition has the advantage of gaining local resources, whereas the Greenfield entry has for example locational advantages. A JV or acquisition is most desirable when establishing FDI projects in emerging economies, since FDI requires context specific resources in order for the MNC to achieve competitive advantage (Delios and Beamish, 1999; Meyer and Peng, 2005 in Meyer et al., 2009). These context specific resources can be distinguished in two forms. First, when institutions, e.g. the legal framework are weak, MNCs are more likely to rely on network- and relationship-based strategies. Informal rules and regulations such as strong networks replace inefficient contract enforcement processes, thus making networking strategies particularly important when entering emerging economies (Peng & Heath, 1996; in Meyer et al. 2009).

Second, context-specific capabilities also play a vital part in MNCs’ efforts towards successful entry. Capabilities such as strategic and organizational flexibility may have a positive effect when maneuvering in an emerging economy (Lane, Salk & Lyles, 2001; Uhlenbruck, Meyer & Hitt, 2003 in Meyer et al. 2009). This flexibility will also aid in fostering important relationships within the weak institutional setting. MNCs that see local resources as an important factor in gaining a competitive advantage, will most likely engage in a JV or an acquisition as these assets are already established in the local partner. This assumption is amplified by the extent to which firms already have the relevant local resources and knowledge. The less the need for local resources or knowledge, the more likely a firm is to enter through a Greenfield investment.

4.4.3 When to enter
For resource based investments, a window of opportunity is open when rights of access are available and closed when competitors have established a strong market presence (Lasserre, 2007). This is particularly relevant in transition economies, where restrictions on land use rights are
common. When land use rights are relaxed, the window of opportunity opens, and firms are faced with the choice of whether they aim to be first-movers or followers (ibid).

There are several advantages associated with being the first mover in an industry such as: brand recognition, control of distribution channels and access to local suppliers and governments (Meyer, 2002). The aspect of timing takes on a special dimension when examining the institutional context in developing countries. Although the importance of a well-timed entry is often attributed to market seeking investors (Meyer, 2002), volatile institutions and limited local resources makes appropriate timing an important aspect of any successful entry strategy.

In emerging economies, there are several potential first-mover advantages for firms. First, because of weak institutions and often weak legal frameworks, entering early can create goodwill with the local government and in some cases MNCs might even be able to influence the local regulatory environment in their favor (Meyer, 2002). Furthermore, firms might be able to exploit gaps in the legal framework. This is important when looking at resource intensive sectors where influence on local regulatory environment can lead to favorable access to resources. On the other hand, there are also certain advantages to companies who come in as late-movers. Latecomers face the possibility of an encounter with bureaucrats who have improved understanding of the needs of business and less tight legal restrictions (Meyer, 2002). Latecomers may also benefit from less cumbersome negotiations with authorities and may be able to head-hunt personnel from earlier entrance (ibid).

Although the institutional context of a country will directly affect a company’s timing of entry, it does not necessarily mean that the entry will be a swift one. Meyer (2002) argues that firms are constrained in timing decisions by their own resources and capabilities of implementing a fast entry strategy. Furthermore, as mentioned earlier, the main argument developed by Meyer (2002) concerning the entry strategy package is that the different aspects of entry strategy dimensions affect each other. In this regard, a company’s chosen mode of entry can influence the timing and swiftness. If, for example, an acquisition has been chosen as a mode of entry, due to an underdeveloped market, it might take longer than expected to find a suitable company, thereby decreasing the swiftness of the entry.
4.5 Corporate Social Responsibility

Another important operational aspect we have chosen to look at is the interaction between the companies and local livelihoods, and the level of CSR that the firms employ. As the studied firms are all resource-seekers, and plantation ventures require large land scales, interaction with the population living on the land is of particular importance. In this sense, intangible resources such as reputation are also an important factor to consider when conducting entry strategies in resource intensive industries.

The concept of CSR constantly developed further and includes three dimensions of a company’s social responsibility. CSR can be referred to as an umbrella term which highlights “(a) that companies have a responsibility for their impact in society and the natural environment, sometimes beyond legal compliance and the liability of individuals; (b) that companies have a responsibility for the behavior of others, with whom they do business (e.g., within supply chains); and (c) that business needs to manage its relationship with wider society, whether for reasons of commercial viability or to add value to society” (Blowfield & Frynas, 2005: 503).

Recent years have seen a dramatic change in the attitudes of expectations brought to bear on companies (Dawkins & Lewis, 2003). Traditionally, the factors that mattered most to consumers when forming an opinion of a company were product quality, value for money and financial performance. Now, the most commonly mentioned factors relate to corporate responsibility (e.g. treatment of employees, community involvement, ethical and environmental issues) (ibid). This puts MNCs under constant scrutiny from NGOs and other stakeholders to adhere to global CSR standards. However, home country societies conceptualize CSR differently depending on the socio-economic context (Panwar & Hansen, 2008). At one extreme are stakeholders from societies with a high level of economic development and strong democratic traditions, who expect business to be a vehicle for sustainable development (ibid). On the other extreme, are countries that are less economically developed, where stakeholders expect firms to be a purely economic activity that provides jobs and fulfills other economic functions (ibid). It also important to note that stakeholder expectations do not only differ between different societies, but also between industries. The wood product sector operates under more intense scrutiny than other extraction-based industries, because

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4 The definition for CSR used in this project is the one used by the world business council for sustainable development (2000), who define CSR as: “The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.”
wood comes from forests, and forests are commonly seen by the public as valuable natural assets (Bhambri & Sonnenfield, 1988; Nasi et. al., 1997 in Panwar & Hansen, 2008).

One of the most damaging institutional voids associated with developing countries is corruption. According to the World Bank, more than USD 1 Trillion is paid in bribes each year (Lasserre 2002). A high level of corruption in an economy often leads to high uncertainty and thus higher transaction costs. Despite low levels of corruption in their home countries, Lasserre (2002) argues that it is still very common for western MNCs to engage in corruption when entering into emerging economies. This is often motivated by competitive necessities, where a company is simply forced to bribe officials in order to remain competitive. This is an area where firms’ capabilities become particularly important. If a MNC wishes to conduct business in a transparent manner, resources must be wisely allocated in order to stay competitive with other firms who actively engage in bribing. The Corruption Perceptions Index (CPI, 2012) ranks 183 countries’ corruption level in their public sector on a scale from 0-10 where 0 is highly corrupt. Laos is ranked number 154 with a score of 2.2, meaning that the country can be perceived as highly corrupt.

Another operational aspect particularly important in the forestry sector is the relation MNCs have with farmers in their plantation areas. In transition economies, land is often owned by the state, and it is the state that leases land out to MNCs. If farmers are not part of the allocation process, it may cause problems further on in the plantation process.

Carter & Rogers (2008) argue for the importance of sustainable supply chain management (SSCM). They seek to explore whether a firm that concentrates on CSR attain higher economic performances than firms that focus solely on economic performance. Their study expands the notion of the sustainability beyond the triple bottom line\(^5\) to consider key supporting facets that are posited to be requisites to implementing SSCM practices (Carter & Rogers, 2008). By making use of RBV reasoning, Carter and Rogers (2008) put forward that an effective implementation of sustainability can lead to a competitive advantage. More specifically, they argue that:

"Supply chains which integrate social and environmental resources and knowledge may be more difficult to imitate, thus leading to economic sustainability."

(Carter & Rogers, 2008:374)

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\(^5\) Adding ecological and social performance to the firms economic performance
This point goes well in line with the argument that CSR can contribute to a company’s competitive advantages and be good for business, if it is applied in a strategic way and if it is integrated as part of their overall business strategy (McElhaney, 2009) Strategic CSR can hence be defined as “a business strategy that is integrated with core business objectives and core competencies of the firm, and from the outset is designed to create business value and positive social change, and is embedded in day to day business culture and operations” (McElhaney, 2009:31).

Chapter 5 - Analytical Framework

This chapter will develop an analytical framework based on the theories mentioned above. The aim is to bridge the gap between the theory and the analysis carried out further on in the thesis by developing propositions. The developed framework will help guide the data collection as to acquire the right information needed to answer the research question.

In order to highlight the differences in each firm’s entry strategy we will look at three choices that firms are faced with when entering a new country put forth by Lasserre (2007). What we propose in this thesis is a revised model of Lasserre’s (2007) entry strategic considerations, extending “why”, “how” and “when” with CSR. This is done in order to tailor the framework to suit the specific context of the industry and the unique social and economic context of the LFS.

The differences in entry strategies will constitute the independent variable of the thesis. Once these differences have been discussed in the case company presentation, the thesis will explore the extent to which these differences can be explained by certain home country specific conditions which will constitute the dependent variable of the thesis. Herein lays the abductive nature of the thesis, as we will use our findings from the first part of our analysis, and apply the original theory to our findings.
5.1 Why enter

As mentioned in the theoretical chapter, why a firm enters depends strongly on how its locational strategy compares to its global strategy, the attractiveness of the country in question, and the motive for FDI.

With regard to the motive for FDI, one can make certain presumptions based on industry conditions. In the forestry industry, the main objective is to acquire land upon which to grow trees in order to produce pulp. Access to natural resources is thus one of the main success factors for resource seeking investments (Lasserre, 2007). We therefore expect to find that all firms can be classified as resource seekers. However, this does not necessarily imply that all three firms have the same motives for setting up operations in Laos. Each firm’s involvement in Laos will depend on how the firm perceives the potential risks and benefits of the LFS. Each firm’s strategy in Laos will also depend on how their Laotian investment fits into their global supply chain, as well as its alignment with the firm’s global strategy.

As explained in the theoretical chapter, why a firm enters, is strongly dependent on how attractive a country is perceived to be. Doing business in developing countries carries with it greater elements of risk, but due to the low level of exploitation, also carries with it the potential for great returns (Lasserre, 2007). Some of the potential returns include large areas of unutilized, low-cost land, access to skilled low-cost labor and lower competition for land. Because of institutional voids however, there are also great risks in entering these economies (Khanna & Palepu, 1997). Also, underdeveloped legal frameworks and bureaucracies cause weak contract enforcement and unpredictable investment procedures, contributing to a higher level of uncertainty and thus risk. However, as Ramamurti (2008) argues, EM-MNCs enjoy an advantage relative to WMNCs in their ability to function effectively in the difficult conditions of emerging markets. Going along this argument it is valid to argue that EM-MNCs might not consider the risks of doing business in an emerging economy to be as high as a WMNC would. This should subsequently have an effect on the commitment that the different firms will put into their initial entry.

When each firm formulated its entry strategy into the Laotian sector, it will be strongly influenced by the firms overall global strategy. As argued by Meyer (2002) when deciding to enter an emerging market that decision is often closely related to the company’s overall global strategy. WMNCs tend to have a global strategy characterized by a large portfolio of investments focused on exploiting the firm’s core competencies. The different FDI projects are thus likely to have a clearly
defined role in the firm’s global value chain, and will complement each other in order to ensure efficient distribution of responsibilities. EM-MNCs on the other hand have less sophisticated, more direct strategies focused on servicing and supporting home country activities through vertical integration (Nachum, 2004). Furthermore Kumar & Chada (2009) argue that one of the main sources of competitive advantages enjoyed by Indian firms is their ability to develop cost effective processes and products, indicating cost efficiency as being one of the main strengths of EM-MNCs. This leads us to the following proposition to the differences between each firm’s strategic approach:

Proposition 1-a (P1-a) “WMNCs will enter with a global strategic approach, with a high level on integration with their global organization”

Conversely, the following proposition has been developed for EM-MNCs

Proposition 1-b (P1-b) “EM-MNCs will to a larger extent enter as part of a conglomerate strategy, with less integration with global operations”

5.2 How to enter

Lasserre (2007) argues that there is no ideal mode for entry, and that each firms need to consider the weighting given to a variety of factors such as global strategy, country risks and opportunities, capabilities, timing and government constraints. This is supplemented by Meyer (2002) that the different entry strategy considerations affect each other, thus the chosen entry might also have an effect on the timing of entry, as well as the reason for entry.

For MNCs exploring investment opportunities in a new setting choices on how to enter are based on a combination of two major dimensions, namely, investment intensity and if the firm has resources and capabilities required to succeed in this new context (Lasserre, 2007). These choices are in turn influenced by the overall attractiveness of the investment potential where potential risks and opportunities need to be considered.

Although this thesis primarily takes a resource based approach, it is important to consider the effect that weak institutions have on the particular resources and capabilities that are needed to successfully enter an emerging economy. Meyer et al (2008) integrates the RBV with the IBV by arguing that “institutions moderate resource based considerations when formulating entry strategies”, and indicates that there are certain context-specific resources that firms need in order to
create competitive advantage in a particular institutional setting. These context-specific resources come in two forms: network and relationship-based strategies to counter weak legal systems and contract enforcement, and context specific resources such as strategic and organizational flexibility (ibid). The extent to which a firm requires these resources will therefore have a direct influence on the type of entry that they choose.

Once again we draw upon the arguments of Khanna & Palepu (1997), and Ramamurti (2008) that EM-MNCs already posit strong capabilities both in terms of network and relationship strategies and possess well organizational flexibility as a result of the institutional environment in which they have grown. Furthermore, Kumar (2008) argues that an additional capability that Indian firms in particular derive from their home-country context is the multicultural manager, which is likely to be a source of competitive advantage in other emerging economies. This indicates that EM-MNCs’ need to acquire local resources will not be as strong as that of WMNCs, and are thus more likely to enter through a Greenfield operation.

WMNCs on the other hand posses resources and capabilities that they have acquired from their own country context. However, by operating in countries with strong institutions, networking strategies are not used to the same extent. Instead firms are likely to rely on contract based relationships as a fundamental part of business operations. In emerging markets however, contract enforcement is weak and therefore require alternative strategic solutions. Consequently, we argue that WMNCs will have a greater need for local resources when entering an emerging economy, and present the following proposition:

Proposition 2-a (P2-a) “WMNCs will most likely enter through JV or acquisition due to stronger need for local resources”

Consequently, the reversed proposition holds:

Proposition 2-b (P2-b) “Because of adversity advantages and networking capabilities, EM-MNCs are more likely to enter through a Greenfield investment.”

5.3 When to enter

This section of the thesis will be based on when firms decide to enter, or rather, 1) the timing of the entry and 2) the swiftness of their implementation process. We find it important to distinguish
between these two aspects of “when”, where timing the entry will refer to whether or not the firm should choose a first or late mover strategy, and where swiftness will refer to the speed of operational implementation. Can the company reap possible advantages of being the first on the market, or does it make more sense to sit back and observe the market develop to a stage where entry makes more sense? (Lasserre, 2007). Furthermore, do the firms have the resources and capabilities to exploit first mover advantages and facilitate a swift entry?

Lasserre (2007) argue that for resource-seeking investments, the window of opportunity is open when rights of access are available and closed when competitors have established a strong market presence or pre-empted available resources. Advantages that first movers can benefit from include: location, contacts, the establishment of company brand and establishing standards (Lasserre, 2007).

First mover advantages are augmented in emerging economies, as entering early might create goodwill with the local government and in some cases MNCs might be able to influence the local regulatory environment in their favor (Meyer, 2002). The timing of a firm’s entry will also be based on the strategic decisions made concerning whether or not they wish to enter as first-movers or late-comers. As mentioned earlier, a first mover strategy has several potential benefits such as: pre-empting resources and the potential to influence government regulation in weak institutions (Lasserre, 2007). However, there are several risks associated with a first mover entry, especially in emerging markets with high transaction costs and lack of infrastructure. Originating from countries with similar weaknesses, EM-MNCs have developed ways to circumvent these obstacles by developing what Ramamurti (2008) refers to as adversity advantages. It is therefore arguable that EM-MNCs, because of adversity advantages, will approach these weaknesses in a different manner to that of WMNCs. WMNCs are subsequently less experienced in tackling institutional voids, and are more likely to place greater emphasis on the risks of adopting first-mover strategies.

Hence:

*Proposition 3-a.1 (P3-a.1): “WMNCs are more likely to choose a latecomer strategy due to an inexpericence in working in emerging economies”*

On the contrary, it is proposed that

*Proposition 3-b.1 (P3-b.1): “EM-MNCs’ adversity advantages will minimize the risks of entering an emerging economy, and will most likely lead to a first mover strategy”*
However, in order to exploit potential first-mover advantages firms need to ensure a swift implementation of operations. The ability to do so is in turn constrained by the firm’s own resources and capabilities (Meyer, 2002). Existing literature suggest that because of different sets of capabilities derived from their home-country contexts, there are certain factors that advocate EM-MNCs are better adept at conducting a swift entry.

One institutional weakness that is particularly influential on the swiftness of a firm’s entry is that emerging economies are typically plagued by inefficient bureaucracies and unclear legislative procedures. This can lead to an arduous and time-consuming process in terms of gaining relevant business and investment licenses. Capabilities such as network relationships and familiarity in operating within these processes are thus of vital importance for ensuring a swift entry. In order to mitigate this market imperfection, EM-MNCs have often had to rely on network based strategies (Meyer et al., 2005). It is thus expected that EM-MNCs will possess better networking capabilities than their western counterparts.

Therefore:

Proposition 3-b.2 (P3-b.2): “EM-MNCs will be able to enter more swiftly due to networking capabilities and adversity advantage”.

WMNCs on the other hand, will not only have weaker networking capabilities, but because of differing stakeholder expectations, will also have a stronger need for transparency in their dealings with government officials. It is therefore arguable that WMNCs will be less successful in conducting a swift entry strategy, leading to the following proposition:

Proposition 3-a.2 (P3-a.2): “Because of weaker networking capabilities and stakeholder expectations, WMNCs will experience a slower entry”

It is important here to note that we recognize Meyer’s (2002) assertion that the timing of entry will be affected by other aspects of entry strategy. These considerations will be further discussed as they arise in the analysis.

5.4 Corporate Social Responsibility

The wood product sector operates under more intense scrutiny than other resource extracting-based industry (Bhambr & Sonnenfield, 1988; Nasi et al., 1997 in Panwar & Hansen, 2008). Several EM-MNCs and WMNCs have in the past been charged with deforestation of indigenous forest, ill
treatment of local villagers as well as bribing officials to gain favorable land deals. Because of these issues and the fact that companies are interfering with peoples livelihoods in their quest for land suitable for plantations we therefore believe that each firms approach towards CSR should be considered equally important to the questions on “why”, “how” and “when” to enter. We therefore extend Lasserre’s (2007) framework by adding CSR as an equally important entry consideration for firm’s investing in the forestry sector.

The reasoning for this extension is that when working with natural resources and especially forestry, local communities live in these areas and rely on the forest for food and Non-Timber-Related-Products (NTRP) for a means of income. This means that when companies come and set up operations it has an effect, positive or negative, on these indigenous people’s livelihoods. Plantations are also a long-term investment and for it to be sustainable firms need the support of the locals in order to set up operations.

Furthermore, Lao law requires that firms have demonstrated a capacity for a successful sustainable plantations business and clear commitment to Corporate Social Responsibility (Midgley, 2006). In addition, before firms can apply for its investment license it is obliged by Lao law to carry out an Economic and Socio Impact Assessment (ESIA) that the relevant institution must approve.

The level of stakeholder engagement in MNC business conduct is positively correlated with the level of a country’s economic development (Panwar & Hansen, 2008). In this regard WMNCs face higher scrutiny from home country stakeholders and are consequently are likely to place strong emphasis on sustainable business practices. We expect that this will be mirrored in Oji’s and SE’s individual entries into the LFS. For EM-MNCs stakeholders, however, conducting and communicating responsible business is not as important (Panwar & Hansen, 2008). These stakeholders are more likely to expect business to a purely economic activity that provide jobs and fulfills other functions (ibid). Because of the low economic development in the home countries of many EM-MNCs it is expected that EM-MNCs will face less stakeholder pressure, and will thus focus less on CSR.

Hence:

Proposition 4-a (P4-a): “Because of higher stakeholder expectations WMNCs will focus more on CSR”
And conversely:

*Proposition 4-b (P4-b): “EM-MNCs will face less pressure from home-county stakeholders, and will focus less on CSR in their entry strategies”*

### 5.5 Summary and outline

This chapter has developed the analytical framework and the necessary propositions for answer the research question. The analytical framework is depicted by figure 4 below. The dependent variables are constituted by the different resources and capabilities that influence entry strategies selected in this thesis. Although we assume that these are influenced by home-country context the thesis will not analyze these connections in-depth. Instead the framework allows the researchers to pick out certain resources and capabilities that have been influenced by home-country context and analyze their effect on each firm’s entry strategy.

*Figure 3 – Analytical Framework*
The following section will be divided into three sections and serves the purpose of introducing the investment climate of Laos. The section will be structured as followed; first, a brief background of the Laotian economy will be presented, secondly, the rules and regulations relevant for FDI into the forestry sector, and lastly, Lasserre’s (2007) country attractiveness matrix will be used to determine the risks and opportunities of doing business in Laos.

6.1 Background

The Lao Peoples Democratic Republic, formerly named the Land of a Million Elephants, is a landlocked country in South East Asia. Whilst it borders to fast growing economies such as China, Vietnam and Thailand, Laos remains one of the least developed countries (LDC) in the region (UN-OHRLLS, 2012). Like many of its neighboring countries, Laos is also a transitional economy (Menon, 1999), which invariably implies that the country has certain structural and institutional weaknesses that hamper business development and economic growth. Nonetheless, Laos has developed rapidly in the last decade, and with growth rates of 7.8% in 2007 and 7.2% in 2008, mainly due to a rapid growth in inward FDI.

Laos began its economic transition from a centrally planned economy towards a market oriented one in 1986, when the government of Laos (GoL) implemented the “New Economic Mechanism” (Fane 2007). This privatization scheme continued in the 1990’s when the government passed a privatization decree. This formed the basis for a large-scale program of privatization of formerly state owned enterprises (ibid). Laos has since continued on the road towards a market-based economy, joining the Association of Southeast Nations (ASEAN) in 1997, and is currently in the application process of becoming a WTO member (WTO, 2012). Despite the recent progress the Laotian economy is making, the economy is hampered by the legacy of the Vietnam War. It is the most bombed country in the world (UNDP, 2007), and it is estimated that approximately six million tons of bombs were dropped over the country of which an estimated 30% of these did not explode (ibid), leaving vast amounts of unexploded ordinances (UXO) scattered across the western part of the country. This continues to pose a huge problem not only for safety but also for agriculture and land intensive investments. The scale of the problem can be illustrated by the figure 5.
The GoL’s central goal is to lift the country out of the LDC group by 2020 (UNDP, 2007). Subsequently, the GoL has identified four priority investment sectors; energy, mining, agriculture/agro forestry and tourism (Voladet, 2009). Forestry plantations in particular, are viewed as one of the key instruments of socio-economic development (ibid), and the economy currently experiencing strong growth.

Investments in the plantation sector have grown substantially over recent years. Statistical data provided by the IMF (2012), indicates that net inflows of FDI have increased dramatically over the past years. It also gives an indication for when FDI really began to take off in 2006/2007, illustrated by the following graph.
6.2 Rules and regulations.

In accordance with the Lao constitution, all land in the country is owned by the state (Schoenweger, Üllenber. 2009). Nevertheless, as part of the GoL’s move towards a more market based economy, land can be leased by international firms thereby allowing a land market to evolve. Domestic and foreign firms can obtain land via long-term state leases or concession contracts (GTZ Report, 2009). However, the process of doing so is not so straightforward. A study completed by the Asian Development Bank in 2005 (Midgely, 2006) identified 26 different pieces of legislation (laws, decrees, regulations, orders) that govern different aspects of forest plantations and associated industrial processing.

According to Laotian law, there are different authorities in charge of granting concessions depending on the requested size of the project:

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<table>
<thead>
<tr>
<th>Year</th>
<th>FDI (current US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$33,890,000</td>
</tr>
<tr>
<td>2001</td>
<td>$23,904,280</td>
</tr>
<tr>
<td>2002</td>
<td>$4,451,297</td>
</tr>
<tr>
<td>2003</td>
<td>$19,484,000</td>
</tr>
<tr>
<td>2004</td>
<td>$16,917,260</td>
</tr>
<tr>
<td>2005</td>
<td>$27,720,000</td>
</tr>
<tr>
<td>2006</td>
<td>$187,310,600</td>
</tr>
<tr>
<td>2007</td>
<td>$323,520,000</td>
</tr>
<tr>
<td>2008</td>
<td>$227,770,000</td>
</tr>
<tr>
<td>2009</td>
<td>$318,598,200</td>
</tr>
<tr>
<td>2010</td>
<td>$278,805,900</td>
</tr>
</tbody>
</table>

Source: Graphs created by www.indexmundi.com based on International Monetary Fund, Balance of Payments Statistics Yearbook and data files.
In recent years however, the surge of FDI in land intensive industries has led to concerns that concessions have been granted at the expense of environmental and social sustainability. This led to the announcement of a moratorium on granting new land concessions in May 2007, in order to give the government time to review existing policies and improve perceived weaknesses (Hansen, 2007). The outcome of the study was amongst other factors, to increase requirements on submitting an Environmental and Social Impact Assessment (ESIA) (Ibid). This had been in place earlier, but was loosely regulated. The Ministry of Planning and Investment (MPI) then became final decision-maker in the investment approval process, and carry much of the responsibility for the positive and negative outcomes of the projects. This moratorium on land concessions is still in place, and no land concessions over 1000 hectares can be allocated without the National Assembly of Laos granting exceptions to specific firms.

Until 2009, firms seeking to invest in were required to adhere to the “Promotion of foreign investment law”. This law required foreign investors to submit their proposals to the Department of Domestic and Foreign Investment (DDFI) of the MPI (Ibid). At the time, the GoL had a process labeled the ‘one stop service’, were firms would be able to submit all the relevant papers in one office, which then in turn would seek to gain approval from the relevant ministries. Under this system, the procedures for document approval would be reduced and entrepreneurs will get business licenses in a shorter period of time (Ibid). The ‘one stop service’ included that the investment decision procedure was only to take three months.

<table>
<thead>
<tr>
<th>Land Size</th>
<th>Authority</th>
</tr>
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<tbody>
<tr>
<td>&lt; 3 ha</td>
<td>District authorities</td>
</tr>
<tr>
<td>3-100 ha</td>
<td>Provincial authorities</td>
</tr>
<tr>
<td>100- 10,000 ha</td>
<td>Central Government/Prime Minister</td>
</tr>
<tr>
<td>&gt; 10,000 ha</td>
<td>Approval by the National Assembly</td>
</tr>
</tbody>
</table>

Source: GTZ report.
6.3 Industry attractiveness

This section will use Lasserre’s (2007) country attractiveness matrix to highlight some of the opportunities and risks in the LFS.

6.3.1 Opportunities

The recent attraction in Laos can be explained by a few factors. First, the GoL is currently focusing on changing the view of being a land “locked” country, to being a land “linked” country (UNDP, 2007). It is therefore aiming to take advantage of its borders with five countries by developing its infrastructure and transportation networks. An example of this is the planned construction of a high speed-rail stretching from southern China down to the capital Vientiane (ASEAN affairs, 2011).

Second, the growth in the paper industry in neighboring countries has led to an expansion in the amount of paper mills, with more and more mills being constructed in southern China, which all require substantial quantities of wood chips (Midgley, 2006). A growing potential demand for paper products from emerging economies such as China and India has brought with it a shortage in wood fiber, forcing MNCs worldwide to look for new markets in order to consolidate resources (ibid).

There is a strong positive correlation between GDP growth and paper consumption, and the amount of future demand for paper is thus likely to be high, this is emphasized by Mr. Midgley “the average Dane probably consumes 200 kg of wood fiber per year, whilst the average Chinese consumes less than 50 kg”. Consequently, there is a very strong demand for paper, and the mills in China are going to have difficulties in securing enough resources meaning that firms will increasingly look to countries like Laos for resources.

Third, in comparison with other countries in the region, Laos population density of 26,8 /km² compared to Vietnam’s 280,3 /km²,⁷ is an attractive factor for large scale forestry companies. Coupled with the fact that the country has a lot of degraded forests⁸ and suitable climate and soils for planting wood fiber trees more and more international forestry companies have turned an eye towards Laos. Many years of so-called slash and burn farm practices, as well as the frequent use of

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⁷ World Bank figures 2010
⁸ Formerly forested lands severely impacted by intensive and/or repeated disturbance (such as mining, repeated fires or overgrazing) with consequently inhibited or delayed forest regrowth. These include barrens areas, Imperata grasslands, brushlands, and scrublands. (www.cifor.org)
Agent Orange during the Vietnam War has left a large section of the eastern part of the country without natural forest. This is ideal for plantation firms, as it means that no forest needs to be cut down in order to make way for plantations.

Finally, one of the main attractions for MNCs investing in the forestry sector in Laos are the relatively low cost of production. Land leases in Laos are very cheap in comparison to its expanding neighbors. According to Midgley (2006) land rents in Laos are commonly around USD 3 / ha / annum, whilst in Southern China land rents of USD 70 / ha / annum are common, and in Vietnam the costs are around USD 20 – 30 / ha / annum. These prices have however risen over the past few years, and in 2009, a Decree was past setting land rent fees for investing in Laos to USD 10 / ha / year. Nonetheless, this figure remains quite low compared to prices in neighboring countries. However, it is also worth noting that low costs alone do not attract investors (Midgley, 2006) but such big differences in costs cannot be ignored.

### 6.3.2 Risks

As mentioned earlier, Laos face several structural challenges in this rapidly expanding industry. The institutional framework is to a certain extent typical for that of a transition economy. In 2012, Laos is ranked as the 165th out of 183 countries in the World Bank doing business report (World Bank, 2012). Despite the supportive policies, laws and regulations, as well as a comprehensive forest strategy, there are several factors influencing the effectiveness of these laws. According to a recently published report by the World Bank, conditions for starting a business in Laos are among the least attractive in SEA (Schoenweger, Üllenberg, 2009). Furthermore, one of the main reasons to why firm’s have been hesitant to invest in Laos derives from the fact that not only is Laos a landlocked country without direct access to ports, but basic infrastructure such as roads and transportation networks are strongly underdeveloped. This means that if firms wish to export goods, they have to pass through transit countries, incurring extra costs.

In recent years, there have been several studies examining the effectiveness of the Laotian legal process. A report published by the GTZ (2009), highlighted two important obstacles to developing a favorable investment climate in the Lao PDR; cumbersome investment approval procedures and unclear responsibilities of state authorities. This study continued the question by asking for the view of business leaders and NGO’s on investment concessions, where several main problems were highlighted.
First, although the “one-stop service” is well into its implementation phase, in reality this is not the case. Investors still face a segregated approval procedure, where several different agencies need to be approached. This is also highly dependent on the type of investment planned. Even though the NLMA will grant a firm concessions for a certain amount of hectares, the lack of clear responsibilities between central and provincial authorities, and that there is no inventory of state land, forces investors to turn to provincial authorities to search for appropriate land.

The above problem leads to another issue, highlighted in Midgley (2006), which is the lack of community consultation by both firms and government officials. Farmers and communities are in fact more powerful in Laos than what many believe. There are several cases where firms have been granted concessions by the NLMA, and negotiated specific land, but upon arriving at the land the firms have met such strong resistance from farmers that the project needed to be suspended (Schoenweger, Üllenberg, 2009). Currently, there are very few guidelines or instructions from the government on community consultation processes, and the amount of consultation regarded as acceptable.

Second, many of the interviewed stakeholders in the GTZ (2006) report argue that the length that it takes for investment approval depend on type of investment, size of the investment, and purposes of the investment. For plantation firms, a clear advantage would be if the firms planned to set up paper mill plants in Laos, rather than exporting wood chips to plants in China or Vietnam. Companies planning larger investments and having political clout enjoy much shorter approval procedures, and it is reported that investment approval could take between 6 months and 2 years (Schoenweger, Üllenberg, 2009). In general, the process of setting up a business in Laos one of the slowest in the region, illustrated by the graph below:
Midgley (2006) argues that there are also several problems in the enforcement aspects of plantation laws are very weak. This is a common institutional void in developing countries, where the responsibility for enforcement is unclear. The capacity to enforce these laws is also very weak, due mainly to the poor management and low government revenue. Furthermore, one of the reasons to why several Asian Development Bank (ADB) funded plantation projects have experienced problems is because of a lack of high quality technical backup, financial advice and market information (Midgley, 2006).

The above problems all contribute to a lengthy process of gaining the correct licenses and concessions for land use rights. The lack of coordination and the ambiguity of laws and required processes is clearly one of the greatest institutional voids in the Laotian economy. The ambiguity also suggests a strong need for understanding of the local environment in order to get the different requirements in place.

6.4 Conclusion
The above section indicates that there are several incentives for plantation firms to invest in Laos. Factors such as low land lease costs, low population, suitable climate and the fact that the countries has borders with some of the fastest growing economies in the region, indicate that there are several
potential opportunities in investing in Laos. However, the above also indicates that there are several risks with investing in Laos, stemming mainly from uncertainty caused by weak and unpredictable institutions. The above gives an indication that the Laotian investment climate can be classified as a high risk/high return environment according to Lasserre’s (2007) country attractiveness matrix. We also find that several institutional voids that Khanna & Palepu (2004) attribute to emerging economies can be found in the Laotian economy.

Chapter 7 - Case companies presentation

This section of the thesis will comprise of two main parts. First, each of the case firms and their global operations will be introduced. The purpose of this section is to provide the reader with an overview of the companies’ global profiles, as well as some basic information about their Laotian affiliates. Second, the thesis will provide an in-depth account of the different entry strategies that the companies have pursued upon entering the LFS. This account will be based on the analytical framework created, and will examine the differences in the “Why”, “How” “When” and “CSR” aspects of each firms entry strategy.

7.1 Case company introduction

Figure 9 offers an overview over the global top ten companies in the Paper and Packaging industry in terms of sales. Of the top 100 companies two of the case companies are ranked as four and five emphasizing their status as large and powerful actors in the industry. Birla uses its pulp to produce rayon and Viscose Stable Fibre (VSF⁹) which it needs for its textile production. Thus, they are not in the paper and packaging industry and not on the list. However, according to Birla’s own website, they are currently the world’s largest producer of VSF.

⁹ Man made biodegradable fibre sharing characteristics with cotton. It is widely used in apparels, home textiles, dress material, knitted wear and non-woven applications.
7.1.1 Oji Paper Ltd.

Oji Paper Ltd. is one of Japan’s oldest forestry companies. The company was established in 1873 by Ei Ichi Shibusawa, and in 1893 it received its current name (Oji Pulp and Paper, 2012). The company currently has approximately 20,000 employees, and operate through 120 subsidiaries around the world (Lang, 2006), and was ranked as the 5th largest paper and packaging company in the world (PWC global forestry survey, 2011). With sales amounting to 13,097 USD Million in 2010, it is certainly one of the major actors in the global pulp and paper industry.

The founder of Oji paper, Mr. Eiichi Shibusawa condensed his philosophy into two words; “analects “ and “abacus” which express the need to combine ethical values, as represented in the Analects of Confucius, with good business practice, as symbolized by the abacus (Oji annual report 2011). These values lay the foundation for Oji paper’s current corporate vision, which encompasses “Contribution to the Environment and Culture”, where the company aims to be an organization that “actively contributes to environmental conservation and a recycling oriented society through progress in forest recycling and paper recycling” (Oji annual report 2011). The second pillar of the firm’s vision is “Innovation and Speed”, which urges the company to “implement rapid decision making” (ibid). Finally, the last pillar to the model is to maintain a “Global Reputation for Dependability”, where the company will strive to be a company that can be trusted.
Oji paper first started to expand overseas in 1971, urged on by a strong need of imports of raw materials to keep their Japanese mills going (Lang, 2006). The first countries to be invested in were New Zealand and Brazil, which is now their largest overseas operation (ibid).

Oji paper has received considerable criticism for their business operations around the world. Lang (2006) states “In many countries in the South, rural communities have seen their culture, lifestyles and forests destroyed to make way for industrial tree plantations to serve the pulp and paper industry”. This statement refers partly to the company’s involvement in the environmental destruction in Papa New Guinea in the late 1960s (Lang, 2006). When the technology arose to produce paper from hardwood chips, it opened up the possibilities to pulp rainforests, and up until 1983, approximately 37 000 hectares of rainforests had been cleared (Lang, 2006). Since then, however, amid public criticism and opposition, Oji states that they are committed to establishing plantations in areas where no trees have grown before, such as pastures or wastelands (ibid).

Today, Oji readily offers information on their activities in sustainability. The company’s code of conduct includes devotion to areas such as environmental conservation, harmony with the environment and wholesome politics and government (Oji Pulp and paper, 2012). The company also produces an annual “Environmental and Sustainability report”, in which the company, amongst other areas, states their dedication to the use of recycled paper, boasting a recovered paper utilization rate of 62.4 % (Oji Sustainability Report, 2011).

### 7.1.2 The Stora Enso group

This section will outline the global company Stora Enso Group (SE) with some brief historical facts and challenges the company has faced in its operations in the global South.

Out of all three of the companies chosen for this analysis, SE is the only company listed on the international recognized Dow Jones 100 Sustainability Index (Stora Enso, 2011). The company received top industry scores for sustainable forest management, product stewardship and environmental management.

“*Sustainability – meaning economic, social and environmental responsibility – underpins our thinking and our approach to every aspect of doing business*”.

Taken directly from SE’s homepage the above statement encompasses what the company’s core business mindset is about. The overall mission of the company is to use and develop its expertise in...
renewable materials to meet the needs of its customers, and many of today’s global raw material (paper and pulp) challenges in a sustainable manner.

The foundation for the company was laid in 1988 with the merger of the Finnish Enso Oyj and the Swedish Stora Kopparbergs Bergslags Aktiebolag and now has head offices in London, Stockholm and Helsinki. The result of the merger was a company with a stronger market position, better logistics and financial strength ready to challenge the global players in the paper producing industry. The product portfolio include: newsprint and book paper, magazine paper, fine paper, consumer board, industrial packaging and wood products. The company has some 35,000 employees, is represented in 40 countries on five continents and generated sales of EUR 11.8 billion in 2010.

Having seen the potential of expanding globally to emerging markets such as China, Thailand and Brazil the company is now looking towards the developing countries with startup plantation sites in developing nations such as Laos. At present times approx. 6% of the company’s production stems from sustainable wood plantations in the global South (Stora Enso, 2012).

Through its expansion in South America SE has experienced criticism from various organizations claiming that the plantations are destroying local bio diversity and having a negative impact on local livelihoods (Greenpeace and World Rainforest Movement, 2012). This negative publicity has been a contributing factor to a change in SE’s strategy. This restructuring of the firms global image has been based around the notion of “rethink”. Rethink is a product of present day’s way of life and how “we share our home – the planet”. The “rethink” strategy also changed the company’s logo, illustrating the desire to project itself as a responsible organization.

**Stora Enso Lao Co., Ltd**

Established and carrying out operations in Laos since 2007 Stora Enso Lao Co., Ltd. (SELC) is involved in the agro forestry business. The company is planning to establish 35,000 hectare of eucalyptus and acacia plantations in Nong, Ta Oi, Sepone, Vilabuly and Samuoi districts, in the southern provinces of Savannakhet and Saravane provinces, To this day a total of 257 hectares have
been planted in Nong and Ta Oi districts (UNDP, 2012). SELC’s professional workforce comprise of 60 fulltime Lao employees.

7.1.3 The Aditya Birla Group

Originating from India, Birla was the first international Indian company to expand beyond India’s borders. Birla has experienced tremendous growth rates since its birth in 1857. Taking the group from being a small cotton trading business in rural India to expanding within the South East Asian region Mr. Aditya Birla commenced international expansion in 1969 (adityabirla, 2012).

Today the group is a US $ 35 billion corporation and is in the prestigious fortune 500 league. Driven by a force of 133 000 employees originating from 42 different nationalities Birla have created and sustained a solid foothold within their sectors (ibid). Operating as a conglomerate, Birla is represented in 15 different sectors and has positioned itself among the strongest and most influential players within these on a global scale. The industries include: aluminum, copper, cement, textiles (pulp, fiber, yarn, fabric and branded apparel), carbon black, insulators, natural resources, power, agribusiness, telecommunications, financial services, IT/ITeS, retail and trading.

The fact that it has been able to grow to its current size is a result of its rapid international expansion. Today Birla operates in 36 countries across six continents, ranging from developing nations such as: Bangladesh, Myanmar and the Ivory Coast to industrialized western countries including France, Germany, the US and the UK. In addition Birla has operations throughout the BRIC nations10. Over 60 percent of Birla’s revenue flows from its operations outside India, emphasizing the Birla’s international profile.

From the initial start up in1947, Birla has successfully expanded into the VSF business. Its recent investment in June 2011, an investment of SEK 380 million, was approved for acquiring 1/3 stake in Aditya Holding AB, Sweden. This investment laid the ground for a 100 percent control of a large Swedish manufacturer of specialty pulp used in VSF manufacturing. This acquisition emphasized the company’s overall strength in this particular market. However, seeing opportunities for further expansion in the VSF sector and realizing the growing demand for clothes worldwide the company looked towards new markets to enter.

Today, Birla is the number one producer of VSF on the global market. Out of the total turnover of US$ 30 bn, pulp and fiber business contributes with US$ 3 bn, which is approximately 5 per cent of

10 The emerging economies of Brazil, Russia, India, China and South Africa
overall turnover. The pulp and fiber business is now operating in six countries and have consolidated itself as a large actor on the global market with a 20 per cent market share. The core of the pulp and fiber business is Birla Cellulose (BC). BC is a product made from natural wood pulp sources, which is then processed to finally become garments and home-textiles (ibid).

**Birla Lao Pulp and Plantations Company Limited**

Birla Lao Pulp and Plantations Company Limited (BLPPCL) is a US$ 350 million project investment commenced in 2006 with the goal of setting up eucalyptus plantations in Laos. BLPPCL is part of the ABG’s pulp and fiber business.

The project in Laos includes plantations and a pulp plant for the VSF business. The pulp plant and the majority of the plantation areas are located in the southern province of Savannakhet. The plant is set up as a Greenfield project i.e. BLPPCL is the sole owner controlling every part of the business, from obtaining land to the final wood processing. The Lao government has approved 50,000 hectares of land for BLPPCL and as of March 2012 13,500 hectares have been planted in total according to Mr. Ramesh Vasudevan, President of BLPPCL.

**7.2 Case company entry strategies**

**7.2.1 Oji entry strategy**

The fact that SEA is becoming more and more economically integrated creates the opportunity for conducting business across borders. The establishment of the Association of Southeast Asian Nations (ASEAN) cooperation, the steady increase in FDI levels, cheap labor and land costs and a gradual entry into the world economy has made Laos a feasible economy for investment.

In February 2005, Oji continued its expansion into SEA by acquiring BGA Lao Plantation Forestry (BGA) (Lang, 2006). BGA were then in a JV with the GoL and held 85 % of the shares, and the GoL the remaining 15 %. Today, the company has approximately 23,000 hectares planted, mostly in central and southeastern Laos.

This section presents the Japanese case company Oji Paper Group’s entry strategy into the LFS based primarily on data collected from interviews with the company’s Lao CEO Mr. Eng Kouangmanivane and an online interview with Oji Group’s Mr. Seiro Tokunaga, General Manager in the strategic management division of the forest Department.
**Why**

Improving infrastructure makes it easier to export the raw material to the Vietnamese port of Vinh. As a result of Laos’ involvement in ASEAN a new agreement between GoL and government of Vietnam will provide the same conditions for Lao forestry companies when exporting wood as Vietnamese companies in terms of cost and services. The locations of Oji’s plantations are in the center of Lao where roads are easily accessible making it possible to transport wood from plantations to the Oji paper mill in Shanghai, China. As Mr. Kouangmanivane comments: “...now we can come from plantations in Laos to Shanghai in two days, so we have good access to key markets”. According to Mr. Kouangmanivane, one of the decisive factors on why Oji entered the LFS was because of cost reasons. Land and labor is significantly cheaper than in neighboring countries. However, it may be that production and labor is cheap, but export of raw material also has a large economic impact on such an investment decision.

BGA was an already well established actor in the LFS. This meant that all of the licenses were granted and that the governmental relationships were in place. To set up such a network in Laos is key and a fact which Mr. Kouangmanivane emphasizes as an important factor which should be in place before entering the LFS. Mr. Kouangmanivane comments that one of the main reasons to why Oji invested in Laos was because of this opportunity for fast entry existed. Oji also foresaw that acquiring land was going to be difficult. The fact that BGA were willing to sell proved a strong reason to why Oji entered Laos in the first place, allowing for a swift entry.

The low levels of population density and fertile plantation soil made Laos an attractive investment. Laos was also strategically located with regard to the companies SEA strategy. The Laotian venture was thus meant to play the role of a resource provider for strategically located mills in neighboring countries. The Laotian venture was thus to contribute to the goal of increasing the SEA plantation area from 200 000 hectares to 300 000 hectares (Oji Annual Report, 2005). Furthermore, according to Oji’s global strategy, there expansion into global markets was to be facilitated through strategic mergers and acquisitions (Oji Annual Report, 2012).

**How**

The reason BGA was chosen as the acquisition firm by Oji was that BGA already had plantation activities and was integrated in the industry with a significant market share. Furthermore because of the institutional context of Laos, setting up a new company can be a strenuous process. This highlights one of the main reasons for the acquisition, and further explained by Mr.
Kouangmanivane, who was working for BGA before it was acquired; “We are already company, so if they want to go to another area or another province, the it is very difficult to start. Because in 2005, the land competition starting, so it was difficult to make new company”. The fact that BGA was partly owned by the GoL proved important for speeding up the land concession process and approval of the new investment license. Mr. Kouangmanivane comments that if a Greenfield or JV approach had been chosen the investment license acquiring process would have taken longer. The acquisition process was very quick, from the Oji Paper group approach to BGA to the acquisition was realized took three months.

The proposed target of 50,000 hectares was also presented to the government during this three-month period. Furthermore, this quick setup process is important when setting up business in Laos. As mentioned by Mr. Kouangmanivane, the LFS had experienced increased levels of competition since 2005, so obtaining investment licenses fast was important for securing land.

Although enjoyed a very swift entry Oji have not been able to set up as many plantation hectares as initially planned. The idea that the JV with GoL would ensure steady and reliable land access did not work out as well as initially planned. Farmers still need to approve of the projects before plantation operations begin. This has in some cases put the government at odds with the farmers, because of their involvement with Oji. As soon as a conflict arises between the farmers and Oji, it becomes an issue between the GoL and the farmers. Therefore, although Oji have been granted concessions for 50,000 hectares, to date only 23,000 hectares have been planted. Furthermore, as the Laotian economy opens up, other land intensive investments are on the rise. Oji now experience an increase in competition from other industries such as mining and rubber plantations. These factors are the main reasons to why Oji’s success criteria have now been reduced to 23,000 hectares, leading to a strategic restructuring from Oji’s headquarters in Japan. The new strategic involvement now includes spreading out to other industries in Laos, and Mr. Kouangmanivane admits that Oji are researching on the possibility of entering the mining and rubber sector as well.

When

BGA Lao was established in the early 1990s and was a JV between a New Zealand and two Thai companies. However, the Thai companies pulled out of the JV as a consequence of the Asian economic crisis in the late 1990s. This left the New Zealand company as the only foreign investor in BGA in which the Lao government held a 15 per cent share. The interviewee (Kouangmanivane) was CEO of BGA at that time, and continued as Oji Lao’s CEO due to his extensive experience, 19
years in the sector, and know-how in the LFS. It proved valuable to have such an asset high in the organization due to the knowledge and network resources Mr. Kouangmanivane had developed over time.

Oji Paper was the first international company to set up plantation operations in Laos, which provided them with advantages in the land allocation process. In addition the government of Laos is the JV partner and at the same time was, and still is, interested in attracting FDI for country development purposes. These advantages and mutual interests ultimately resulted in the company investing in the country in 2005 after a period of three months where the involved parties met and discussed the details prior to signing the agreement. At this time companies were not required to submit a socio economical impact assessment in order to gain their business license, allowing them to commence plantation operations swifter.

Mr. Midgley pinpoints access to land as one of the most important factors for succeeding in the LFS. Through their mode of entry Oji ensured that they did not have to apply for a business license. Furthermore, through their JV with the GoL Oji was able to obtain concessions swiftly. As Mr. Kouangmanivne comments: “The land acquisition is fast, the Lao government acquires the land for this project because it is 15% shareholder.” Nonetheless, Oji have not succeeded in planting trees on all the 50,000 hectares on which they have concessions for. As Mr. Midgley states: “when the Lao government gives you a concession, it doesn’t mean they give you the land, they give you the right to go look for the land. So, then it is your job to go and find the land within that geographical area that, which they have defined”. Subsequently, because of the conflict of interest which may arise between the GoL and farmers in these instances, Oji’s JV with the GoL has not been as beneficial, in terms of fast access to land, as Oji initially had hoped.

**CSR**

Oji employs a total workforce of 2500, both in the plantation areas, nurseries and headquarters in Vientiane. Apart from the above employment Oji contributes to the general increasing livelihood standards in the involved project communities. This contribution consists of: better road access, clean water, building schools and supplying stable electricity to project areas. Laotians are employed in top management positions as well as in the planting and harvesting phases of the project.
Oji Lao also sponsors sporting events, both on local village level and management level. These events come in shape of an annual boat racing festival and football matches on both village and top between Oji management and the ministry of forestry. These initiatives aid Oji in forming relationships of trust and understanding between Lao locals and the Japanese company representatives.

With regard to Oji’s plantation model, Oji has been planting trees with 3m spacing between the rows. Not only has this eliminated the possibility of intercropping but the increase speed at which fire and diseases can spread in the plantation. In 2011, for example, a fire destroyed 1000 hectares of plantations. This damage could have been significantly lower if intercropping i.e. wide spacing between rows of tree was practiced at the time. The intercropping model is however more related to CSR practices, and is a participatory approach to plantation management. Recently, Oji have begun to test the possibilities of adopting this mode, not only reducing the risk of accidents, but to enable farmers to cultivate rice and let their livestock graze in the excess space.

UXO clearance is also part of Oji’s commitment towards enhancing local livelihoods. In clearing plantation areas farmers are guaranteed safe working conditions, preventing them from UXO accidents that remains a large problem in Lao in present day.
The plantation concept that the company has introduced in Laos is what it calls “farmers afforestation”. This model centers on farmers participation in tree planting. The farmers’ afforestation model consists of three stages: provision of nursery trees to the farmers, growth of trees by the farmers and purchase of the logs by the company at the market price. However, the project accounted problems from its initial startup. Farmers were reluctant to join the project due to insignificant knowledge of Oji. Even after assuring farmers that wood is essential for the company, confidence was not shown from locals to engage in cooperation with the company. Company representatives therefore met with village elders and workers to explain them what Oji’s model was based on.

To ensure that the wood planted, harvested and produced in Lao by Oji Lao Paper is produced and sold bearing the mark of responsible production and management of the wood the company has applied for membership of the Forest Stewardship Council (FSC). This certificate will ensure that Oji Laos adheres to a Global network of committed businesses, organizations and communities. The certification application has been put forth so that approval can be realized in March 2012.

### 7.2.2 Stora Enso entry strategy

**Why**

SE’s main reason to enter Laos was that they realized that they would not have enough supply for the recently constructed mill in southern China SE had run into difficulties in their Chinese venture, where they experienced difficulties in gaining land concessions from the government, as well as facing resistance from local farmers and villagers on their plantation sites. SE thus anticipated that they would not have enough plantation wood to support the propose project in Southern China.

As Mr. Fogde mentions, SE already had a company in Thailand, but when looking to expand their operations there to support the mill in China, there was no longer as much land available, the land that was available was very expensive. SE also looked at Vietnam, but even there the availability of land was very low. It was thus that SE contracted Burapha in 2005 with their investment proposal.

The aim of the project was to initiate a fact-finding mission to analyze the feasibility of conducting a large-scale plantation investment in Laos. The project was to be divided into three phases; the pilot phase, the feasibility phase and project implementation. The Pilot phase was to be used to increase the company’s understanding of the overall possibility of a larger agro forestry project (35 000 ha), develop an understanding of laws, regulations and processes for obtaining land use...
agreements in Laos, and finding major issues that need to be addressed before possible implementation (UNDP SIA, 2011).

The feasibility phase would then serve to assess the feasibility on a larger scale, where SE would require additional hectares of land. Finally, during the project implementation phase, the project as a whole would be assessed in terms of plant growth, anticipated costs and market attractiveness, if these factors are all satisfactory, SE plans to approach the GoL to apply for a full 35 000 ha plantation program (ibid).

**How**

“*Stora Enso’s strategy... has been slow, but it has been a strategy that people like very much, and now even the Lao would appreciate it if they moved a bit more quickly*” (Midgley 2012)

Established in 1992 Burapha is a Swedish/Lao forest consultancy firm that had been working in the Laotian forestry sector for over a decade, and were well known in the country, a particularly important factor in Laos; Mr. Midgley states that one has to remember that the Lao people (farmers and government officials) have very little exposure to international forestry companies, and how they manage their plantations. Burapha had an already established local network, and had their patronage established. More importantly, Burapha had knowledge about the workings of local institutions, in the country. The fact that Mr. Fogde had earlier worked closely with SE in a Thai project, making the company the ideal firm for SE to contract. Burapha were therefore initially hired as consultants, aimed at implementing the pilot project and assess the feasibility of the project. However, this contract differed in the sense that “*we were hired as technical consultants and entrepreneurs for Stora Enso, not only consultants, but we also carried out all the work,*” comments Mr. Fogde. Furthermore, Burapha were given a lot of autonomy in choosing the plantation site and setting up their own concept, allowing Burapha to make full use of their local knowledge and capabilities. The concept developed was a unique one, and focused on bottom-up approach to land acquisition. This aspect will be elaborated on further on in the case presentation.

Burapha were also contracted to set up a SE subsidiary in Laos, and to gain the business license needed to operate in the country. With regard to the type of entry, Mr. Fogde explains how he warned SE that although the so-called one-stop service claims business license approval only takes 3 months, in reality it can take up to two years. Upon being contacted, Burapha offered SE to acquire Burapha, which would instantaneously give them the required business license. However,
as Mr. Fogde states “when I told Stora Enso that it could take up to two years (to get the license), they did not believe me”, and instead SE contracted Burapha to acquire the license. This process took Burapha approximately two and a half years.

Burapha sought areas of land in the south eastern part of Laos, an area primarily chosen because of the low population density and the vast amount of forest that had been destroyed, either by traditional slash and burn agriculture, or from the intense bombing that the area endured during the Vietnam War. This, however, also meant that Burapha were suggesting to establish a commercial plantation project in an area with several unexploded bombs still lying around. Mr. Fogde states that, this was one of the main questions to be answered during the feasibility phase, could a plantation project be economically feasible if the land first had to be cleared of unexploded ordnances?

Burapha’s local knowledge also played a strong role in developing the plantation model that was adopted. Burapha suggested an intercropping based model, focused on tree plantation within the different villages’ land by adding a food security aspect. Trees are planted in sections 9 m apart and in these 9 m farmers are allowed to grow rice and rattan. This is commonly known as agro-forestry, and was perceived by the Burapha team to be the only way that the farmers would accept SE’s presence around their villages. “You cannot plant trees like this!” was the reply that came from SE headquarters once Mr. Fogde presented the plantation model. Mr. Fogde, however, explains “there was no other way forward, if we do not work with the farmers, we will never get anywhere”. This relates to the complicated process that exists in the LFS in terms of gaining access to land. SE headquarters thought that they would lose production space by planting the tree so far apart. Burapha were, however, adamant that the model would produce the same yield as more traditional models. Based on earlier estimates, a few years into the growing process, it has been found that the expected yield is actually the same of that grown in traditional plantations.

**When**

As mentioned earlier, SE contacted Burapha in 2005, offering a contract to set up operations in Laos. At this time, the only other MNC present in the LFS was Oji, and the big “land race” had not quite begun yet. Inward FDI levels were yet to experience the dramatic increase that the country saw in 2006/2007 (see figure 5). This was also around the time when the GoL implemented the one

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11 Boundary trees are the trees at the end of every row in a plantation. These trees get the most sunlight and thus commonly grow taller than other trees in the plantation (interview with Mr. Fogde)
stop policy, that promised a more streamlined business application process. Furthermore, the explosion of growth in neighboring China meant that new plantation grounds needed to be found.

As mentioned earlier, however, it took SE approximately two years to get their investment license. This allowed, as Mr. Fogde states, for other firms to get ahead in the so-called land race, gaining higher amounts of concessions at a higher rate. Mr. Fogde continues: “there were competitors who were interested in the same plantation areas as Stora Enso, who bribed officials and paid certain officials to prevent the business application from going through”. This meant that at a certain point, it was not possible to go any further with the feasibility testing. Subsequently, a lot of time had to be spent talking to government contacts that Burapha had developed over the years. Mr. Fogde explains that because SE was unable to bribe officials, the way to get the license through was to show government officials, and the government, that the model worked, and had a strong focus on benefitting the local environment, “That which gave Stora Enso the license in the end was that we could show that farmers liked their model, and wanted Stora Enso to be there, ultimately, this made it very difficult for the officials to say no”.

Mr. Midgley comments on the time by which it took SE by saying, “Stora Enso’s strategy has worked, they have followed all the regulations etc. In hindsight, however, it probably would have gone a bit quicker if the SE headquarters would have made a more formal commitment earlier”. In this, Midgley refers to the desire that the GoL has in attracting long-term industry developing investments. By opting to enter with a feasibility strategy, Midgley argues that the GoL were less interested in expediting the application process. Mr. Midgley states that one thing he thinks SE could have done differently, would have been to show government officials what SE actually is about, by taken relevant officials on study trips to China or South America. This would have given government officials an indication of how SE plantations work.

**CSR**

The suggested plantation model put forth by Burapha was one that not only covered the economic aspects of the project, but was also one that ensured stakeholders that business was being conducted in a responsible manner. However, the project model was not purely a way to ensure that the company would be free from criticisms from NGOs, but good relations with farmers was seen as key factor for the project to work. As Mr. Fogde states, “The plan all along has been to see farmers as assets and not as liabilities”.

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The plantation idea is built on the so-called intercropping model. The idea was put forth by Burapha’s staff, and in addition to wood production, the model intends to improve the welfare of local communities and increase yields of rice and other food crops (UNDP SIA, 2011). By using company machines to plough the land between the rows of trees, farmers are able to move away from traditional, unreliable subsidence farming, to a more secure form of farming, allowing farmers rice for the whole year, rather than the six to 8 months that traditional practices allowed for. The model differs itself from traditional plantation models in that it builds on a wide spacing of trees (up to 9 meters), allowing for growing of agricultural crops between the rows (ibid), as illustrated by the image below:

*Figure 12: Stora Plantation*

Source: Stora Enso Laos Ltd.

The model is managed into seven-year cycles, by dividing land into seven equal parcels of land, where trees will be planted in one plot per year. This is to ensure that there will always be some section of the plantation where the trees will not have grown too big to crowd out the sunlight, and farmers will always have an area where they can plant their crops.

Furthermore, SE offer the villages compensation for using land in and around their area. The village development fund, consist of USD 3.55/ha/yr. is paid five years in advance to the village.
This fund is intended to be used by the villages for immediate and agreed needs relating to food security, sanitation, healthcare and education.

SE has chosen to adopt a bottom-up approach throughout their Laos operations. This is especially prevalent in the way they apply for land use rights. Using satellite-mapping techniques SE meets with village officials to, in collaboration with the village, determine which lands are to be used for plantations. This participatory approach has gained a lot of goodwill from the farmers in the area an approach that Mr. Fogde feels is vital if the company is to gain land concessions in a transparent way in the future. A constant referral to this strategy, and showing government officials that farmers wanted them there is “what made SE get the business license in the end” despite the other international firms working against them by bribing. This bottom-up approach is a particular strong point for SE when they apply for concessions and access to land. Mr. Midgley argues that gaining access to land is one of the most important factors if one is to conduct successful forestry business in Laos. By assuring that SE have the support from the villagers, they work their way up to the district, the provincial and finally the government level to gain approval for land concessions.

7.2.3 Birla’s entry strategy

Why
Throughout the last decade the VSF industry have seen an increased demand in VSF, notably from China and other Asian countries. The Chinese market has grown from having eight per cent of worldwide production in 1990 to 58 percent in 2010 (Bywater, 2011). After China, SEA is the largest VSF producing region. Large production plants are located in Indonesia, Thailand and India. The pulp produced in Laos will be exported to Birla’s fiber manufacturing units in the above three countries. Together with another large VSF producer this is the key region for Birla. The large increase is expected to continue in China and SEA due to the growth increase in the region; GDP is closely linked with fiber demand making it vital for companies such as Birla to stay competitive (ibid). One such competitive measure is cheap production close to key markets, and already present in the above markets with production sites, Birla needs cheap wood for pulp production to later be processed into VSF.

The overall goal for Birla’s VSF business in Laos is to achieve complete backward integration in its supply chain, which is augmented with the following quote: “100 percent of the company's activities - the processing of wood, the export of manufactured wood pulp and the buy back of wood
pulp by the group – are based in Laos” (Vientiane Times, 2011). This means that the company will integrate its pulp wood species plantations and pulp production processes into its own value chain and not rely on external suppliers.

The conventional cause for entering a developing country also played out for Birla: low land lease fees and with the extended invitation from the GoL Birla decided to enter Laos. According to Mr. Vasudevan, the GoL was willing to give out land for FDI attractiveness purposes because of the lack of MNC presence and interest in the country. In addition, Mr. Vasudevan points out that the mapping of the land showed excellent soil conditions for plantation establishment.

**How**

Three companies are equity shareholders in BLPPCL: Grasim Industries Limited (India), Thai Rayon Public Co. limited (Thailand) and PT. Indo Bharat Rayon (Indonesia). BLPPCL is a Greenfield operation, meaning that Birla has not approached a Lao company to either form a JV with or acquire. This means that Birla is in total control over its operations, giving full financial and operational control. Furthermore, it does not have to integrate a Lao company into its corporate culture. But with it also comes weaknesses, BLPPCL cannot make use of a local company’s resources i.e. already established networking resources inside the government when gaining land concessions. As Mr. Midgley comments: “Birla tried to start off in a big hurry, they made a lot of mistakes, probably would wish they’d done things a bit slower, and made less mistakes”.

The project is divided into two phases: 1) plantation establishment and 2) the construction of a dissolving pulp plant with a total capacity of 200,000 tons per annum. The deadline for the mill’s construction is set to 2016, which is the year BLPPCL will commence harvesting. For the plantation progress BLPPCL has been granted land concessions for 50,000 hectares and when interviewed Mr. Vasudevan informs that as of March 2012 currently 13,500 hectares of plantation has been planted.

As mentioned above, Birla has engaged in a Greenfield operation grating the company full control of operations and access to full profitability of the investment. However, because no local resources have been mobilized, resources and capabilities must be provided from the company itself. Furthermore, this mode of entry also bears the highest risk. When asked why Birla chose this model Mr. Ramesh comments that: “I think it is the professional model, the financial power, low exposure to debt and the very high level of technology”. Mr. Ramesh continues: “Birla is a spread out over many different companies and sectors around the world so I think our knowledge pool is huge”.

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BLPPCL has used a top down approach in its Laos operations. This is because, according to Mr. Midgley, it is a wholly owned entry bringing with it a dissolving pulp mill. In addition, the government of Laos is very keen to attract an investment of such nature since it is most likely that the company will stay in Laos for a significant period of time. This will secure long-term land fees paid to the state and employment opportunities for the local people.

The management model of BLPPCL also reflects the entry model. Indians are employed in top management as well as local team management positions. BLPPCL has trained and employed around 150 local Laotians in forestry, office staff and drivers.

**When**

Setting up operations in 2006 Birla was among the first international companies to enter the LFS. Although Birla entered Laos after Oji and SE, they still entered before inward FDI took off, and before the moratorium on land concessions was put into place. Birla adopted a top-down approach in when they were to enter the LFS. As Mr. Midgley states, Birla contacted the, at the time, Laotian Prime Minister during an official visit to India. They then presented the proposed project and informed of their interest in investing in Laos. A few months later, Birla received an official invitation from the government of Laos to set up operations in the LFS. Birla then decided to apply land concessions in Savannakhet province in the South Eastern part of Laos.

The invitation from the GoL ensured a swift entry process for Birla. Once they had approval of the PM, the following process ensued swiftly, this is further illustrated by Mr. Vasudevan, who when asked about whether or not their entry took long, replies:

“No so it didn't take very long, invitation that came from GoL for the investment, so it didn’t take very long “.

“Very long” is not defined in this statement. However, as Mr. Fogde comments above, because of SE’s entry model it took almost two years for SE to get the investment license. This indicates that Birla was most likely faster in obtaining its license and therefore able to enjoy some advantages. These advantages could be higher amounts of concessions at a faster rate.
**CSR**

Our vision is – “to actively contribute to the social and economic development of the communities in which we operate. In so doing build a better, sustainable way of life for the weaker sections of society and raise the country’s human development index” (Extract from the Birla CSR policy).

As mentioned earlier Laos is part of the LDC group. This means that large parts of the population live in rural areas with poor infrastructure, leaving them with poor access to basic needs. Birla’s project in Laos is benefiting some 74,500 people through its community development program: “The company is focusing on health care, education, infrastructure development, community relations and sustainable livelihoods.” Mr. Vasudevan comments in an interview to the Vientiane Times (Forest Carbon Asia, 2011). In the health care development Birla has recently given 190 million kip (US $238 000) as financial support for 23 villages in five districts. The funds are aimed at reducing mother and child mortality rate and enlarging access to basic healthcare. This includes check-ups, vaccination, family planning and pregnancy data collection for mothers and children. According to Mr. Vasudevan: “Birla is willing to perform this kind of provision on an annual basis” (Lao voices, 2012).

7.3 **Summary – Differences in entry strategies**

The above analysis highlights several differences not only between the chosen WMNCs and EM-MNC, but also between Oji and SE. All firms can be considered resource seekers, seeking to exploit the low level of completion and costs of the Laotian resource environment. The strategic objectives of the firms do however differ to certain extents. So to does the mode of entry, where Oji entered through an acquisition, SE through a contract-based Greenfield, and Birla who entered through a full-blown Greenfield entry. Furthermore, although all firms entered within a one-year period, the swiftness of this entry shows several variations. Finally, the above case presentation also highlights several differences in CSR strategies. Figure 13 summarizes the differences in entry strategies of the three chosen case companies.
### Figure 13 – Summary of Differences in Entry Strategies

<table>
<thead>
<tr>
<th>WMNC - 1</th>
<th>WMNC – 2</th>
<th>EM-MNC</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Why</strong></td>
<td>Resource seeking</td>
<td>Resource seeking</td>
</tr>
<tr>
<td></td>
<td>Access to low-cost land and labor</td>
<td>Access to low-cost land and labor</td>
</tr>
<tr>
<td></td>
<td>Cut transportation time and cost to key markets</td>
<td>Support Chinese mill</td>
</tr>
<tr>
<td><strong>How</strong></td>
<td>Acquisition ʃ JV with GoL</td>
<td>Contracting through local company ʃ Greenfield</td>
</tr>
<tr>
<td><strong>When</strong></td>
<td>2005 Swift entry First mover</td>
<td>2005 Slow entry First mover</td>
</tr>
<tr>
<td><strong>CSR</strong></td>
<td>Medium focus • Top-down • Farmer afforestation • Improve local livelihoods • Low transparency</td>
<td>High focus • Bottom-up • Intercropping • Emphasis on transparency • Improve local livelihoods</td>
</tr>
</tbody>
</table>
Chapter 8 - Analysis

The differences highlighted in the previous section will now be analyzed in relation to the chosen dependent variables, test the propositions based on the case findings. In order to do so, several of the mentioned strategies and entry strategic aspects of each firm’s entry will be elaborated on. This will be done in order to emphasize the arguments made when discussion the propositions. The analysis will be structured in a similar manner to the above presentation, with each entry strategic aspect providing the frame for analysis. The propositions will then be dealt with within their relevant entry strategic aspect. The chapter will subsequently conclude with a summary of the findings, and finally answer the research question.

8.1 Testing of the propositions

8.1.1 Why

Proposition 1-a (P1-a) “WMNCs will enter with a global strategic approach, with a high level of integration with their global organization”

The above proposition is based on the fact that WMNCs tend to focus mainly on the core competencies and not focus on other activities in the value chain. This implies that WMNCs will have clearly defined global strategies, and because of strong managerial capabilities will have a clear and focused strategy where each activity will be based in a country where it produces most value. We thus expected that an entry into the Laotian market would be a part of clearly defined strategy, where the Laotian project would serve as a cog to the firm’s global organization.

Stora Enso

SE’s core product portfolio consists of publication and fine paper, packaging board and wood products (SE, 2005). Their global strategy at this time was to expand operations in the new growth markets of South America, China and Russia (ibid). SE’s strategy was to continue to secure access to low cost fibre in the southern hemisphere in order to provide the platform for growth in their core product segments, both in growth and mature markets. This expansion into new growth markets was to take place through targeted Greenfield investments and acquisitions.
SE’s initial motivation for entering Laos was, as Mr. Fogde states, “when the head for Chinese operations at the time realized that they were not going to get as much mass (wood for pulp production) as the wanted, they came to Laos in August 2005”. The goal was then to set up a fact finding mission, and subsequently a pilot and feasibility phase to evaluate the viability of setting up a support plantation for the south Chinese venture, as Mr. Fogde states: “the project was intended to be a supplier to production in China”. This approach was a tentative one compared to the other two case firms, who both went in with clear plantation targets.

The initial attractiveness of the Laotian setting was the low population density, low land lease costs, and large areas of degraded forest, making it a suitable environment for a plantation project. However, because there are high transaction costs and risks of doing business in Laos, plantations by themselves carry with them lower levels of risk compared to establishing pulp mills. Laos was therefore regarded by SE as an attractive alternative to set up a support plantation for the problem ridden Chinese project. The Laotian project had the clear objective to investigate the feasibility of setting up a plantation to supply the proposed mill in southern China with resources, thus making it part of SE’s global value chain. This approach by SE gives an impression of an ad hoc strategy to mitigate supplier problems that SE was facing in China, a strategy that does not completely correspond with P1-a. The above indicates a strategic intent that was disjointed from the firm’s global strategy, and contradicts the notion that WMNCs are likely to follow a global strategic approach when entering new economies.

This strategic intent soon changed, as Mr. Fogde states “The project later became a standalone project, the purpose is no longer to supply the mill in China” and continues by stating that the Laotian project should “stand on its own legs” and employ the strategy that produces the most profit. This is more in line with SEs global strategy and with traditional MNC theory of integration with a global organization. Subsequently, in regard to P1-a there is not enough substance to support the proposition in the case of SE.

**Oji**

“In our overseas development efforts, we aim to increase overseas sales until they account for 20 per cent of net sales by aggressively expanding overseas businesses in East Asia” (Oji annual report, 2011). Oji’s mission is to achieve sales between 5 and 100 billion yen within SEA and the company has divided its global operations into six main regions; Europe, North America, South
America, Oceania, China and SEA. Because of a decrease in domestic demand for paper, Oji have adopted an approach to reach global competitiveness through aggressive cost reduction (Oji 2011).

Oji currently operate six subsidiaries in SEA, all of who play different roles in the company’s SEA strategy. Oji’s overall strategic objective when entering Laos was to secure wood chips at cheaper prices and reduce transport time to key markets. It was also part of Oji’s strategy of increasing oversea plantations in SEA from 200 000 to 300 000 thousand hectares to provide for future demand (Oji Annual Report, 2005). Because of strategically located production facilities in Shanghai, China, Oji’s involvement in Laos was purely meant to secure resources from the beginning. This is an example of strategically locating plantations closer to production facilities to cut operating costs. By setting up operations in Laos Oji not only ensured a shorter transport time to key markets but also access to low cost resources.

Oji’s strategic intent for Laos was never to set up production facilities alongside their plantations, but rather the aim was to transport wood to other project plants strategically located within the SEA and China region. The fact that Oji did not decide to locate a production plant in Laos gives an indication that the Laotian project is integrated as a resource supplier to the company’s global production chain. It can thus be argued that the purpose of the Laotian project was solely meant to secure access to local resources, lending support to P1-a.

The mode by which Oji entered Laos lends further support to the alignment that the Laotian project had with Oji’s global strategy. Oji’s strategic goal to achieve their global strategy mentioned above is to expand operations mainly through mergers and acquisitions. As WMNCs are often associated with strong managerial capabilities and access to financial infrastructure (Khanna & Palepu, 2004), Oji was able to conduct an acquisition when entering the Laotian market. This lends further support to the integration that the Laotian project has with the firms overall global strategy.

**Conclusion on P1-a**

Our analysis regarding P1.a reveals a conflicting image. Our findings lend support to the proposition in the case of Oji, but to a lesser degree in the case of SE. Oji entered Laos for resource seeking motives with a clear strategic objective for the investment. Oji’s Laotian venture was aimed at providing low-cost resources to other strategically located production plants in the region, giving it a well-defined position within the firm’s global organization. SE on the other hand, initially began operations in Laos in order to help mediate problems that had surfaced in China. Faced with the
possibility that resources in China would not suffice, SE turned its attention to neighboring Laos. Although this strategic approach was soon changed incorporating SE Laos into the global organization, the initial approach was one that goes against P1-a. This initial ad hoc approach is one which is more commonly attributed to EM-MNCs and their quest for a “quick fix” solution to cope with supply issues in China.

**Proposition 1-b (P1-b) “EM-MNCs will to a larger extent enter as part of a conglomerate strategy, with less integration with global operations”**

**Birla**

Emerging economies’ internal structure have been, before opening up to outward FDI, characterized by high protectionist states, allowing for the birth and growth of national companies. These companies thrived on the states protectionist measures and turned into huge conglomerates operating with diversified products. Examples of such conglomerates include: Samsung, Hyundai, Huawei and the chosen EM-MNC for this thesis; Birla. The rationale for these companies venturing abroad is often motivated by their quest for economies of scale (Athreye and Kapur, 2009). The tool for achieving this has been one of international vertical integration in order to secure stable supply, avoid coordination problems and reduce transaction costs. Based on these arguments and theory presented earlier, we expected that EM-MNCs’ motives for entering the LFS would be characterized as opportunistic ventures to capitalize on low-cost resources, and would to a lesser extent be a part of the firm’s global strategy.

The general strategy of the Birla “was to either be the biggest or the most profitable in each business area, with vertical integration used to increase cost-competitiveness or to invest in high-growth sun rise industries” (Asia case Research Centre, 2010). Vertical integration is thus an integral part of Birla’s business model, and is used to reduce cost structures and increase production efficiencies. Ramamurti (2008) argues: “natural resource firms continue to place value on being vertically integrated – from resource extraction all the way to processing, distribution, and marketing”, lending support to the notion that Birla’s entry into Laos was part of their vertical integration strategy. Birla is today the world’s largest refiner of VSF, and internally control each stage of production.

Khanna & Palepu (2004) argue that an increasing amount of Indian firms internationalize in order to gain access to new resources and capabilities. One such example is Birla’s acquisition of Swedish
pulp maker Domsjö Fabriker in 2011 (The Economic Times, 2011). This is an example of Birla’s aim at strengthening and sustaining their position as one of the world’s largest manufacturers of VSF. This new strategic focus is highlighted by Mr. Maheshwari; “AV Birla is the largest viscose player in the world. We are committed to being the number one player. In order to strengthen our position, we will undertake, both expansion of capabilities and moving up the value chain into specialty products going forward” (The Economic Times, 2010)

The motivation for Birla’s Lao strategy was, as Mr. Birla states, “a forward step, planned ahead of time to ensure that our future expansion needs are met” (Grasim press release, 2006). This supports the notion that EM-MNCs would invest in Laos because of a strategic goal to consolidate resources for future growth. This conglomerate strategy is further enhanced by the fact that Birla opted to include a pulp plant in their Laotian venture, giving an example of a focus on vertical integration commonly attributed to large diversified Indian companies. This plant would thus create pulp to be transported to the group’s rayon fiber manufacturing units in India, Thailand and Indonesia. The above lends support to the proposition in the sense that Birla entered with the intention to fully internalize all aspects of its Laotian operations, thus vertically integrating production. This is, as described by Nachum (2004), a strategy commonly used by EM-MNCs.

With regard to how Birla’s Laotian venture fit in to their global strategy, we predicted that EM-MNCS were less likely to incorporate the Laotian project into an overall global strategy. While WMNCs traditionally have strategies focused on core competencies and outsourcing other activities, EM-MNCs are characterized by integrating all value chain activities. They are thus more likely to make strategic decisions based on a need for a particular section of the company, rather than incorporate investments into a global strategy. However, based on the following quote from Mr. Shailendra Jain, director of the Group’s pulp and fiber business: “Laos is at the takeoff stage of economic growth and our entry is just rightly timed to leverage the liberal foreign investment environment there”. Laos is also strategically located to support our rayon fiber manufacturing plants in the SEA region where the textiles hubs are growing”, there is evidence that indicates that Birla’s Laotian venture plays a strategically identifiable role in the organizations plans to strengthen its global VSF business. It can also argue however, that the Birla’s decision to enter Laos was primarily based on securing low-cost land before its competitors in an underdeveloped resource market.
Conclusion on P1-b

The above analysis has produced several interesting findings. First, the case of Birla’s entry into Laos supports P1-b that EM-MNCs will enter through a conglomerate strategy. This is highlighted by the level of vertical integration in order to increase cost-competitiveness. Second, we expected that an entry into the LFS would primarily be motivated by an opportunity to exploit low-cost resources, rather than forming a strategic cog for its global operations. There is evidence to support that this is too narrow an assumption; contrary to our expectations, the analysis indicates that the Laotian venture is indeed integrated in Birla’s global VSF strategy. On the other hand, by being a conglomerate, Birla’s global strategies are largely diversified. This indicates that conclusions may vary depending on whether one looks at the entire company as a whole, or the particular business groups associated with the studied activities.

8.1.2 How

Proposition P2-a (P2-a) “WMNCs will most likely enter through JV or acquisition due to stronger need for local resources”

The two WMNCs for this case study chose different modes of entry when entering the LFS. Oji entered through an acquisition as the theory suggested. SE on the other hand, entered through a Greenfield investment, a mode that is not supported by entry strategic literature on how WMNCs typically enter nations with weak institutions (Meyer et al., 2009; Lasserre, 2007). This section will discuss P2-a, and how the differences in entry mode can be explained by each firms need for local resources.

Oji

Oji acquired BGA in 2005, and by doing so bought into a 15 % - 85 % JV with the GoL. This meant that they took over the already existing business and investment license held by BGA, which stretched until 2010. Before this, most of Oji’s investments had taken place in more structured economies with stronger institutions such as New Zealand and Australia. With regard to Laos, Oji realized early on in their entry considerations, that because of weak institutions and cumbersome legal processes, access to land was going to be a critical success factor. This is highlighted by Mr. Midgley, who states that, “[Oji] recognized that land issues are going to be important, so we[Oji] will make the Lao government a part of company, if company is successful, government will be part of success, and also that should simplify matter of getting land”.

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Although the acquisition ensured a swift entry and access to local resources, having the GoL as part-owner resulted in certain complications. The situation was such that if the company was not successful, the GoL would also face loses and subsequently create tensions between the two parties. This was further complicated by the problem that Oji is currently facing setbacks in securing suitable land for the 50,000 hectares they have acquired concessions for. According to initial expectations, Oji will depend on the GoL assistance in acquiring the remaining land. However, because of inefficient bureaucracies and the land use rights systems set up in Laos, the GoL lacks resources to adhere to Oji’s requests. This is exemplified by Mr. Midgley, who claims that “Oji for some time were immensely unpopular with the Lao government” and continues “they [Oji] kept saying to the Lao government, you are a 15% shareholder, you gotta do this, you gotta do that, and of course the GoL, can’t do this and can’t do that, they do not have the money or the resources to do anything.”

Another reason to Oji’s shortcomings can be attributed to the management style of the company. Having the right species of trees in the plantations is vital for the success of operations. The project can fail if a clone is planted which is not suitable for that particular soil. Therefore, research and development into this issue is of pivotal importance. As a result the technical knowhow in the plantation sector is context specific. In acquiring BGA, Oji gained access to local resources possessing unique knowledge of the LFS and especially in plantation management. However, our research indicates that Oji did not use this local knowledge to its full extent. Because of Keiretsu, the Japanese top-down, approach characterized by a high degree of hierarchy, Oji headquarters in Japan ordered the planting of species which they expected would be best for the Laotian climate. These trees have, however, not experienced the projected level of growth which could have been avoided. As Mr. Fogde states: *Oji has not invested in a tree breeding program to find the specific tree species suitable for their land, they have entered with the species they thought would fit.* On the management issue Mr. Fogde comments that: *Japanese companies are extremely hierarchical, back in Japan they have set a goal for their plantations, where actually getting the trees planted has been more important than the quality*. This indicates that Oji gained access to local resources through their entry however, because of Japanese management structure Oji did not use these resources optimally. If more autonomy had been granted to Oji Lao from Oji’s Japanese headquarters the chance of the problems encountered with the trees could have been avoided.
We can conclude from our empirical data that one of the key success factors for firms in the LFS is gaining access to the land required for plantations, which was repeatedly stressed by the company interviewees as well as by Mr. Midgley. The need for local resources is important when navigating the complicated concession procedure and when convincing provincial, district and village officials that planting trees in these areas is an attractive business venture. At the district and provincial level one might attribute the importance of strong networks, or capabilities in creating networks. Mr. Kouangmanivane states that the main reason why Oji have not been able to reach their plantation target of 50,000 hectares is due to increased competition for land. This is augmented by the power farmers have in Laos. Several other investments provide better employment and income opportunities for farmers than traditional plantation ventures. Therefore in order to keep farmers happy, firms need to construct a package that is attractive to the farmers, as confirmed by Mr. Midgley, firms really need to have “a package that keeps the locals happy, forestry is a long term thing, and you can’t piss the locals off, because one day they will get angry with you and burn down the land, or they put nails on the road so your trucks get punctures, they can do all sorts of things.” It can be argued from the above that Oji underestimated the importance of farmer participation in their business model, suggesting that there were certain context-specific aspects that were not taken into account. Nonetheless, Oji acquired BGA mainly to secure quick access to land, supporting the proposition that it was because of a need of local resources that Oji entered through an acquisition.

**Stora Enso**

In contrast to Meyer’s (2009) claim that WMNCs are more likely to start up operations in emerging economies through either a JV or an acquisition, SE entered the LFS via a Greenfield entry. However, it was not a full-blown Greenfield entry such as the one conducted by Birla, but was one which exemplifies WMNCs reliance on formal rules and regulations. SE contracted local based Burapha to acquire business license and carry out the pilot phase of the project. This gives an indication that although SE did not enter through a JV or acquisition; they were still in need of local resources. SE knew of Burapha from previous business engagements in Thailand, developing a cooperation that could be used in Laos. However, SE was hesitant over the extent to which the company wanted to invest in Laos, and was wary of the weak institutional setting. Mr. Midgley comments that SE had learnt from the problems they faced with the large Greenfield investment in southern China, that taking local conditions into account was of paramount importance. This indicates that despite choosing a Greenfield investment SE’s need for local resources had an influence in their entry strategy.
After more than a decade of working in the institutional environment of Laos, Burapha possessed capabilities and knowledge on how to navigate the Laotian bureaucracy. Burapha were also contracted to conduct an ESIA, and to come up with a plantation model that would adhere to local regulations as well as SE’s sustainability strategy. In contrast to Oji, Burapha were given a high degree of independence when developing this strategy, as Mr. Fogde states, “We were given free reigns in coming up with a concept, what we came up with was a combination of what Helena (sustainability manager at Burapha) concluded through the socio economic survey, and Prajack’s (Deputy Chief Operating Officer, SE Laos) local understanding etc.”. As mentioned earlier, the concept developed was one based on intercropping with heavy focus on farmer participation and cooperation. This model was tailored to Laotian conditions, and according to UNDP, Stora Enso’s transparent efforts to social development could be a best practice of foreign direct investment in Laos (SE Annual Report, 2010). This bottom-up approach in relation to land acquisition is an approach derived from local knowledge that would probably not have surfaced if SE had not contracted Burapha. This indicates SE did have a need for local resources, which was manifested in their cooperation with Burapha.

However, as will be discussed later, the mode that SE chose, lead to a relatively slow entry. Mr. Fogde explains how, when contacted by SE, he suggested that SE should acquire Burapha, and thus ensure a swifter entry. SE decided against this however, and according to Mr. Fogde could not believe that it would take longer than six months. Never the less, Meyer et al (2009) argues that MNCs will enter through acquisitions or JV when context specific resources are particularly important, often so in countries with weak institutions. The data presented from this case however, presents that access to these resources can be acquired in other ways, and that a need for local resources did not lead to an acquisition or JV in the case of SE.

The reason SE opted against acquiring Burapha is also connected with the particular strategy that SE initially had for Laos. The Laotian project was in essence a trial project to begin with, where SE was unsure over the feasibility of a large-scale plantation venture in Laos. Laos was considered a risky investment climate and acquiring Burapha would have signified a larger commitment to the project. This is something that Mr. Midgley comments on, arguing that a more formal commitment from SE could have helped the business license process. It can therefore, in conjunction with the propositions on why the firms entered, be argued the SE’s views on the risks in Laos could also have had an effect on why they entered as they did.
**Conclusion on P2a**

The above analysis highlights various interesting findings in regard to existing IB theory on entry strategies in developing countries. There is evidence supporting that both Oji and SE considered access to local resources as an important factors when doing business in Laos. In Oji’s case, access to land was seen as an important factor for success in Laos, and they expected to secure this by entering into a JV with the GoL through acquisition. This corresponds with Meyer et al (2009) perspective, that when entering an emerging economy with weak institutions, WMNCs will favor a JV or acquisition to quickly access required local resources. Our findings on Oji also suggest that, although, WMNCs can gain access to local resources through their mode of entry, the effective utilization of these is dependent on management capabilities, and on integrating these acquired resources into the business model. Two issues that arose when analyzing Oji highlight this. First, Oji’s setup reveals a insufficient ability of integrating local resources from the acquired firm. The data collected shows that this has turned out negatively for Oji. Second, the case of Oji also illustrates challenges that may arise from conducting business through a JV with emerging market governments.

SE on the other hand, also required access to local resources, but in contrast to P2-a, did not enter through a JV or acquisition. Local resources were instead accessed by contracting Burapha to set up operations and carry out feasibility studies, and facilitate a Greenfield entry. By granting Burapha a high degree of autonomy SE ensured that local resources were used optimally, and that a context specific model was implemented. It is, however, important to note that SE and Burapha had been working together in a similar context in Thailand. Had it not been for this previous business engagement, it is questionable whether SE would have contracted Burapha and as a result adopted the chosen model. Although SE did not enter through a JV or acquisition there is considerable evidence to support that their entry mode was influenced by a need for local resources. This finding provides evidence to both substantiate and contradict the above proposition. Although there is support that both WMNCs required local resources when entering an emerging economy, only Oji entered as predicted by theory, while SE chose an unexpected Greenfield entry.

*Proposition 2-b (P2-b): “Because of adversity advantage and networking capabilities, EM-MNCs are more likely to enter through a Greenfield investment.”*
P2-b was developed by integrating Meyer et al’s (2009) theory on the interconnection between a need for local resources and mode of entry, and Khanna & Palepu (2005) and Ramamurti’s (2005) theory that EM-MNCs posit adversity advantages making them able to function effectively in the difficult conditions of emerging markets. We proposed that because EM-MNCs already posit adversity advantages in working in weak institutional contexts, and networking capabilities needed to navigate in a society characterized by informal rules and regulations. This means that theoretically, EM-MNCs already posit many of the context-specific resources required in emerging economies, and would have a lesser need to factor in how to acquire them in their entry strategies. Subsequently, based on Meyer et al’s (2009) hypothesis; “the stronger the need to rely on local resources to enhance competitiveness, the less likely foreign entrants are to enter an emerging economy by Greenfield”, we propose the inverse of Meyer’s hypothesis, namely that EM-MNCs do not require local resources to the same degree as WMNCs, due to familiarity with the emerging economy environment. and are therefore more prone to enter through Greenfield.

_Birla_

Our data shows that Birla entered through a Greenfield investment and as Mr. Vasudevan states, Birla experienced a smooth entry process. This was mainly due to the fact that the GoL had extended an official invitation to Birla to enter Laos. Birla also intended to set up a pulp mill in Laos, which was attractive for the GoL as it would secure a long-term commitment and employment opportunities for Laotian economy. As mentioned earlier, Birla contacted the Laotian Prime Minister at the time, Mr Bouasone Bouphavanh, seeking his approval for the project. This is an indication of the organization’s networking capabilities, which they used in order secure a favorable relationship with relevant policy makers in the Laotian government. As Mr. Midgley states, it is very important in Laos to have the right network capabilities “to make sure that you get to the top of the priority pile”. Through their networks within the GoL, Birla expected a swift implementation phase. However, our data shows that certain institutional configurations surfaced which Birla had not anticipated.

“But they’ve got real problems, because they’ve actually, within the company, they have said that they will build this mill, so they have put away a couple 100 million dollars to build this mill, you know, they should’ve had their plantations established and their mill half built by now”.

The above quote from Mr. Midgley indicates that Birla have experienced some problems in implementing its Greenfield operation. One issue that has arisen is that farmers have been reluctant
to cooperate with Birla due to more attractive offers from other companies operating in others sectors. This is one aspect where the institutional setting of India and Laos differ. What Birla failed to anticipate was the higher level of bargaining power that Laotian farmers hold in relation to their Indian counterparts. It can thus be argued that Birla underestimated the importance of creating a package that incorporated the farmer's needs into their entry strategy.

The decision to locate a pulp mill in Laos can to a certain extent be attributed to firm-specific capabilities in multi-plant operations. Several Indian firms have, because of focus on vertical integration in their home country, developed skills in managing multi-plant operations across regions that are heterogeneous in their ethnic, linguistic and cultural framework (Athreye & Kapur, 2009). However, as mentioned by Nachum (2004) the goal to create economies of scale and continued diversification requires strong managerial capabilities. The evidence provided in Birla’s case illustrates that Birla is experiencing difficulties in their Laotian operations. This gives an indication that of some of the issues put forth by Nachum (2004), but does not necessarily support the point made by Athreye & Kapur (2009). Birla’s entry experience will be further analyzed under the other aspects of the firm’s entry strategy. It is, however, interesting to note in relation to the theory mentioned above, that because of the conglomerate strategy of Birla, there is evidence to support that Birla lacked certain managerial competencies in their handling of plantation setup.

Furthermore, Mr. Midgley argues that another of Birla’s problems is that they have applied for concessions in an area that is not particularly suited for plantations. The process of locating suitable plantation land was conducted by Birla’s own staff who had limited experience of land conditions in Laos. The geographical area in which Birla was granted land concessions has a high population density and soil unsuitable for planting eucalyptus. This indicates that Birla could have benefited from cooperation with local forestry companies, and despite their adversity advantages, require local resources for successful operations. This is an area where Birla’s adversity advantage was not applicable and highlights some limitations of the term. This contradicts the argument made in the analytical framework that EM-MNCs will to a lesser extent require local resources in order to remain competitive.

**Conclusion on P2-b**

P2-b can be substantiated in the case that our data supports the theory that EM-MNCs are more likely to enter through Greenfield investments in developing countries. In Birla’s case there is some
evidence to support that Birla’s networking capabilities influenced the mode by which they entered. By ensuring good relations with the GoL Birla managed to reduce risks often associated with Greenfield investments in weak institutional environments. An example of this is the swiftness by which Birla were able to gain their investment and business licenses compared to the time that it took SE. The data also indicates that although adversity advantages may give EM-MNCs an edge in doing business within weak institutions, there will exist country specific conditions that are different from a firm’s home country context. The granting of concessions in areas inappropriate for plantations, and the importance of a package that accommodates farmers’ needs are two good examples of this. Subsequently, these conditions need to be taken into account when formulating entry strategies, and requires EM-MNCs to decide whether to develop new capabilities or to acquire them.

8.1.3 When

Proposition P3-a.1 (P3-a.1) “WMNCs are more likely to choose a latecomer strategy due to inexperience in working in emerging economies”

Oji

Although WMNCs are traditionally seen to have a competitive advantage over their less experienced Indian counterparts, EM-MNCs may have an advantage over WMNCs when operating in other emerging economies (Khanna & Palepu 1997). This argument is based on the difficulties associated with working in countries with weak institutional voids. It is on this theoretical foundation that the above proposition is based. As WMNCs are unfamiliar with working in emerging economies, the risks associated with first mover strategies will probably lead them to adopt latecomer strategies, and enter when risks have been reduced.

Oji entered Laos in 2005 as they acquired BGA holdings. This was one year ahead of Birla, and considering that the FDI inflows into Laos did not really take off until 2007, Oji can also be regarded as adopting a first mover strategy in the LFS. Mr. Kouangmanivane states that it was important that Oji came to Laos when they did, stating that the main competition for land started about a year later. Like Birla, there is indication that Oji identified potential first-mover advantages. By entering before most large MNCs in the LFS, Oji were able to follow their global strategy by growing through acquisitions. Furthermore, at the time of entry, Oji believed that entering into a JV would give them a competitive advantage over future competitors in terms of access to land. This lends support to Lasserre’s (2007) argument that firms pursuing first mover strategies will seek to
pre-empt resources. Oji also experienced a first mover advantage in the sense that there were very few suitable acquisition targets in the Laotian economy.

P3-a.1 was based on the presumption that WMNCs would see the risks of entering as first-movers into a land-locked country with high transactions as too high. However, the above discussion gives little indication for this theory, rather, it lends support to the opposite. Oji entered as one of the first major forestry companies in Laos, before Birla, and access to local resources, and a strategy for acquiring land that Oji expected would lead to a competitive advantage in Laos. One can also argue that the opportunity of acquiring a western run firm in a JV with the Laotian government was seen as a strategic move to minimize the risks of entering Laos, thus making it a more attractive investment.

**Stora Enso**

SE first contacted Burapha in 2005 regarding the possibility of setting up a Greenfield investment in Laos. Although Mr. Fogde himself labels the entry as a Greenfield, it was not a Greenfield investment in the traditional sense. While Birla’s Greenfield was one with high risk and a high level of investment, SE’s approach was slightly more cautious. Nonetheless, SE did first contract Burapha in 2005, thus beginning their entry around the same time as Oji, and a year before Birla.

As has been discussed in the “How” section of the analysis, SE’s entry was one that was influenced to a large extent by the firms need for resources. As FDI into Laos was beginning to increase, and as SE was having problems with their operations in China, the company was pressured to find possible solutions quickly. In contrast to what was expected from the theoretical review, SE did in fact choose a first-mover entry. Taking into account the problems that SE were having in China, there is evidence to support that SE would perceive a business venture in Laos as one fraught with potential risks. And yet SE chose to begin operations in Laos at a time where there were very few other large forestry companies in the country.

There are two factors that can explain the choice SE made to enter as a first-mover despite the associated risks. First, it is important to note that past business relations had proved successful between SE and Burapha in their previous Thai collaboration. By entering early and setting up a cooperative model with one of the only western-run forestry firms in Laos SE gained access to local resources and know how. This was important in terms of their first mover intentions. In other words, by opting for a first mover strategy SE had the opportunity to “cherry pick” firms whom to
cooperate with (Peng & Meyer, 2011). By contacting Burapha early on, SE gained access to local resources and know how, as well as the cooperation of a firm with whom they had been working earlier.

Second, it is important to note that SEs initial strategy for entering Laos was to conduct a fact-finding mission and to set up a pilot project to evaluate the feasibility of conducting a large-scale plantation project in Laos. Furthermore, by doing so through cooperation with Burapha, the intensity of the initial investment was less than that of Birla’s, and subsequently carried with it less risk. This will also have an effect to why SE chose to enter as first movers in the Laotian economy.

However, in line with Meyer’s (2002) argument that firms need to have the capabilities to exploit potential advantages of being a first mover, we now turn our focus to the swiftness by which Oji and SE managed their entries.

**Proposition 3-a.2 (P3-a.2): “Because of weaker networking capabilities and stakeholder expectations, WMNCs will experience a slower entry”**

From our data collection we find strong differences in the swiftness of entry between SE and Oji. SE contracted a local firm to facilitate their Greenfield entry. It took SE two and a half years to get their licenses and set up operations making SE’s entry the slowest of the three case companies. Oji, on the other hand, experienced a swift entry. It took Oji three months to get their licenses in place before commencing operations.

The above raises two interesting points:

- What explains the deviation in the level of swiftness in the Greenfield mode of entry of SE and Birla?
- How were Oji able to secure its licenses so swiftly?

As argued in the analytical framework, WMNCs are characterized by possessing weaker networking capabilities due to the institutional setup of their home countries. In weak institutional settings informal rules and regulations dictate the norm of society rendering strong networking capabilities particularly important (Peng & Heath, 1996). In contrast, a society dependent on formal rules and regulations along with strong institutions is characterized by transparency and does not to the same degree require a reliance on networks. This is because factors such as business freedom,
trade freedom, property rights, investment freedom and financial freedom are more regulated in developed countries than in developing countries (Meyer, 2009). As a consequence WMNCs lack the networking capabilities that EM-MNCs have been forced to develop, and instead tend to focus on formal rules and regulations.

**Stora Enso**

Our data indicate that there were several instances where SE manifested a lack in networking capabilities, Mr. Midgley comments that: “All businesses in Asia rely to a certain extent on patronage, so you need your patrons, you need your ministers to be on side, you need your provincial governor to be on side. My personal view is that this is one of the things that SE hasn’t done very well”. This is a particularly important strategy for WMNCs, as although bribing officials is unacceptable, there are other ways of gaining patronage. Mr. Midgley provides an example of how SE could have improved their patronage in Laos by stating: “If I was doing this, I would have taken the minister and director general of the forest department, provincial forest governor, I would have taken them over to South America to look at some of the SE plantations and mills”.

Mr. Fogde admits that SE has also overlooked the importance of maintaining relations at the provincial level, something that is very important. This reinforces the claim that MNCs lack the networking capabilities when conducting business in the LFS. Keeping up and maintaining a good relation with the provincial authorities is especially important in Laos. This is something, which Mr. Fogde emphasizes as one aspect that SE should have focused more on.

Nonetheless, it is important to note that by contacting Burapha, who had been working in the Laotian institutional environment for over a decade, SE was able to make use of those networks that Burapha already possessed. Mr. Fogde highlights this as one of the main reasons to why SE contacted Burapha in the first place. Burapha were thus able to use their experience in navigating in the Laotian environment to set up operations. Although this tie in with our earlier proposition on WMNCs’ need for local resources, it is an important indication that SE did not feel they had sufficient knowledge of local proceedings and the patronage required to navigate them.

However, despite Burapha’s experience of the LFS, the business application still took Burapha two and a half years. This gives rise to two possibilities; either Burapha’s networking capabilities were not as strong as Birla’s, or there are other factors that influence SE’s business application process. One such factor could be the bottom up approach adopted by SE, where a large amount of resources
were used to engage with farmers and district authorities to construct a package that would satisfy all parties. It can be argued that less focus was put on nurturing relationships within the relevant ministries during the business application process. Another aspect that influenced the speed of SE’s entry was the strong networking capabilities by its competitors. Mr. Fogde explains that there were other firms that were interested in the same areas as SE, and actively counteracted SE’ application process. This meant that SE fell to the bottom of the so-called priority pile, resulting in a very slow implementation process.

**Oji**

According to the reasoning developed in the analytical framework, the fact that Oji comes from a strong institutional context would make them less reliable on networking strategies, and thus possess weaker networking capabilities than Birla. Following this reasoning, Oji would have greater difficulties navigating the institutional context of Laos, and subsequently experience a slower entry. However, Oji experienced one of the swiftest entries of the three companies. The company was in fact able to secure a swift entry despite having weaker networking capabilities and less experience with working in emerging economies. Nevertheless, one can argue that it was precisely because of a need of local resources and networks that Oji chose to acquire BGA. This again highlights the interdependency of the different aspects of entry strategy pointed out by Lasserre (2007) and Meyer (2002). Invariably, the mode by which Oji entered needs to be accounted for in this context.

Oji realized that gaining quick access to land was going to be one of the main success criteria for the Laotian venture. By securing a swift entry, Oji hoped to exploit certain first mover advantages in the industry and pre-empt land use rights. As an acquisition target, BGA was attractive for Oji not only because they already had business licenses and investment licenses in place, but also because BGA was already involved in a JV with the GoL. Oji expected that such a JV would give them a competitive advantage in the “land race”. It can also be argued, however, that Oji saw this as a means for acquiring a local network, instead of having to build one of their own. With regard to Oji therefore, we suggest that their swiftness of entry is more related to their mode of entry, and their need to acquire local resources, than their lack of network capabilities.

**Conclusion on P3-a.1 and P3-a.2**

With regard to P3-a.1, the analysis found that both SE and Oji first entered in Laos in 2005, entering before Birla. For both firms the opportunities for conducting an early entry outweighed the
potential risks. In addition there was urgency to access low-cost land available in Laos. Oji saw this as a main success factor, and expected to mitigate the risks by acquiring an already established firm, and entering into a JV with the GoL. By adopting a first-mover strategy, Oji was able to acquire a firm that had this specific setup from the beginning.

SE initially experienced similar first mover advantages, and were able to set up a contract with one of the only remaining western run forestry firms in the country. Furthermore, by opting for a pilot phase to begin with, SE was able to minimize their risks as well, making a first-mover strategy more desirable. There is therefore no substantial evidence to support P3-a.1 that WMNCs are more likely to adopt late mover strategies. Subsequently, there is little evidence to support the proposition that inexperience in working in emerging economies would have led to firms adopting a late-comer strategies.

The data collected indicates that the two case WMNCs achieves different results with regard to their swiftness of entry. While it took SE two and a half years to gain their investment license, it Oji took three months. It is important to note that each firm’s mode of entry played a significant role in determining the swiftness of their entry. Nonetheless, the fact that the entry strategic setup by Birla and Stora Enso followed the same mode, and differed to such a large extent in terms of swiftness, offers support to the proposition that networking capabilities will have an effect on swiftness of entry in the LFS. It can be argued that SE underestimated the challenges associated with Laotian legislative processes. Had SE entered by acquiring Burapha, it might have resulted in a different outcome. However, the case of Oji suggests that a disadvantage in networking capabilities can be circumvented by choosing an entry mode that allows you to tap into local resources.

Having examined and analyzed whether or not adversity advantages brought about a swift entry for EM-MNCs we now turn our attention to WMNCs. With regards to MNCs and the speed of their entry the following proposition has been developed.

**Proposition 3-b.1 (P3-b.1):” EM-MNCs’ adversity advantage will minimize the risks of entering an emerging economy, and will most likely lead to a first mover strategy”**

Peng & Meyer (2011) argue that the quality and costs of local resources are a prime concern of natural resource seeking and efficiency seeking firms. The main advantages for firms to enter into the Laotian market as first movers is to establish connections with key stakeholder such as the government, and access to the low-cost land of the country. However, because of the institutional
environment in Laos there are several institutional voids and risks associated with being a first mover. In these thesis however, we proposed that EM-MNCs would be less susceptible to these risks, and thus opt for a first-mover strategy.

Birla entered Laos in 2006, right before the country saw a rapid increase in net FDI (see figure 6). This would signify that Birla chose a first mover entry strategy. This is also in line with Lasserre’s (2007) argument that for resource seeking firms, one of the main key performance indicators is access to land. This was the main reason to why Birla chose to enter before FDI inflows into Laos really took off, as Mr. Vasudevan states “Well the mapping is very good land, very cheap and Laos appear to have complete land that it is willing land to give out to FDI since 2006 so that at that time there were very few companies in Laos”. Furthermore, Mr. Vasudevan also states that he believes that other firms started to enter Laos a lot later than 2006: “I think that it started later, when they came in there were only a few, and now there are many”.

Mr. Vasudevan does not feel that Birla experienced any advantages of being a first mover, when asked about this in an interview, the reply “Nothing major, I don’t see any significant advantage of this.” Nonetheless, our findings suggest that Birla were in fact able to create good relations with certain parties in the GoL. Furthermore, by entering and securing land concessions in 2006, Birla already had their concessions in place when the Prime Minister of Laos announced a moratorium on land concessions in May 2007 (Hansen, 2007).

In order to analyze the possible effects that Birla’s adversity advantage had on their decisions to enter as first movers, one needs to take into account the entire entry strategy. Birla entered through a Greenfield investment, with plans to construct a pulp mill in Laos, making it a riskier investment than the other two case companies. These investments are usually very time consuming, and thus the pay-back periods are likely to be long, and investment risks are high (Peng & Meyer, 2011). Birla early on contacted the Laotian government to secure patronage in order to mitigate risks. Furthermore, the potential benefits in Laos were perceived as being higher than in neighboring countries. This lends support to P3-b.1 because the risks associated with Birla were not as influential on decision making as the potential benefits of entering as first movers. Subsequently, if one argues along the line of Khanna & Palepu (1997): that EM-MNCs are more familiar in operation in weak institutional contexts, the risks associated with first mover strategies (Lasserre, 2007, Peng & Meyer, 2011), may not be as prominent for EM-MNCs. There is thus evidence to
support that EM-MNCs, because of adversity advantage, are more likely to pursue a first-mover strategy due to a greater familiarity with the risks commonly associated with such a strategy.

**Proposition 3-b.2 (P3-b.2):** "EM-MNCs will be able to enter more swiftly, due to networking capabilities and adversity advantage".

**Birla**

The above proposition seeks to explore whether or not adversity advantages lead Birla to a swifter entry into the LFS compared to the other two companies. Hailing from India, Birla is used to operating and functioning efficiently in the difficult conditions of an emerging market (Meyer 2002). Argued by Khanna & Palepu, (2005), unreliable power, congested ports and roads, corrupt bureaucracies, political and regulatory uncertainties, weak educational institutions and other institutional voids helped EM-MNCs develop FSAs to overcome the challenges of working in a weak institutional setting. This means that EM-MNCs are able to transfer their FSAs in varying degrees to other emerging economies (Khanna & Palepu, 2005), and possibly aid in a swift entry.

However, our empirical findings suggest otherwise. When asked if Birla might have possessed any advantages over the other companies when they entered Mr. Vasudevan replied: “I really don’t think so, I think that if you are a Malaysian company or Swedish company it does not make any difference to understand what approach you should have, but what makes a difference is if you want to have a top down approach or bottom up approach.” The above gives an indication that Mr. Vasudevan does not feel that being an Indian company did not grant them any particular advantages when doing business in Laos. In fact, although Birla where able to initiate operations swiftly, they have not planted as many ha as initially expected and the building of their plant is behind schedule.

From Birla’s entry in June 2006 they have planted 13 500 hectares of plantations in total out of a possible 50 000 hectares are part of their concession agreement. Comparing this to the amount of hectares that Oji have planted (23 000 hectares) it can be suggested that being used to navigate in a weak institutional environment does not lead to a competitive advantage in securing enough land for plantations. As pointed out by Mr. Midgley:

“I think Birla underestimated Laos”, and continues: “in India their wood is sourced entirely from small holders, they know very well how to work with small holders. But small holders in Laos are very different to small holders in India, the cultural context is quite different, small holders in Laos
probably have a bit more power than they do in India. Yeah so when they came in, they could’ve spent a little more time getting to know how things worked in Laos”.

The above quote not only sheds light upon the on the extremely difficult issue of engaging and understanding the local cultural context. A separate proposition is analyzed on this matter later in this chapter. But in terms of adversity advantage the origination from an emerging economy should ceteris paribus provide the company with an advantage when interacting with the host country population on all levels. This has, however, not been the case. The empirical evidence suggests that EM-MNCs in the LFS lack the adaptation capabilities when building the relationship between the company and the farmer. This is highlighted by Midgley as one of the main reasons to why Birla have not been able to secure the expected amount of land at this point.

However, despite the fact that Mr. Vasudevan believes that there were no significant advantages of being an Indian firm in the LFS, the way by which Birla ensured their swift entry suggests otherwise. Birla was able to secure the investment license within the three month period assured by the one-stop service. This was significantly faster than the process that SE experienced when applying for the same license. This swift process can mainly be attributed to the top-down approach that Birla adopted. As mentioned in previous sections, Birla contacted the Laotian PM, Mr. Bouphavanh and presented their project proposal. By ensuring that Birla’s application process landed on the top of the “priority pile”, Birla not only ensured a swift entry, but also secured patronage if proceedings were to take too long. This indicates that Birla’s networking capabilities did in fact have an influence over the speed by which they entered. However, it is also important to note that the intensity of Birla’s investment may play a contributing role to their fast entry. For a developing country, MNCs who promise large scale investments are not only attractive for the economy, but also a source for long term growth and development for the country.

**Conclusion on P3-b.1 and P3-b.2**

Although Mr. Vasudevan does not think that Birla enjoyed any advantages from being first movers or originating from a developing country our analysis gives supports to the contrary. Our findings show that Birla entered the LFS as first movers, seeking access to low-cost land before FDI flows into Laos took off. Additionally, there is evidence to support that Birla weighed the potential benefits of an earlier entry higher than the risks associate with doing so. Although our data indicates that Birla’s adversity advantages could have had an effect on their decision to enter as first movers, it is from the analysis on swiftness that we derive more substantiated findings.
In the early stages of Birla’s entry, the company made use of its networking capabilities in securing patronage within the GoL. With this top-down approach, Birla ensured that once the application process for an investment license began, they would be placed on the top of the “priority pile”. By doing so, Birla implemented one of the swiftest entries of the three case firms. However, after an initially swift approach Birla’s progress has slowed and the plans for 50,000 hectares of plantation and pulp mill are behind schedule. The analysis also indicates that there is evidence to support that Birla suffered from a lack of understanding for local conditions and the power of different stakeholder groups. As a consequence, Birla is now encountering an increasing amount of roadblocks on their initially swift path of entry.

Despite a swift entry, Birla’s implementation process has slowed down. As being made clear by Mr. Midgley there were certain local aspects that Birla failed to take into consideration. Adversity advantage is an ideal model, our analysis shows there will most certainly always exist aspects which differ between emerging economies despite the similarities in their institutional set up. This is particularly important in resource seeking investments that affects local livelihoods. Therefore, although there is evidence to support that networking capabilities secured a swift entry for Birla we find mixed results when it comes to the effects of adversity advantages.

The evidence derived from theory and the empirical data supports the above propositions to a certain extent. Based on our analysis, there is evidence to support that there exist a relationship with that of having strong networking capabilities and gaining a swift entry into the LFS. However, our analysis also indicates that networking strategies are mainly influential on a governmental level when initiating a project in the LFS.

8.1.4 CSR

Proposition 4-a (P4a): “Because of higher stakeholder expectations WMNCs will focus more on CSR than EM-MNCs”

The forestry sector operates under more intense public scrutiny than other extraction-based industries (Bhambri & Sonnefield, 1998; Nasi, Nasi & Zyglidopoulos, 1997 in Panwar and Hansen 2008). Because of the nature of plantation projects and the impact it has on local livelihoods, CSR is an aspect that firms cannot afford to overlook. All of the analyzed firms have incorporated CSR in their entry strategies, they have, however, approached CSR in different ways.
The analysis below will discuss the proposition above in relation to each of the chosen case companies, namely looking at the role that CSR played in each firm’s entry, and how this can be explained by each firm’s stakeholder expectations.

**Oji**

Oji has had CSR as part of its strategy since the beginning of their project in Laos. It is important to note that Oji’s strategy to secure land is characterized by a top-down approach. This means Oji contact the farmers after they acquired concession approval from the GoL for the particular area of land. This places a stronger pressure on Oji to gain farmer approval for projects, as they have to locate plantations within the preapproved geographic area. Oji’s initial CSR strategy was one based on a so-called “farmers afforestation model”, where farmers would take an active part in planting and maintaining of the plantations. This was, however, met with criticism from farmers, who could not see the benefits of this project.

Oji have also applied to receive FSC certification for the plantations in Laos. This certification is mainly aimed at strengthening Oji’s brand, and ensures customers that Oji’s wood is sourced from sustainably managed forests, an indication of increasing stakeholder pressure and expectations. Although this ensures environmental responsibility, it does not take into account social responsibility. The data collected in this thesis has highlighted good relations with farmers as one of the most important aspects for gaining access to land. Initially, Oji contributed to village development by building schools and community centers. In recent years however, Oji have begun to adopt intercropping allowing farmers to secure rice for the whole year and grazing opportunities for livestock on UXO cleared land. This model is similar to that practiced by SE.

It is interesting to note that Oji have in fact increased their CSR involvement since arriving in Laos. Moving from the afforestation model to a model based on intercropping bears witness that a high CSR focus is required in the LFS in order to secure and sustain land and good farmer relations. The question remains, however, whether or not this increased CSR involvement is a result of heavy stakeholder expectation or implemented in order to secure long-term financial gains?

Stakeholder expectations on a business level differ not only by country and culture but also from one industry to another (Panwar & Hansen, 2008). This is because countries have developed following different development paths where focus on certain issues such as legislation on child labor and working hours are more emphasized in some nations over other. In Japan, stakeholders
have grown in influence since the early 2000s. This is due to several factors: shareholders are beginning to play a larger role in financing, often lead by foreign shareholders. Economic development has also lead to consumers starting to focus not only at price but also at environmental and safety considerations when purchasing goods and lastly, market competition is forcing companies to review keiretsu relationship and actively engage in green purchasing (Kawamura, 2005).

The initial approach to CSR can be attributed to these emerging stakeholder expectations. CSR was part of Oji’s strategy from the get go, however, the change of direction in their CSR focus may have been influenced by other factors. Panwar & Hansen (2008) argue that it is important that CSR practices be based on inputs from local stakeholders rather than importing regulations from outside. It would appear that Oji’s change in focus could be a result of such CSR considerations.

Furthermore, as land access is a critical success factor, and in turn influenced by farmers’ cooperation, it can be argued that this change in CSR focus is also a change in the company’s overall business strategy. In addition, SE’s model has shown that intercropping actually produces the same yield as traditional plantation models, further enhancing the financial aspects of the model. This indicates that farmer cooperation has now become a vital part of their operations to secure long-term sustainability.

**Stora Enso**

CSR and sustainability has long been an important aspect for SE worldwide. It is currently the only forestry company in Europe that is listed on the Dow Jones Sustainability index (Stora Enso, 2012). The SE Group has recently restructured their organization to fully incorporate sustainability in operations, and include human rights, labor rights, ethical business practices, communications and community involvement in its CSR principles. This focus is also evident from the case presented in this thesis. CSR was an important aspect of operations already in the initial stages, and Mr. Fogde admits he was slightly surprised at the fact that SE “… wanted to make a 3rd party ESIA for US$ 300 000 before they even had any concession agreements”. Furthermore, SE had their first internal CSR audit of the Laotian venture in early 2007, before the business license was in place and before the ESIA was finished. This emphasizes the company’s strict commitment to adhering to sustainable forest management.

The plantation model and strategic approach that Burapha presented to SE was one which strongly incorporated CSR. The entire model was built on a bottom-up approach, where the first objective
was to establish a setup that facilitated trust and mutual benefits between farmers and the company. Underlying this strategy was Mr. Fogde’s philosophy that “Farmers should be viewed as assets, not liabilities”, meaning that farmers should be the primary source of labor, and creating goodwill with them would give SE a competitive advantage in gaining access to land. This gives indication to a CSR strategy directly tailored to meet local demands, indicating a CSR developed on the base of local understanding (Panwar & Hansen 2008). However, this approach goes further than being another part of a firm’s operations. SE has through their approach in Laos managed to fully integrate CSR into their general business processes. It can be argued that this integrated CSR focus can be the first step in securing in what Carter & Rogers (2008) label as SSCM. If SE further integrates CSR into its supply chain, this has the potential to spur an inimitable capability, creating a source for competitive advantage in the future. It can also be argued that SE in their Laotian venture have adopted strategic CSR (McElhaney, 2009), which will in the long run may provide them with a competitive advantage over their competitors.

P4-a suggests that the above focus on CSR is influenced by SE’s stakeholders’ expectations. Across Europe, the public considers a company’s treatment of employees, its respect for human rights, and its environmental impact as the most important issues for companies to address (Dawkins & Lewis, 2003). Furthermore, stakeholder involvement in business proceedings is a particularly important issue for Scandinavian stakeholders, illustrated in a study by Morsing & Schultz (2006) that found that “in all three countries [Denmark, Sweden & Norway], less than 10% of the general public find shareholders to the only prime stakeholder”. Furthermore, as mentioned in the case company introduction, SE has over the past years been heavily criticized for their operations in South America. Based on the above, there is considerable support for the proposition that stakeholder expectations will lead to a higher focus on CSR in a firm’s entry strategy. This is further support by the gathered data stating that SE was very thorough with their CSR intentions already when contacting Burapha. However, there is also evidence to support that the extent to which SE’s CSR approach became an integral aspect of SE Laos business approach was influenced by other factors.

SE’s trust in Burapha to develop a business model suited for the Laotian forestry sector also influenced the degree of CSR deployed by SE Laos. This means that if SE had not contacted Burapha and given them relatively free reigns to develop a model based on their context-specific resources and capabilities, the CSR focus of the project might not have been as encompassing and as integrated as it is now.
This heavy focus has as earlier mentioned had an effect on SE’s swiftness of entry, Mr. Fogde however believes that this will give SE an advantage in the long-run, stating: “Even though we are moving slowly, we have built a solid base where we have the grassroots on our side, whilst the others [other forestry firms] have the farmers against them. Then it does not matter if you have all the papers from the high level of government, if you have the farmers against you, you will not get anywhere”

**Conclusion on P4-a**

Based on our analysis of Oji and SE, there is evidence to support the claim that WMNCs will focus more on CSR in their entry strategies. Furthermore, there is also evidence to support that a reason for this is due to higher stakeholder expectations. However, because of the context of Laos, the level of CSR investment is also dependent on the access to local resources and capabilities of both firms. Due to the complex manner in which land is acquired in Laos, company-farmer cooperation is imperative for any plantation venture. The focus by which the two companies adopted CSR is very different: Oji’s top-down model is in stark contrast to SE’s bottom-up approach.

These two models have produced different outcomes, Oji has not been subjected to the time consuming process of receiving approval from the farmers before gaining concessions for land, whereas this process has been part of SE’s CSR commitment from the project beginning. However, in return for its high CSR commitment SE has received wide acknowledgement from various NGOs and other stakeholders such as the UNDP. SE is being praised for its respect towards farmers and its high standard in transparency. Having learnt the lesson from the difficulties the company faced in South America and China, SE has now integrated the bottom-up approach where collaboration with farmers ensures no livelihoods are being deprived of them prior to planting.

However, each of the adopted models has worked for the different companies. The evidence from the above analysis suggests that CSR has been a focus for the companies from the beginning. Both companies are shareholder owned which means that a revelation of e.g. child labor being practiced can have a significant effect on the company’s value. Our analysis has shown that in western societies stakeholders expect companies to behave in a social responsible manner. This, coupled with the high CSR focus from both SE and Oji, supports the proposition that western companies have high CSR focus due to stakeholder expectations. Furthermore, Oji have initiated a more lucrative CSR model resembling to some extent, the one by SE.
Although there is considerable evidence to substantiate P4-a the analysis found that the firms’ CSR strategies was also influenced by another factor. Specifically, how firms adopt the land acquisition process also influences CSR. In order to acquire enough land for plantations, firms have to adopt an approach that suits all involved Laotian stakeholders.

In conclusion, there is evidence to substantiate P4-a, that WMNCs have a larger CSR focus due to stakeholder expectations.

**Birla**

*Proposition P4-b (P4-b) “EM-MNCs will face less pressure from home-country stakeholders, and will focus less on CSR in their entry strategies”*

Focusing on the CSR involvement implemented by the chosen EM-MNC, the data found regarding Birla’s CSR strategy was scarce; one reason for this is that companies are not required to publish their ESIA, an option which Birla have opted for. One CSR initiative Birla have committed themselves to for a 5 year period is the granting of US$ 24 000 to improve health infrastructure in Savannakhet, one of their project areas. However, the data collected indicate that Birla’s CSR commitment is not as strong as the WMNCs chosen for this case study. In its Greenfield entry strategy, and as mentioned above, is the construction of a pulp mill. This investment requires significantly larger areas of land that Birla has succeed in securing concessions for. However, the package offered to the farmers has not been lucrative enough which Birla is suffering from at present times. The farmers are opting for other income generating activities, such as planting rubber. The company has, however, shown initiates to improve living conditions and infrastructure in their project areas. In 2006 a program supporting fish, pig and frog farming along with paddy cultivation commenced as a pilot project.

This indicates Birla has not had adequate focus on its CSR strategy before entering the LFS. Different reason could be the explanation for this; as mentioned before society’s reaction and expectations towards CSR differ by country and culture. This statement is further backed by Panwar & Hansen (2008) who claim that, as economies evolve, so does the populations’ expectations of businesses’ social responsibilities. They continue to argue that lesser economically developed societies rely on businesses to be purely economic active with the overall objective being providing jobs and other economic activities. Since India is still recognized as a developing country with a long developing path ahead of her, it is fair to assume that the Indian population is not as interested
in Birla’s CSR operations as their Swedish and Finnish counterparts. However, because of Birla’s size and presence on the Global market in all sectors they also have various international stakeholders originating from developed nations. This indicates that CSR will become an increasingly important aspect for Birla in the future.

**Conclusion on P4-b**

The argument made by Panwar & Hansen (2008) provides substance to support P4-b. Because India is not as developed, the Indian population does not view CSR as important as e.g. the Japanese or the Swedish/Finnish. This is reflected in the CSR strategy of Birla. The company has a very top-down approach to its Lao operations that have caused problems in securing land for its pulp mill. One interesting finding that the analysis reveals is that even though Birla stems from India, cultural issues still arise when operating in another developing country. Smallholders in Laos have higher bargaining power than Indian smallholders due to the opportunity they have in deciding what to grown on their land. Because of the concession procedure companies producing different product can be granted the same land. This means that if a rubber company offers a better package to the farmers than Birla, Birla might lose land. This suggest that even if an EM-MNCs stakeholders might not expect a high CSR commitment it can still pay in order to secure the land needed to operate the pulp mill.
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*Figure 15 Analysis Findings*
Chapter 9 - Conclusion

The aim of this thesis was to conduct a comparative case study of different entry strategies into the LFS. First, it aimed at describing the differences in adopted entry strategies and second, to offer an explanation for these differences. This has led to the following research question:

What are the differences in entry strategies in the Laotian forestry sector, and what explains these differences?

To answer the research question we developed an overarching proposition:

Differences do exist among companies’ entry strategy as a result of country of origin.

The proposition was broken down into ten sub-propositions. These were aimed at examining the relationship between firm’s home country context, the firms’ resources and capabilities and the differences in entry strategies. The sub propositions were then tested empirically on the result of the case findings.

Why

Proposition 1-a (P1-a) “WMNCs will enter with a global strategic approach, with a high level of integration with their global organization”

We found several differences as to why the firms entered the LFS, and how the Laotian project was integrated into each firm’s global strategy. In the case of WMNCs, we found that Oji and SE are both resource seekers, but we also found that both firms had different strategic motives for their Laotian venture. Although the case of Oji illustrates a clear strategic focus, the case of SE Laos shows otherwise. The case of Oji provided support for P1-a in the sense that the Laotian project had a clearly defined role in Oji’s SEA strategy. However, contrary to the P1-a, our findings show that there existed ambiguity as to the role SE Laos was to play in SE’s global strategy. This leaves us with inconclusive findings of the effect that the home countries of WMNCs have on each firm’s strategic objective in Laos.
Proposition 1-b (P1-b) “EM-MNCs WILL to a larger extent enter as part of a conglomerate strategy, with less integration with global operations”

The findings from the Birla analysis give a clearer indication of home country influence in the formulation of entry strategy. Birla entered with the aim of conducting a complete vertical integration for its VSF business. This can be attributed to the Indian context and is a commonly used strategy by Indian conglomerates when internationalizing (Athreye and Kapur, 2009). Through our data we also found that cost effectiveness may also explain the differences in entry strategies. However, the analysis also found, contrary to the proposition, that Birla’s Laotian project was indeed well integrated into the firm’s global strategy. From the above we can conclude that one of the main reasons for the differences in why each firms entered the LFS may be attributed to the Indian firm’s focus of vertical integration. We can also conclude from the above that the two WMNCs also entered with different strategic objectives, leaving us with ambiguous results on the effect that home country context has on global strategy. As such, there was evidence both to support and disprove P1-b further, there was also conflicting evidence with regards to P1-a.

How
Proposition 2-a (P2-a) “WMNCs will most likely enter through JV or acquisition due to stronger need for local resources”

The findings also show several differences in the mode by which the three case companies entered the LFS, and found that several of these differences could be attributed to the firms’ varying needs for local resources. Oji is the only studied company who entered through an acquisition, a strategy which quickly allows MNCs to gain access to local resources (Meyer et al., 2009; Lasserre, 2007). Our data also presents evidence to support that Oji’s need for local resources had an influence on this mode of entry. SE, on the other hand, chose, from a theoretical perspective, an unexpected mode of entry, and entered through a Greenfield investment. This runs counter to P2-a in terms of the mode of entry. However, the analysis does indicate that SE did have a need for local resources. Although this did not lead to a JV or an acquisition, there is evidence to support that SE strongly appreciated the importance of local knowledge and resources by contracting local-based Burapha. This gives an indication that SE’s need for local resources influenced their strategy despite the choice of a Greenfield investment.
Proposition 2-b (P2-b) “Because of adversity advantage and networking capabilities, EM-MNCs are more likely to enter through a Greenfield investment.”

The mode of entry chosen by Birla supports P2-b in the sense that they entered through a Greenfield investment. It was proposed that this could be attributed to adversity advantages and networking capabilities. In analyzing this relationship we found evidence to support the contention that Birla’s strong networking capabilities could have affected the mode by which they entered. By contacting the PM of Laos, and gaining patronage from the relevant ministries, Birla attempted to mitigate risks, thus allowing for the more risky Greenfield investment. On the other hand, it was argued that because of adversity advantage, Birla would have a better understanding of the local context, and subsequently have a lesser need to tap into local resources. Our findings show, however, that Birla might in fact have benefitted from contacting a local firm to gain more context specific knowledge. Subsequently, there was considerable support for the proposition that WMNCs’ need for local resources, and EM-MNCS networking capabilities had an effect on the mode of entry chosen. The analysis also showed that despite adversity advantages, EMNCs still have a need for local resources to a certain extent.

When

Proposition 3-a.1 (P3-a.1): “WMNCs are more likely to choose a late-comer strategy due to an inexperience in working in emerging economies”

Proposition 3-a.2 (P3-a.2): “Because of weaker networking capabilities and stakeholder expectations, WMNCs will experience a slower entry”

In our analysis of When each of the firms entered, we distinguished between how the firm’s timed their entry, and the ability of the firms to conduct a swift entry to exploit potential first-mover advantages. First, we classified all three firms as first movers in the LFS. While Oji and SE first began their entry in 2005, Birla did so in 2006 indicating that there were no considerable differences in the first aspect of timing. This left P3-a.1 and P3-a.2 inconclusive. However, the main differences arose when analyzing the swiftness by which the firms started operations. Here Oji and Birla are similar in a number of ways. It took both these companies around three months to secure the relevant licenses and concession agreements. In SE’s case, this process dragged on for a period of two and a half years. Oji’s swift entry contradicts P3-1.2 in terms of swiftness. Although it can be argued that Oji lacked networking capabilities, they were able to circumvent this by opting...
for an acquisition. It is likely that in this case, the main influence of the swiftness can be attributed to the chosen entry mode. However, one can also argue that it was precisely because of a lack of networking capabilities and local resources that Oji chose this entry mode, giving an indirect indication that a lack of local resources had an influence on the swiftness of entry implementation.

*Proposition 3-b.1 (P3-b.1): “EM-MNCs’ adversity advantage will minimize the risks of entering an emerging economy, and will most likely lead to a first mover strategy.”*

*Proposition 3-b.2 (P3-b.2): “EM-MNCs will be able to enter more swiftly due to networking capabilities and adversity advantage.”*

In the case of Birla, we found considerable evidence to support the relationship between networking capabilities and a swift entry. However, there is little evidence to support that Birla’s adversity advantages aided in the swiftness of entry. In fact, a lack of local resources has resulted in Birla’s initially swift operation to slowing, as evidenced by the mill and plantations being behind schedule. SE’s speed of entry differs from the other two cases; the analysis indicates that this slow entry can be partly explained by a lack of networking capabilities and partly by SE’s strong focus on CSR and transparency. Furthermore, it is also important to note that SE’s swiftness of entry was affected by the mode of entry, whereas had SE opted for an acquisition of Burapha, this process might have been sped up. The above gives an indication that networking capabilities, focus on CSR and transparency, as well as lack of local resources can have an effect on the swiftness of a firm’s entry.

**CSR**

*Proposition 4-a (P4-a): “Because of higher stakeholder expectations WMNCs will focus more on CSR than EM-MNCs”*

*Proposition 4-b (P4-b): “EM-MNCs will face less pressure from home-country stakeholders, and will focus less on CSR in their entry strategies”*

Finally, the differences in CSR focus among the three case companies vary to a great degree. Oji began with a farmer afforestation model, using farmers to plant trees in the plantation areas. SE’s model built on the Tangia concept, where wide spacing among the trees allows for farmers to cultivate rice for food security. Birla’s CSR focus is on community development, where health infrastructure is the main driver of commitment.
P6-a and P6-b are based on the premise that stakeholder expectations have an influence on the CSR focus of a firm. From analyzing the collected data we can conclude that although SE’s CSR focus is the strongest, Oji’s is significantly stronger than Birla’s. There is thus support, on the basis of P4-a, to substantiate that WMNCs have a higher CSR focus than EM-MNCs. As described in the relevant theory emerging economies’ stakeholders do not, to the same degree as their counterparts from the developed world, demand their companies to be socially responsible, illustrated well in the case of Birla in the LFS. Our data shows it is the company with the weakest CSR focus, which is evidenced by the package the company has offered its involved smallholders.

Our study provides evidence that stakeholder expectations can determine WMNCs’ and EM-MNCs’ level of CSR commitment and thus provide substance that supports P4-a and P4-b. Therefore, the explanation for differences in entry strategies in terms of CSR focus can be linked to home country stakeholder’ expectations. However, other explanations for CSR commitment could also exist; adhering to governmental rules and regulations and competition from other sectors eager to access the same land. Throughout this study it has been argued that when operating in a resource intensive sector in a developing country, where involvement has direct impact on local livelihoods, a strong CSR focus is crucial if companies want to acquire and sustain land for operations. This in turn offers another possible explanation to the differences in CSR focus. SE was the one of the three case firms that best exploited their local knowledge and resources. By doing so, it was concluded that a strong CSR approach was not only important to appease home-country stakeholders, but was also a vital parameter in sustaining a successful plantation operation.

9.1 Answering the research question
Within the chosen scope of the thesis, and with the dependent variables that were chosen to analyze the research question, the research gives evidence to support the overlying proposition.

Networking capabilities

Through our analysis, there is evidence to support that a firms networking capabilities is effected by their home country. This is a re-occurring influence on the different aspects of the comparison of each firm’s entry strategy, and is one that has been proven as particularly important in the Laotian context. Oji circumvented a lack in networking capabilities through an acquisition, and although SE contracted Burapha, which already had established networks, SE’s strong CSR focus contributed to a slow entry. In the case of Birla however, there was evidence to support that Birla, because of the
home-country context of India, had networking capabilities that gave them an advantage in the LFS. This advantage was manifested both in the swiftness of Birla’s entry, as well as their mode of entry. In this sense, we find support that EMNCs may indeed have certain advantages when competing against WMNCs in emerging economies (Ramamurti, 2008). We thus find considerable support for the statement that differences in entry strategies can be explained by the relative networking capabilities, or access to local networks, of each firm.

*Adversity advantage and need for local resources*

There was less evidence to support the argument that adversity advantage had an effect on the competitiveness of Birla. Ramamurti (2008) argues that because of a familiarity with operating in a setting with weak institutions, Indian firms are more adept at finding creative solutions to unexpected roadblocks. Subsequently, it was expected that EM-MNCs would have a lesser need for acquiring local resources that in turn would lead to a Greenfield investment. In contrast, because of inexperience of dealing with weak institutional settings, WMNCs’ greater need for local resources was expected to have an influence on the differences in entry strategies. The analysis provided data to substantiate this claim, both in the case of Oji and SE, and we thus highlight WMNCs’ need for local resources as a reason for the differences in entry strategies. In the case of Birla, we found that adversity advantage had little impact on the differences in entry strategies. We did, however, note that although EM-MNCs may be more adept at adopting context-specific solutions to institutional contexts, there will always be contextual differences between two emerging economies. In the case of Birla, our studies show that one reason for the slowing down of their otherwise swift entry was the lack of local knowledge for the conditions in the LFS. In conclusion, we found considerable evidence to support statement that WMNCs need for local resources may have an influence on their entry strategies. We also found that for the studied EM-MNC local resources did not play as large a part in their entry strategy formulation. We did, however, find that there is an indication that Birla’s adversity advantage did not diminish the need for local resources, despite the similarities in the institutional contexts of Laos and India.

*CSR Capabilities*

Finally, we found support for the proposition that a firm’s home country context may have an influence on the firm’s stakeholder expectations. We also found indications that the level of stakeholder expectations is positively correlated with the level of CSR engaged in. However, in the
case of SE, that local knowledge and understanding can in fact create CSR practices that can be fully integrated into a firm’s business model, and may in fact result in a competitive advantage in the long run. Thus, in the case of Oji, there was indication that stakeholder expectations led to a stronger focus on CSR than in the case of Birla. However, in the case of SE, although stakeholders may have had an influence on the initial requirements of CSR, the actual context-specific CSR model was strongly influenced by the local resources of Burapha. Finally, with regard to Birla, we find that although they experience weaker stakeholder pressures than other firms, they nonetheless entered Laos initially with some CSR activities planned. Further, these have, however, been augmented due to an increasing understanding of its importance when doing business in Laos. Furthermore, we also found indication that stakeholder pressure on WMNCs can have effects on other aspects of WMNC entry strategy. In the case of SE we found that stakeholder expectations could have had a direct influence on the swiftness that it took SE to implement their strategy. Subsequently, our study found considerable evidence to support that stakeholder expectation may have had a strong influence on the entry strategies of WMNCs, and in turn a lesser effect on that of Birla.

Global integration

The above variable was mainly discussed in relation to the strategic intent that each case company had for their Laotian operations. For the conglomerate EM-MNC studied, cost effectiveness strategies are mirrored in its quest for economies of scale and vertical integration. Because Birla is a conglomerate, it was assumed that they were likely to conduct more unrelated vertical integration and that an entry into the LFS would be less integrated into their global strategy. The study however, found that this was not the case and that the VSF sector constitutes an important unit within Birla. Consequently, it was found that the Laotian operation had been given a clear strategic role in the company’s global strategy, thus supporting the claim that global integration will have an effect on differences in entry strategies.

In the case of Oji, global integration also had an influence on why Laos was chosen as a target market. The Laotian project, because of its location, provided a strategic fit within the company’s SEA strategy. With regarding to SE, global strategy initially had little effect on why Laos was chosen as a country for investment. Instead, SE entered Laos to compliment its Chinese operations rather than providing a strategic unit within the global organization.
Entry strategies into emerging economies are becoming an increasingly important area of study in modern IB literature. In recent years several scholars (Meyer, 2002; Meyer et al., 2008) have examined the effect that institutions have on strategy formulation when entering such economies. This thesis, however, has taken on a RBV lens and makes contributions to two main strands of entry strategy literature. First, the comparative and exploratory nature of the study added to the discussion on the differences in resources and capabilities between EM-MNCs and WMNCs and how this may result in dissimilar behavior of MNCs when conducting FDI in emerging economies (Khanna and Palepu, 1997, 2004; Nachum, 2004; Ramamurti, 2004, 2008; Khanna et al., 2005; Luo and Tung, 2007; Peng et al., 2009). Second, basing the analysis on a RBV foundation, the research extended entry strategy literature by further investigating how these differences can be explained by resources and capabilities that MNCs derive from their home-country context. The following chapter will outline the contributions that our findings may have on modern IB literature, as well as for firms aiming to enter the LFS. We will also discuss unique further research needs and opportunities that this research has generated.

10.1 Implications for theory

The aim of this thesis was not to generalize the findings, but rather to establish a better understanding of how MNC’s entry strategies may be influenced by resources and capabilities that are shaped in their home country context. Therefore, the contribution of this thesis is that it illuminates relatively unexplored relationships, and paves the way for more in depth studies of the discovered phenomena. Within the research scope, the analytical framework that was developed proved successful in finding certain explanations for the differences in entry strategies. However, we are aware that our analytical framework has limitations. It is impossible in one thesis to examine all CSAs that can have an influence on entry strategies. Future research may want to examine the impact on one particular CSA on strategy formulation.

The analysis revealed several interesting findings regarding theory on the competitive advantages that EM-MNCs have. Several authors (Ramamurti, 2008, 2009; Khanna & Palepu, 1997, 2004; Luo & Tung, 2007; Khumar & Chada 2009; Nachum, 2004) argue that EM-MNCs may possess certain
country specific resources and capabilities that render them more adept at conducting business in emerging economies. Our findings on the influence of network strategies contribute to this theory by illustrating the potential influence that strong networking capabilities may have on EM-MNC entry strategies. By illuminating the potential relationship between these two factors we have laid the base for more in-depth research. Future studies may seek to more specifically pinpoint the competitive aspects of a networking strategy, and the specific role that this competency plays in dynamics of a global EM-MNC. Another contribution calls for a more in-depth analysis of the notion of adversity advantage. Even though emerging economies may have similar institutional weaknesses, the analysis provided little support that in the case of Birla, this led to a competitive advantage. Instead, we found access to local resources a more important aspect. Further research in this area could, through a knowledge-based view of the firm, analyze how EM-MNCs learn to adapt to the similar, yet in many ways different, environment of the Laotian economy.

The incorporation of CSR as an important consideration when conducting entry strategies provided several interesting findings. First, the case of SE provided indication of how a firm can gain competitive advantages through the integration of CSR into business practices. This finding enriches the theory of SSCM (Carter & Rogers, 2008) in presenting an example of how integrated CSR practices can lead to inimitable processes within an organization, and subsequently become a source for competitive advantage. Furthermore, it does also give indication that SE’s Laotian project may be an example of strategic CSR (McElhaney, 2009). Second, the inclusion of CSR in this analysis may also have implications on entry strategy theory. As EM-MNCs from India and China continue to seek forestry investments in other emerging economies, CSR will become an increasingly important factor. Although home country stakeholder pressure may not yet be as strong as in developed economies, the study indicates that when operating in the plantation industry, adopting a CSR approach that suits the local context can result in financial gains. Furthermore, in line with Panwar & Hansen's (2008) argument that there is a positive correlation between economic development and stakeholder focus on CSR, companies from these two nations are likely to face scrutiny over CSR in the future.

This gives rise to possible further research into whether or not EM-MNCs, operating in natural resource intensive industries should focus more on this aspect. This contributes to existing entry strategy literature by illustrating the impact that a strong or weak CSR approach will have on an entry as a whole. In doing so we substantiated the propositions regarding CSR. However, the
degree to which EM-MNCs are engaged in CSR based on home country perception can be questioned.

A contradiction encountered in our study arose from grouping Oji and SE together under the category WMNCs. Although the analysis unveiled several similarities between the two WMNCs it also revealed one aspect in which they differed. It turned out that the management style of Oji was in fact more alike that of Birla in the sense that both companies were very hierarchical in their management structure. It is therefore not feasible to group Japanese and western MNCs when analyzing the LFS. This contributes to the literature by suggesting that Japanese and western MNCs cannot be grouped together when analyzing entry strategies through a RBV lens. One area for further research could therefore be to conduct an in-depth comparative study of the three companies’ management styles, and the effect that these have on their Laotian operations.

This thesis has taken the viewpoint of the firm; however, it has also taken into account the effects that institutions may have on a firm's resources and capabilities. The study thus enriches theory on emerging market literature by reinforcing Meyer et al.'s (2008) argument that institutions have an effect on entry strategies and that this effect is moderated by need for different types of local resources. Thus, the research supports the claim that studies on entry strategies in emerging economies need to integrate the RBV and IBV.

10.2 Implications for firms
The study has presented several aspects of the Laotian forestry sector that are important to consider for MNCs currently operating in the LFS, as well as for prospective investors. As highlighted by all four interviewees, the main success factor for plantation operations is having a setup ensuring access to land. The study has shown that gaining concessions is only the first step on an obstacle filled path to plantation implementation. Successfully gaining access to land requires a thorough understanding of the Laotian context, and the stakeholders affected by a plantation scheme. This requires not only good relations at the government level, but also a package that is suitable for farmers in the plantation areas. It is thus important for MNCs in the LFS to attain or possess networking capabilities and to be able to implement them at the government, provincial, district and farmer level. This is particularly important as FDI inflows to Laos continues to grow (recall figure and forestry firms will face increased competition from other land intensive sectors. Therefore, creating a successful business model will to a large degree depend on the use of local knowledge
and capabilities. Hence, if entering through a Greenfield a firm must either already have in depth knowledge of the context, or seek external advice on the matter.

The findings also confirm that firms seeking to invest in the LFS cannot ignore the CSR aspect. In fact, our study shows that an integrated and context-specific CSR strategy may in fact lead to competitive advantage in the LFS. However, CSR alone will not give firms an advantage over their competitors. Boiled down, an integrated CSR approach combined with networking capabilities and local knowledge could prove to be the main tool to build a sustainable and successful plantation project in the LFS.

Chapter 11 - Conclusion

This research presented a comparative case study of differences between in WMNC and MNC investment behavior in a resource-intensive industry. The aim was to examine the potential connections existing between these context specific resources and a firm’s entry into the LFS, which led to the research question:

What are the differences in entry strategies in the Laotian forestry sector, and what explains these differences?

To answer the research question, the entry strategies and selected relevant resources and capabilities of three companies were studied; Oji (Japanese), Stora Enso (Finnish/Swedish) and The Aditya Birla Group (Indian). This purposeful sampling method allowed for a comparative analysis of three companies with different countries of origin.

The research approach chosen allowed for both an abductive and deductive approach. The RBV and entry strategy theory were the primary theories used to provide the base of the study, and allowed for a tailored analytical approach. This resulted in several interesting findings, making contributions to existing IB literature and recommendations for firms operating in the LFS. The aim of the thesis was not to generalize, nor was the study intended to draw conclusions on the precise influences that home country context may have on entry strategies. This thesis instead clarifies the potential connections existing between these context-specific resources and a firm’s entry into the LFS. The
thesis has successfully met this aim, and has additionally raised several issues requiring further research.

There was considerable evidence to support the overlying proposition that there are differences in MNCs’ entry strategies in the LFS that might be explained by home country-specific resources and capabilities. The study’s most significant findings can be condensed into three main points. First, we noted that networking strategies are indeed important in the LFS, and our studied EM-MNC showed indications of having a competitive advantage in this area. Second, our studies found that firms operating in the LFS need to make CSR a focal point when formulating entry strategies, regardless of stakeholder pressure from home countries. Third, we found that in the LFS, a swift entry does not necessarily equal an effective implementation process. Although networking capabilities and the right mode of entry can lead to a swift entry, local resources and know-how are required to sustain a long-term investment.

From the above, the differences in entry strategies can be embodied by the fable of the hare and the tortoise, with Birla taking on the role of the hare, prioritizing a swift entry and not paying a much focus on local conditions. SE on the other hand has adopted the tortoise approach, taking their time in developing a sustainable and encompassing business approach. How the fable ends is well known, but the winner of the Laotian land race remains to be found.
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Appendices

Appendix 1 – Executive summary

The recent emergence of emerging market multinationals (EM-MNCs) and their road to internationalization is one of the main topics in contemporary International Business (IB) literature (Khanna and Palepu, 1997, 2004; Nachum, 2004; Ramamurti, 2004, 2008; Khanna et al., 2005; Luo and Tung, 2007; Peng et al., 2009)). As globalization continues to erode borders, both WMNCs and EM-MNCs are increasingly looking to emerging economies to consolidate resources in order to supply growing demand. An increasing amount of IB literature has in recent years been devoted to examining if EM-MNCs posit distinctive resources and capabilities that make them more adept at operating in emerging economies.

This thesis aims at contributing to the above discussion within the context of the Laotian Forestry Sector (LFS), specifically the plantation sector aimed at producing different forms of pulp. This setting was interesting and worthwhile to study as it saw a rapid influx of both WMNCs and EM-MNCs in early 2000s, all of whom had to navigate in one of the poorest countries in the world, with several market imperfections and structural weaknesses. The aim of this thesis was thus to conduct a comparative case study of three carefully chosen case companies, namely Aditya Birla, Stora Enso and Oji Pulp and Paper in order to shed light on the discussion currently ongoing within the IB literature.

The thesis specifically looks at the dissimilarities in the different entry strategic aspects of each of the case firms, and subsequently seeks to discuss how these differences could be explained by the distinctive competitive advantages that each firm derived from their home country context. The analysis is embedded in a resource-based view approach, and made use of the institutional-based view to factor in the context-specific conditions that firms had to take into account when formulating their entry strategies.

The chosen approach provides for several interesting findings. First, there was substantial evidence to support the proposition that the chosen EM-MNC possesses a competitive advantage stemming from a stronger focus on network based strategies. However, the notion that EM-MNCs would possess competitive advantages derived from an ability to transfer experience and knowledge from
one weakly institutionalized environment to another found little support. Although emerging economies possess several similarities in terms of institutional structures and institutional weaknesses, local, in the sense of country-specific, knowledge was found to be important nonetheless.

Second, the analysis also finds that although WMNCs may have fallen behind in terms of networking capabilities, both of the chosen WMNCs found ways of mitigating the problems often encountered in countries with weak institutions. Stora Enso appreciated the importance of local knowledge and resources, and contracted a local firm to whom they gave high levels of autonomy. The resulting model was one that thoroughly integrated CSR into the plantation model, something that may lead to a competitive advantage in the future. Oji on the other hand, opted for an entry coherent with modern IB literature (Meyer, 2009; Lasserre 2007; Peng & Meyer 2011), namely by entering through an acquisition to gain access to local resources, and so facilitating a swift entry.

In summary, the analysis finds considerable support for the overlying proposition that firms’ entry strategies will be influenced by their home-country context. These findings contribute to the current IB discourse regarding the sources of EM-MNCs advantages by examples of how these advantages come into play in the LFS. Furthermore, the thesis gives an indication of the need for further integration of the resource-based view and the institution based view when explaining firm behavior in emerging economies. This is done by illustrating that there are certain resources and capabilities that firms either need to have, or need to acquire when entering an economy plagued by weak institutions. The findings may also have implications for prospective investors in the Laotian forestry sector, suggesting that a swift implementation may not always be the desired approach, but rather that an approach that incorporates local knowledge may be more beneficial. Finally, the findings of the analysis call for further research into a number of different areas: A more detailed analysis of the effect of one of the chosen country-specific resources of each case firm on its entry strategy; and a detailed analysis of how sustainable supply chain management and strategic CSR can develop into a competitive advantage for WMNCs when facing EM-MNCs in the global arena.
Appendix 2 – Case companies plantation areas in Laos

<table>
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<th>Actor</th>
<th>Plantation Area</th>
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<td>Oji Lao</td>
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<tr>
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<td>Birla</td>
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<td>Vietnamese rubber comp.</td>
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<td>APP (Golden One)</td>
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<td></td>
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<td>Stora Enso Lao</td>
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Sources: MCTPC, 1998; Ministry of Laos
## Appendix 3 – Interviews

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<td>Oji Lao’s entry strategy, how to gain a foothold in the LFS. Also strengths and weaknesses were discussed in terms of entering a LDC</td>
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