Industrial Country Foreign Direct Investment in Developing Country

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Acknowledgment

After about 10 hard and strenuous weeks, we have finally completed our bachelor thesis in international business administration. We want to give a big thank to Sony Ericsson that set up an interview with us and many thanks to family and friends who supported us through this thesis and last but not least, our supervisor Håkan Perzon that have guided and given us advice through the thesis. To our great joy, we hope that this thesis may be to benefit to the company and further research in the future.

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Abstract

Foreign direct investment has in recent years become very broad and has grown considerably in different countries around the world, this increase is visible, with an angle of an industrialized country direct invest in a developing country. This has led to an drastically increase of success for both the country and the company, developing countries are more in need of direct investment as they are largely carrying both new technologist, and knowledge to the host country.

The purpose of this study aims to gain a deeper and better understanding of how important foreign direct investment is for emerging markets but also the possibilities that companies in high industrialized countries have by increase their market share and starting up new business in different parts of the world. Companies have also a very big chance to start up new business in developing countries where important direct foreign investment is needed to improve their economies but also to make the lifestyle for the people in developing countries much better. FDI can also be used as an important advantage to promote development of the tourism sector and economic growth in poor countries. The main purpose is to show and prove how important FDI is for a developing country.

Keyword: Corporate, International Business, Internationalization, Direct Investment, FDI - foreign direct investment.
Sammanfattning

Utländska direkt investeringar har under de senaste åren blivit mycket bred och ökat drastiskt i olika länder runt om i världen, denna ökning har synligast vinkel vid att ett industriland direktinvesterar i ett utvecklingsland. Det har lett till en ökning av framgång för både landet och företaget, utvecklingsländer har störst behov av direktinvestering då man i stor utsträckning överför både ny teknologisk och kunskap till värdlandet.

Denna studie syftar till att få en djupare och bättre förståelse för hur viktigt utländska direktinvesteringar är för tillväxtmarknader men också de möjligheter som företagen i hög industrialiserade länder har genom att öka sina marknadsandelar och starta ny verksamhet i olika delar av världen. Företagen har också en mycket stor chans att starta ny verksamhet i utvecklingsländer där viktiga direkta utländska investeringar behövs för att förbättra världlandets ekonomiska situation utan också att skapa den livsstil för människor i utvecklingsländer mycket bättre. Utländska direktinvesteringar kan också användas som en viktig fördel för att främja utveckling av turistnäringen och ekonomisk tillväxt i fattiga länder. Det huvudsakliga syftet är att visa och bevisa hur viktigt utländska direktinvesteringar är för ett utvecklingsland.

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1. Introduction

In this chapter we explain the background to the thesis, while highlighting an important history at the same time that is followed by a problem discussion. The aim with the problem discussion is to give the reader a better understanding about the problem in the subject and the ground purpose of research questions in the thesis. The chapter concludes with an overview of the subject, research questions and thesis outline.

1.1 Background

In today's society, there is no doubt that the establishment of more and more companies in different markets around the world is started. In economic policy there are four different concepts when talking about business and these are; micro businesses, small businesses, medium sized businesses and large sized businesses. Despite the trend towards globalization and the increasingly multinational corporations, the importance of all the different categories of companies is getting more interesting.

On May 6, 2003, the European Union suggested following definitions regarding a company's size:

<table>
<thead>
<tr>
<th>Enterprise category</th>
<th>Headcount</th>
<th>Turnover</th>
<th>Balance sheet total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large-sized:</td>
<td>&gt;250</td>
<td>&gt;50 million €</td>
<td>&gt;43 million €</td>
</tr>
<tr>
<td>Medium-sized:</td>
<td>&lt;250</td>
<td>≤ 50 million €</td>
<td>≤ 43 million €</td>
</tr>
<tr>
<td>Small:</td>
<td>&lt;50</td>
<td>≤ 10 million €</td>
<td>≤ 10 million €</td>
</tr>
<tr>
<td>Micro:</td>
<td>&lt;10</td>
<td>≤ 2 million €</td>
<td>≤ 2 million €</td>
</tr>
</tbody>
</table>

As the table above shows a micro company has fewer than 10 employees and has more than 2 million euro a year in annual sales and total assets. A small company, however, has between 10-49 employees and whose turnover or balance sheet not exceeding 10 million euro a year. A medium-sized company has between 50-249 employees with annual sales of high of 50 million euro a year and an annual balance sheet total not exceeding 43 million euro a year. Large companies have figures against mid-sized companies and up.

In recent years, multinationals such as small businesses increasingly started to invest abroad in the form of foreign direct investment (FDI). This has led to positive effects for both the company and the host country's economy. According to many researchers direct investment involves knowledge and technology and this in turn contributes to higher international growth rate of employment and success.
Direct investment has many positive sides for both the country that direct invest and for the country that been invested in, but despite this there are a number of drawbacks with it for both of the part in the process of the direct investment. A disadvantage for the country that been direct invested in is that the country who wants to direct invest is buying the company from local firms and the purpose of the purchase will be shut down, thus creating a monopoly-like conditions. Company outside the land border is usually paying higher salaries to a greater extent, resulting in a push among local businesses to follow. (UNCTAD.org)

In 2004, the global cycle speed had a flow but in 2008 it came to the turning point when it became a financial crisis. The financial crisis that ravaged created concern for many both individual and businesses, it led to the investment appetite decreased drastically. UNCTAD (2009) suggests that foreign direct investment (FDI) was not an exceptional and internationally could see how these were reduced by 15%. (According to World Investment Report 2009) suggests that the decreased availability of financial resources is one of the reasons that (FDI) declined. Another reason for the reduction of foreign direct investment is higher risk and volatility in the market. (ibid)

Normally companies choose to invest because they would increase or maintain the profitability and their own capacity. In a new business is obvious that the need for investment is bigger than of an already established business. Older corporate investment needs are often very different depending on which phase the company is in. A company that is in a growth phase has higher investment needs than a mature one. Apart from saying that the investment are made to increase the company’s chances of survival and to expand. They also talk about investments that are of offensive and defensive character. An investment that is offensive is an investment in order to increase competitiveness and market position. A defensive investment is an investment that aims to preserve its market position. (www.investopedia.com)

According to Andersson (2001) investments are often described as a decision by which the consequences will extend over a long period of time to come. They talk as if an investment is a bet at a time in the present that provides consequences in the future. Today, it is also common for company to make intangible investments which can be called strategic investments for which it is not always possible to calculate future cash flows.

1.2 Problem Discussion

The main important information to focus is how to attract as much direct foreign investment (FDI) as possible from rich countries that already are developed to the countries who still has not reach the point and are still a developing countries. Many rich and industrialized countries have also many companies of different size that are really interested in invest outside their borders. Many companies are usually very interested in direct foreign investment but usually they don’t have any knowledge or idea about which type of countries they can start up business in. As the rate of the globalization increases, and the economic linkage between countries strengthens, FDI is playing an increasingly important role in the economic world.
According to (Determinants of foreign direct investment) have seen that the globalization has increased very much the last 10 years and the economic connection between different countries or regions is now much bigger and more advanced. Rich countries have increased their opportunities to open new foreign direct investment to developing countries in other parts of the world.

FDI is widely regarded as an amalgamation of capital, technological, marketing and management (cheng and kwan, 2000). We can also say that foreign direct investment is a concept where capital, technological and management are required to create better chances or opportunities for population in developing countries. Many poor countries don’t have any knowledge about how to create capital or to develop their technology and marketing their products outside their borders or managing some projects for their future.

Many countries consider the attraction of FDI is a crucial element in their strategy for economic development. Developing countries usually are not enough attractive or competitive to attract foreign direct Investment from other parts of the world and usually from rich countries. Countries in Asia, Latin-American or Africa doesn’t have enough of foreign direct investment because their government doesn’t have any knowledge about how to attract direct investment and the crime rate is very high and this make the investors afraid of making foreign direct investment in those countries.

1.3 Purpose & Research question

Firstly, this study aims to gain a deeper and better understanding of the process that multinational companies in developed countries follow to gain advantages by starting up new business and utilize foreign direct investment in developing nations. A multinational company follows a long process when they adapt to emerging markets in developing countries where important direct foreign investment is needed to improve the economy in the host nation. FDI can also be used as an important advantage to increase sales and market share. The main purpose is to show and prove how important FDI is for a multinational company.

*With these aim for the study in mind the questions at issue are:*

1) *What type of advantages do companies have by investing in growth market?*

2) *How does companies adapt to the business world in a developing country?*
1.4 Thesis outline

Our thesis will be divided into six chapters, which start wide and then cut down to the problem discussion and our research questions. Chapter one is the introduction which provides with a background and aim of the subject, after the background and the deep understanding of the chosen topic, we bring up a problem discussion and describe the purpose of the thesis and the research questions. The second chapter presents the theoretical frameworks that this thesis is based on. The methodology chapter is followed by the methods and approach, where sampling and data collection are presented in the third chapter. The midpoint of this chapter is to explain the various methods that are appropriate and then conclude with validity and reliability. In the fourth chapter, we write the empirical data which deals with data based from our interview and facts from all the data we collected. The next chapter is the data analysis which is about analyzing the aggregate data and answers the research questions. The conclusions in chapter six summarize the analysis and theory, and conclude with suggestions for further research.
2. Literature Review

In this chapter, concepts, models and theories that make the foundation of this study will be presented. Also a further discussion of the problematic area regarding and the importance of what will be held. We are also going to focus on studies that relate to each of your RQ topic areas + Conceptual framework.

This literature review draws from scientific articles and provides an explorative view of the relationship that FDI have with a multinational company. As far the relationship between FDI and a country’s economic growth is concerned, the issue is still open to debate. Usually the level of productivity in a country is the measure of its economic growth and this depends on the way countries use their resources, such as labor forces, stock of capital and technology. Countries lacking in natural availability of these resources need to rely on foreign direct investment in order to accumulate the necessary resources for investment in their country. Fedderke and Romm (2006) suggest that in case a nation does not have enough technology, resources and skills, these can be provided by FDI though the spillover effect. However the capacity of the developing country to absorb these resources and generate growth depends upon its policies. This can be of great advantage for the multinational company.

Section 2.1 in chapter two we can find studies related to RQ1. What type of advantages do companies has by investing in growth market?

In this study we try to focus a lot on foreign direct investment and we have studies about developing countries and we can easily say that low-middle income countries according to (World Bank 2010) is very important for their economies to potentially increase their growing economy and attracting FDI but this depends on many factors and the biggest problem could be institutional economic theories that mean the quality of institutions.

Another factor that institutional theorists find important is secure and well-functioning property rights and this can be considered as one of the most important institutional factors for investors waiting to purchase property. To start a business in the tourism sector, it is most likely that investments in property, land and buildings are needed for hotels and restaurants. All this different policy and laws make it more attractive for foreign direct investment to invest and the companies will take advantage of this and continue to grow until the end.

According to the article (Foreign Direct Investment with special focus on retail trade by Tanay Kumar Mandi,2007) there are several important economic advantages provided by direct investment and the author bring up the benefits by FDI and the development of larger stores and supermarkets have the following advantages from the point of view of consumers:

- FDI will provide access to some very important financial resources for important investment in the retail sector and that can lead to several of the other advantages that follow;
• The bigger the supermarkets that usually become national and regional chains can negotiate prices more aggressively with manufacturers of consumer goods and pass on the benefit to consumers. They can lay down better and tighter quality standards and ensure that manufacturers adhere to them.

World Bank defines stable business environment in Collier and dollar (2001) and the ability to create such an environment is one of the most important policy aspects for any country. From a series of studies of the actual effect or lack thereof FDI on the host country’s economic openness. The more liberalized the economy, the more likely the positive benefits of FDI to be transferred to the host country. Likewise, the more restricted economy, the more negative impact of the FDI on growth.

The Oli model can be used as a way to search the advantages before doing foreign direct investment in a developing country. The model consists of three different steps which are the following:

1) Ownership advantages (brand, production technology, entrepreneurial qualities, returns to scale)
2) Locational advantages (the presence of raw materials, low wages, and special taxes/dutes.
3) Internalization advantages (production benefits through partner agreements such as licensing or joint venture)

These three steps mentioned before have to be satisfied when a company is doing foreign direct investment in host country instead of doing trade exchanges in the form of licensing or by export. (Dunning & Lundan, 2008).

Ownership transaction advantages are something to think about when a multinational company wants to do foreign direct investment in a developing country. This type of advantages focus very much on characteristics of the firm that creates lower transaction costs when the multinational company invests abroad. To this type of advantages belong access to resources, synergy effects when purchasing and also marketing, product diversifying and knowledge transfer. There are many important factors that make this category as an important guide that company use when they are interested in doing foreign direct investment. A very good example can be when companies want to get access to some specific product markets and natural resources as a result of the company size or monopolistic influence. (Dunning & Lundan, 2008).

Location specific advantages deal with properties concerning those countries where the direct investments are made in. Some of the benefits that different countries hold in the form of assets, size of the market, general price level, costs of transport and communications and all the important factors that contributes to how attractive it is for a direct investor to make direct investments in the host country. Rapidly emerging markets and low wage level but also political stability but also geographical accessibility attracts investors and the benefits of these indicate that cost efficiency is possible. (Markusen & Melvin, 1995) Generally this benefit is distributed in four categories.
• **Natural Resources**: Lange rate of both natural resources and created resource possession
• **Economic Status**: For example advanced technology, competition strong factor prices, product quality and also productivity.
• **Cultural and Social Factors**: Like for example the distance between source and host country. This also includes language factors, cultural differences, and general acceptance to immigration and entrepreneurship.
• **Political Functionality and legal framework**: This includes the same weighted political stability together with the economic development in the country.

These various location categories are a current advantage in their choice of foreign investment. Major natural resources, advanced technology, low wages. Short distance between the invested and investing country with a stable political situation and a long term sustainable development of the country are incentives that contribute to a positive attitude towards the establishment of overseas. (Dunning & Lundan, 2008).

Internalization advantages are based on classic transaction cost theory and deals with issues relating to decisions of foreign establishment as a result of that transaction costs when exporting to the international companies exceeds the costs that would arise if they instead were established in the local market in the host country. If the cost of the transactions made internally in a company exceeds the transaction cost occurred when trading in the free market beds this to an investment is beneficial when the internal operations generate a lower cost. (Dunning & Lundan, 2008).

**Section 2.2 in this chapter we can find studies related to RQ2. How does companies adapt to the business world in a developing country?**

International marketing takes place when a business directs its products and services towards consumers in a country other than the one in which it is located. While the overall concept of marketing is the same worldwide, the environment within which the marketing plan is implemented can be dramatically different from region to region. We can easily say that the secret to success in foreign developing markets is the ability to adapt and manage, and coordinate an intelligent plan in an unfamiliar foreign environment.

When big multinational companies adapt to international markets they seem to have two different ways to do it: 1) Vertical. 2) Horizontal production structure.

The vertical structure means that the company divides the production process in an international level and transmits the production to the country with the lowest factor price. The main purpose is to decrease the cost for production by low factor price. The horizontal production structure come up when the company produce the same type of product in different countries. In this case it is also not the low cost for production the most important when investing abroad, but rather the availability to other geographical area, shorter lead times, lower cargo costs etc. (Aizenman & Marion, 2004).
It is very important to be flexible in picking a foreign developing country. Getting one feet wet by expanding to neighboring countries may be an easier and much safer transition than other parts of the world. There are many factors to consider when a company adapts to a developing market such as trade barriers, language, culture, customs, a government attitude towards a certain country’s business and the environment. It is also very important to choose a market entry strategy but at the same time the company has to be flexible in choosing a country or region to which the products will be exported. The company can choose a market entry by direct sales; hiring a representative; choosing a distributor or agent; or forming a joint venture; licensing agreement; or creating a wholly owned subsidiary. It is extremely important to understand the legal ramification of a marketing strategy in a developing country according to (Meri Meredith, 2000).

International markets effort take many forms. Companies that conduct international business in several nations often favor what is known as an “individualized” marketing strategy. This approach which is only used by smaller business involved in only one or two foreign markets, typically involves a comprehensive market research component and a significant effort to adapt a product to each individual target market. Under this approach, political, social, and economic factors are important aspects of the marketing process.

According to (Monica Singhania and Akshay Gupta, 2011). If a developing country move from an import substitution to export promotion it would be easier to attract more and more FDI.

Another thing that can be very important for a developing country can be economic growth above global average, fast growing population with ever increasing young population and consumers, lower interest rates and relatively stable financial systems, lower wages and production costs, low inflation rate and increasingly reformed exchange rate systems, etc.

According to portfolio allocation homework FDI flow depends on factors such as international differences in profit ratios, interest rates and other measure of return to investment. Market imperfections based theories state that FDI flow happens when production is favorable in the host country rather than exporting. The focus that the second category is on the main advantages that a host country could provide in terms of location, i.e. geography, which determines its FDI flows. (Monica Singhania and Akshay Gupta, 2011).

2.1 Theoretical Framework

According to the article by Collier and Dollar (2001) suggest that if a developing country doesn’t have requisite technology, resources and skills these can be also provided by FDI though the spillover effect. However the capacity of the host country to absorb these resources and to generate growth successfully depends upon its policies. This means that FDI can also be very important for developing countries because it contribute to an exchange of personal skills and knowledge that always is going on between both countries. Another important thing to mention is that there are many several economic advantages provided by direct investment which is why a foreign country should enter a developing country by doing some important direct investments and at the same time creating many jobs.
First direct investment provides the diffusion of superior technologies and managerial techniques into the country generally creating much more job opportunities and increasing the sales and profit for the company. Another important thing to mention according to Collier and Dollar (2001) is that more liberalized the economy is then there it will be more positive benefits of FDI to be transferred to the host country. This study can be related for the RQ1 ”What types of advantages have company by investing in growth market”? 

When a company tries to adapt to a developing country they focus very much on two different ways to adapt into a developing country and those are by vertical and horizontal production structure according to (Aizenman & Marion, 2004) and the vertical structure means that the company try to find the country with the lowest factor price and the horizontal structure focus on the availability to other geographical area and lower cargo costs. This article can be related to the RQ2 “How does companies adapt to the business world in a developing country”? 
3. Methodology

This chapter describes the survey approach used by the execution of the study and answers the research questions. The selection will be presented and methods of data collection describes. This is followed by an explanation of the data methodology and data analysis used in conjunction with a description of hypothesis testing. The chapter concludes with a description of the quality of the thesis in terms of validity and reliability. To view the chapter's structure we have here below in the graph shown how the various headings are, Figure 3.1 shows an overview on how it looks.

3.1 Research Purpose

According to Saunders, Lewis and Thornhill (2007) we learn that every search has more than one strategy by applying the same application to research purpose. In order to achieve the objective of an author refers to three different purposes, which are: exploratory, descriptive and explanatory.

The author believes that the exploratory study is valuable in the viewfinder would like to clarify our understanding of the problem to the reader. The definition of exploratory studies, as Saunders (2007), explain is when searching the researcher wants to find "what is happening, to seek new insight, to ask question and to assess phenomena in a new light". Descriptive defined by Saunders (2007) as research by some of the exploratory search. We believe that this is necessary to the research and the viewfinder together to create a clear picture of phenomena which data was collected. According to Saunders (2007, p. 98) defines as an explanatory study "studies which establish causal relationships between variables". In the study the greatest emphasis has been placed on the situation, up to clarify the Swedish companies direct investing in developing countries and in our case, we have chosen El-Salvador, in Latin America.

We will in this thesis make use of explanatory and describe research study. We will explain and describe how Swedish companies direct invest in El Salvador. We also wanted to see how to adjust relationships in between the company in the two different countries and what the advantages and disadvantages there are in the relationship and with the direct
investment. The information we gathered was of an interview, and literature books and scholarly articles. The main objective is to limit our thesis because direct investment is a very broad subject. We have limited ourselves to the search that focuses solely on industrial country companies who direct invest in a company in a growth market in a developing country.

The information in an explanatory way is formed that the research questions cover the problem area. The thesis aggregate data and the shape of how it was analyzed are to give the thesis broad and deep explanations. The explanatory part of the work will be presented in an explanatory way, and how the answers to questions will be presented.

**3.2 Research Approach**

According To Saunders et al (2007), a qualitative data collection technique focus on non-numeric data in the form of words, pictures or video clip to describe data, while a quantitative data collection technique focus on numerical data such as numbers.

Denscombe (2000) describes in a good way to any researcher uses two terms that indicate a starting point and this can be divided into qualitative data and quantitative data. According Denscombe (2000) argues that the explanation of qualitative data is part of collecting the information and the development of theories. He also notes that in both cases there will be no description that provides a clear image; the result will always take a look at the researcher interpretation.

In our thesis we have chosen approach that is based on qualitative data because the interview was focused on the words and expressions than numbers. The qualitative data is very valuable in the thesis because we have the help of previously future research based on the same topic.

**3.3 Research Strategy**

According to Saunders et. al (2007) does research strategy as a plan for how you should respond to the research question. He also claims to have a clear research strategy is very important. The author also explains that there are five main method ways, which is, experiment, survey, case study, grounded theory, and ethnography and action search.

Yin (2003) argues that if the researcher wants to know the answer "why" the researcher needs to use a number of cases to get the answer. A side from the interview, the author recommends a number of cases since this according Yin (2003) gives a deeper and has expanded information about the document topic. The author continues to explain that there are three main reasons that make the research strategy to use and depend on strategy will use. The first reason is in the form of research question. The second reason is based on the control of behavior and the last reason is based on the existing documents.

In our thesis, we have the greatest focus on the research questions, therefore, leads us to the research strategy case study. According to Yin (2003, p.23) as it answers to our questions "how" and "why".
Denscombe (2000, p. 42) describe that's a case study hock very good possibilities to study a case in the depth. A case study says to give a detailed view of a few cases (op. cit, P.41).

As research strategy we choose case study since a deeper understanding for how Swedish companies direct invested in El Salvador-business market. We wanted to see the advantages and disadvantage the companies hovering and goats after writing a contract between them and how the relationship is and later on are development. There were one interview drew so a (comparison / relationship) between the companies in the two different countries could be made. Of the above three causes which Yin (2003) took up, we used the research question and the case study to get our answers "why" and "how", focusing on behavior was not necessary, only the current situation.

3.4 Data collection method

Saunders (2007) argues that literature helps one individual to develop their thesis and get a better insight into the researcher's previous thesis. He further explains that this kind of method can be divided into three parts, which are: primary, secondary and tertiary data.

Apart from theories and scientific articles, in our thesis did we have a phone interview with the manager Gustav Åberg of Sony Ericsson in Stockholm Mat, 17 2011. The interview lasted for 2 hours and 40 minutes but during that time did he disconnected me and took another phone call and their where some other disturbance. But although it went good to last, we got the answers to our questions and before we summarized everything I send Gustav a copy of everything that where said during the interview so he could give us the green light that everything was correct and that he didn’t disliked anything.

The reason to do an interview is that direct investment is not made on a daily basis and requires that you get the exact information of the data material on which this investment has taken place and how. The choice felt on Sony Ericsson based on the choose that Sony Ericsson had direct invested in El Salvador and senesce a time back had a business relationship with the country in between which we needed to get the answers to our research questions. To get answers to our research questions required a company in an industrial country that had invested in a developing country, we asked for the advantages & disadvantages, what resistance it meet and the relative terms there was between the company and the country after and under the direct investment.

Before the interview we divided our interview questions so it later on would help us connect and analyze the research questions in chapter one and the theories in chapter two. The questions from the interview with Sony Ericsson help us to analyze if the research questions have a connection with the theories and the questions that goes back to the both research questions.
3.5 Sample selection

According to Yin (2009, p.26) cases should be chosen to best highlights the study’s purpose. To achieve this and to assure the depth of the analysis we wanted to focus on an interesting case that would meet certain criteria to be relevant to the study. The case should be a business to business company but it was also important that the company sold products and not services. We found an interesting case that meet these criteria, Sony Ericsson. Sony Ericsson is a Swedish company with a broad competence in the phone industry.

We wanted to take a company who already had a relationship and were familiar with the El-Salvador growth business market. It was important for the company in the two different countries to know each other and been working with each other for a while.

We wanted the Swedish company to direct invest in growth businesses market companies in El Salvador. It was important to interview a company here in Sweden who already had a relationship to that country. Because they have a bit more experience about the country and how the expectations were before - and after the relationship and what kind of for - & disadvantages there are to direct invest in a developing country.

All these questions will be answered later on in the data chapter with help from our interview guide (appendix 1,2) that we had with the principal manager of Sony Eriksson in Stockholm, Sweden.

3.6 Data Analysis

Miles and Huberman (1994) describes that there is three different stages that analysis the consists of data analysis, which are;

- Data reduction
- Data display
- Conclusion drawing and verification

The first point data reduction is about the choice, obvious and focuses on the collected data. Data display draws conclusions that make it easier to organize and compress data. The last point conclusion drawing and verification gives the researcher a decision on how to express themselves in a simple way.

Yin (2003) describes that when uses the theories to formulate the research question and the object, the author recommends a theoretical proposition for the development of the organization of work and makes data analysis directly.

We have in our thesis used a theoretical and descriptive framework to be able to analyze the qualitative data and to be able to get the answers of our research questions. Although our study is based on case study, analyzed qualitative data, we have chosen to follow Miles and Huberman (1994) three stages. The overall collected results that we have gathered from
various case studies has been classified in different categories and compared with each other. The main aim have been to answer the research questions from chapter one.

3.7 Quality standards

Denscombe (2000) mean that quality standards can be divided into two different parts, which are validity and reliability.

Validity tells us about how well our study has been presented the reality. According to Yin (2003) there are two criteria, validity and reliability a researcher should take position in order to increase the quality of a thesis. According to Saunders et al. (2007), validity involves two facts. The first fact, validity is the extent to which the data collection methods accurately measures what they intended to measure. Second validity pertains to whatever the findings are really about what they claim to be about. By choosing a personal interview as our data collection we tried to increase the validity. Therefore geographic location has been considered before choosing the interview company. Due to the fact that the questions could concern sensitive matters, the validity could have been influenced.

Before the interview the author introduced themselves to make the interview as much comfortable as possible so that he would give as honest answers as possible and in order to increase the validity. By following the interview guide we hope to increase the validity by in that case not leaving the study purpose.

Reliability is defined as the extent to which the data collection techniques will produce consistent findings if the test is conducted by the same or other researchers (Saunders et al. 2007). This can be interpreted as if other researchers follow the same procedures of this study, they should get the same findings and conclusion (Inzunza. 2008; Yin. 2003). Reliability is described as the surveys reliability and usefulness, where it shows that the surveys execution can be repeated with the same result. The phone interview increased our reliability so we could talk together with Gustav Åberg and talk about all the questions we had. A phone interview always increases the reliability and later on perhaps increases the same results as meeting number one. Since we recorded the interview we were able to hear it over and over again and in this way we hope that we increase the reliability.
4. Empirical Data

We begin this chapter with a presentation of the company, we have examined, after which we let our collected material, our empirical work have a voice. We describe our data, and reveal the results of our interviews and document our studies.

The company Sony Ericsson was grounded October 1, 2001. The company was formed when Sony Ericsson merged their divisions together. Sony Ericsson is owned equally by the Japanese electronics company Sony and Swedish Ericsson. After that both companies made their activities in the mobile telephony industry the competitors proposed dropped against their business together. Since then the developments that initially been positive have continued in the same direction.

Despite challenging market outlook for the industry of mobile telephony there are waiting some very interesting times. New actors like Google (behind the Android operating system, used in Sony Ericsson phones) and other content providers want to participate from the beginning, when mobile phones are increasingly starting to look like small laptops.

Sony Ericsson has a colorful history of involvement in the telecommunications, Internet and other technological equipment, which led to who Sony Ericsson is today. That is, a vast movement with more than 8,450 employees’ worldwide and annual sales of 6,294 billion Euros, operating profit of 147 million and a continuing failure after tax gain of 90 million euro.

The climate issue can be seen as one of the largest and most important challenges facing humanity and Sony Ericsson would be a condemnation here. Sony Ericsson seems to be a good environmental business in every way, while they seem to take the initiative and be proactive in environmental issues.

The questions number 5 – 9 in the interview guide was asked and made to help us analyze the first research question while question 10-14 in the interview guide was made for analyze research question two. Before the interview start we had 15 questions prepared and were divided like this:

- Company Background
  - How does the process for direct investment look like Like for Sony Ericsson?
  - How often are you meeting with management and corporate governance relating to direct investment?
  - What role do you think the investment entity has?
  - Which is the reason to why Sony Ericsson has invested in El Salvador?

- RQ 1: (Questions that later On will help us analyze the Theories with RQ 1)
  - What positive side is there by invest in El Salvador?
  - Which benefits can be obtained by investing in El Salvador?
  - What is the yield of direct investment between the countries?
  - What do the company contribute in direct investment?
  - How does the investment contribute to the company’s overall vision/ strategy?
4.1 Interview with Sony Ericsson

The telephone interview was held May 17 with Gustav Åberg who is responsible for Sony Ericsson in Stockholm. The interview started by him telling me a bit about the business history and their goals. Among other things he said that they have weekly meetings in the company and if a new direct investment is relevant for the company than it should pop up during the meeting but on a larger direct investment the decision carries out at several different levels in the larger Sony Ericsson companies.

The main reason why a company like Sony Ericsson is investing in a developing country like El Salvador is to receive higher capital returns because developing countries like El Salvador have deficit of capital and multinational companies benefit from this. It increases cash flow for the company because the costs are cheaper for the company to establish itself, the low wages that employees maintain and it helps that there is more to get and win. A second reason is the desire to maintain its position as a multinational company that has an external image as a driving force in the communication-driven world and to succeed as it they must be in as many places as possible.

In a direct investment is it usually a win to win situation. It would be called a barter because that industrialized give the country the latest technology in telecommunications, the broadening skills in the subject and the job which in turn contributes to crime reduction in the country and increase the host country's GDP, providing greater opportunity for development in the country. In exchange, Sony Ericsson will receive growing sales, good operating margins and a strong cash flow. As a multinational company Sony Ericsson is fully determinate to creating value for there shareholders. The main advantages are that it is low cost in salaries, production costs, business costs, marketing and miscellaneous costs. It is generally the low level of prices the country have that’s make industrial country to direct invest.

Despite all these positive benefits of investing in a developing country there are a host of other obstacles that impede investment work a lot.

When adapt to a new country you must take into consideration to the country's and people's opinions and rules, you may not control and set stuff as it suits you personally. In a developing country barriers arise most often in the form of duties, clear limits in the...
business sector, corruption and unreliability. In El Salvador, legal certainty can be an obstacle since political interests can be quickly set aside a law for the benefit of powerful sections of El Salvador. There is always a disadvantage to invest in a country where there is culture clash, domestic law and practice but Sony Ericsson try as large companies to avoid through communication, which proved to work out pretty well until today, when the relationship works great.

5. Data Analysis

In this chapter we are using scientific articles, theories and an interview that we made with the company that we decided to choose whose in this case is Sony Ericsson.

5.1 Advantages related to the research question number one: "What type of advantages do companies have by investing in a growth market?"

According to the data collected in this interview we could see that the company has a large experience of direct investment in developing countries and especially in El Salvador. Sweden has a very advanced and well developed system of direct investment from multinational companies to developing countries in poorer parts of the world.

Sweden have a higher level of capital and skills than the poorer countries and have many multinational companies investing in El Salvador but the country in order to get a higher return of capital have a shortage of capital as multinational companies such as Sony Ericsson benefits of.

The reason that Sony Ericsson directly invest in foreign countries is first of all to be a strong company and main leader in the entire communication business world and another reason for why the company do investments in a developing country is because the production costs are lower in those countries. Another important advantage mentioned in the interview is that the great thing about investing in a developing country is that it gives the company an increased influx of cash. When a company decides to directly invests in a country like El Salvador is because the nation provides cheaper costs of establishment and the low wages that the employees maintain. In this case both countries take advantages of the situation and the exchange of direct investment in this recognizes that Sony Ericsson give them the latest technology in telecommunications and cooperate with reducing the crime in the country according to (Dunning & Lundan, 2008).

Sony Ericsson gives the country a chance for the population to use voice, data, images and share videos and information whenever and wherever they want. The current text information can be easily connected to (Tanay Kumar Mandi, 2007) in the beginning of this work which means that there are a lot of advantages provided by FDI for the consumer in a developing country. Middle income countries depend very much of Foreign Direct Investment for their economies because that is the only way to attract investment and at the same time increase the growth of the economy for their country according to (Collier and Dollar, 2010) who means that more liberalized the economy is the more positive benefits of
FDI are going to be transferred to the developing country. Another important thing to mention according to (Dunning & Lundan, 2008) is the many several economic advantages provided by direct investment in a foreign country and specifically this article mention the possibility to use the OLI model as a way to search important advantages for the company in a developing country before doing investments. The model consists of three different steps that can be used as a scanner of advantages for the company and these main steps are: Ownership advantages, Locational advantages and Internalization advantages.

5.2 Second Research Question which is about: How does companies adapt to the business world in a developing country?”

Here we can find important information according to the data collected like for example that it will always be problems for the multinational company when adapting into a developing country because of many reasons and one of them can be that it is very important when the country’s government say yes before accepting a foreign company and the most common problem that the multinational company face when entering a foreign country are corruption and unreliability according to (Meri Meredith, 2000). The main problem according to Sony Ericsson when entering a foreign country in this case is the rule or law but also political interests that can quickly get the law repealed in favor of powerful sectors in El Salvador.

The data collected in this interview want to focus first of all to a major effort because domestic companies are already established in the market, and the risk of failure is very high usually because Sony Ericsson didn’t had any previous operations in South America and this will unforeseen obstacles emerge such as cultural clashes, domestic legislation and guided practice according to (Meri Meredith, 2000).

Here we can easily find theories related to the five steps that are required to adapt into a foreign market and those steps are: Vertical and horizontal production structure. The vertical structure means that the countries divides its production into an international level and try to search the country with lowest costs as the horizontal production structure focus more on when a company decide to start production in many different countries and getting access to shorter lead times, and lower cargo costs according to (Aizenman & Marion, 2004).

If a developing country move from of import substitution to export promotion it would be easier to attract more FDI. It can also be very important for an economic growth in the country to have an economic growth above global average, fast growing population with ever increasing young population and consumers. Lower interest rates and relatively stable financial systems, lower wages and production costs, low inflation rate and increasingly reformed exchange rate systems as mentioned before according to According to (Monica Singhania and Akshaygupta Gupta, 2011).

5.3 Analyze review

Another important thing to mention in this case is that it is very necessary to explain that a company can adapt to a foreign market by setting up its own manufacturing operations in a
foreign country but capital requirements associated with this method generally preclude small companies from pursuing this option. Large corporations are far more likely to embrace this option, which often allows them to avoid high import taxes, reduce transportation costs, utilize cheap labor, and gain increased access to raw materials according to (Aizenman & Marion, 2004).

Many companies face the same kind of challenges as firms marketing domestically, international environments present added uncertainties which must be accurately interpreted. Indeed there are a host of factors that need to be researched and evaluated when preparing an international marketing strategy.

This explanation could also be used to give a picture about how big companies like in this case Sony Eriksson do before entering a new developing country outside Europe. In this case we focus very much on how law and rules in El Salvador are established. El Salvador is a very open country for foreign companies and the cultural differences between Sweden and El Salvador are huge.

Sweden is a well-developed country with a very modern industry and El Salvador is a developing country with a lot of advantages for other foreign companies to come there and set up operations.

A very important thing to mention is that the method that Sony Eriksson use before enter El Salvador is called a joint venture agreement and this allows firms with limited capital to expand into international arenas and provides the marketer with access to its partners distribution channels and Contract manufacturing, meanwhile is an exporter turns over the production reins to another company, but maintain control of the marketing process according to (Dunning & Lundan, 2008).
6. Conclusion & Implications

In this chapter we are going to make a deep analysis about our data collected during this thesis and at the same time be able to explain all the differences/similarities that we found during this project and end with recommendation for further research.

6.1 RQ 1: What type of advantages do companies have by investing in growth market?

We found for the research question number one that many of the advantages of doing foreign direct investments abroad provides a very important exchange of knowledge and at the same time gives a much higher profit for the company but also for the developing country that is very interested in attracting FDI. One of the biggest advantage we could find when the companies do foreign direct investment abroad is the access to cheap labor force which is often available in developing countries like El Salvador and a second important advantage to mention can be the possibility of increased access to important raw materials which can be related to (Markusen & Melvin, 1995). There are also many other remarkable economic advantages for Sony Ericsson provided by foreign direct investment like for example the facility and diffusion of many superior and modern technologies but also at the same time exchange of managerial techniques into the developing country.

One of the most important advantages we have to mention in this case as a conclusion for this research question number one are all the different positive results that Sony Ericsson find by investing in El Salvador like for example: the increased influx of cash generalization and the cheaper costs of establishment and the low wages that the employee maintains in a developing nation according to (Dunning & Lundan, 2008) and in this case we refer specially to El Salvador.

Some other important advantages to mention when Sony Ericsson make foreign direct investment abroad is higher return on capital and the shortage of capital as multinational companies such as Sony Ericsson benefits of. Another important and positive aspect to mention is that when a multinational company’s like for example Sony Ericsson invest in a foreign country like El Salvador it gives usually the company a very huge cash flow because of the low salaries for the workers and the very low production costs if we compare with other industrialized countries like Sweden according to (Markusen & Melvin, 1995).

In the direct investment companies sees most often after the benefit the company have for them self. The main purpose of direct investment in a country like El Salvador is just to reduce costs and increase sales revenue turnover. This in turn will be a benefit for the shareholders and the investors which can be related to the World Bank in Collier and Dollar (2010). In this article the author focus very much on the way for how the country open its borders but it is also based also in the following information that the more liberalized the economy is, the more bigger are going to be the benefits of the FDI and at the same this is going to be transferred to the company but it is also necessary to mention that the more
restricted the economy is the more negative the impact on the FDI will be and this will affect the economic growth in the company in a bad way.

6.2 RQ 2: How does companies adapt to the business world in a developing country?

For this research question we found some interesting facts and we can start by telling that International marketing is normally very important to use when a company focus its product and services towards another consumer group in a country other than the one in which they are normally located. Other important conclusion that we have for this research question was that the company usually follow two important strategies before to adapt into a developing country and those are the following: 1) Vertical 2) Horizontal production structure according to (Aizenman & Marion, 2004). Sony Ericsson uses a vertical strategy because the company divides the production process in an international level and transmits the production to the country with the lowest factor price. The main purpose is to decrease the price for production by low factor price. According to Sony Ericsson adaptation is always in shape out of communication. Since this is a large scale you have a partnership with local and central government is established.

There are many important factors to consider when a company adapts to a developing country like for example: Trade barriers, Language, Culture, Customs and a government attitude towards a certain country’s business and environment. These factors that we have mentioned before are very important for the company before investing abroad but also are really necessary to follow before entering a new foreign market according to (Meredith, 2000). There are also on the other side many other factors that prevent a company to directly invest in a new country. One must take into account their view and rules. You cannot always build their office where you desire in the host country and draw the network where it is needed without anyone else from the country had approved it. In a developing country like El Salvador there will always be obstacles in the form out duties and limitations of pure business, but rather the corruption and unreliability.

As a conclusion for the research question number two we can say that something very important that we have to think about in this case is that some goals to achieve when Sony Ericsson is really interested in gain a higher economic growth can be following: a very young population and also very low interest rates but at the same time very low wages and production costs but also very stable financial systems, and low production costs, low inflation rate and increasingly reformed exchange rate systems. All These things that we mentioned last are advantages that a company has to search for before gaining a very high economic development according to our data collected.

We can easily resume that before an adaptation to a important foreign market outside Sony Ericsson home base is by putting a lot of effort and wasting of time on communications but also by a big doing very important cooperation between local and central authorities in the host country.
One of the major problems that we found by doing this interview with Sony Ericsson is that Sony Ericsson is very prepared to have some serious problem like for example cultural disadvantages and the country’s own law system but also some problems with corruption and criminality which are very common in Central America and specially in El Salvador.

6.3 Implications for theories

This study had the intention to explain how a company from a developed country does foreign direct investment in a developing country. The analysis shows that the company must often follow a process or choose strategy before doing foreign direct investment abroad. There are many benefits behind foreign direct investment and therefore must the company use appropriate models and strategies to identify what advantages are to invest in a specific country. When Sony Ericsson invests abroad, you can also expect a number of rules that the company must satisfy before it succeeds in emerging markets. Therefore is considered the company’s experience in adapting to a developing country markets very important in order to achieve higher advantages and more customers for the company. In this case it is not possible to expect that it will work out perfectly for the company all the time. Sony Ericsson will also face adversity and disadvantages during the adjustment process.

The most important factors affecting the choice of a country as an interesting place to make foreign direct investment in are the following: Low production costs, availability to other geographical areas, shorter lead time, lower cargo costs, etc. At every decision the company must do in terms of what market to adapt are always the board and the investors who take the final decision in terms of adaptation techniques for the country as the company has chosen to invest in. It is common on the adjustment in to a new market to hire lawyers which deal with all legal so that it does not turn up any errors applicable laws of the land and regulation. One problem in this case may be the rule of law when the political interests can quickly get the law repealed for the benefit of powerful profiles in the developing country which in this case is El Salvador.

6.4 Recommendations for further research

Companies have specific policies before enter a new market. These policies mean a lot of effort and costs for the company because the goal is to search the lowest production costs and the best geographical position and many other factors are important before doing foreign direct investment. It would be interesting to find best practices for the company to establish themselves in developing countries as quickly and as effectively as possible. Therefore we would recommend further studies focusing on improving the reception of foreign direct investments in emerging countries but in this case more specifically in El Salvador and at the same time improve the situation of the population living in the country.
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Personal Communication

Personal Communication with Gustav Åberg, the manager at Sony Ericsson, May 17, 2011
Appendix

Interview Guide

1. How does the process for direct investment look like for Sony Ericsson?

The decision that a direct investment will be implemented at the company is taken from several different levels in the larger Sony Ericsson companies. Who is responsible for the decision of these firms depends on the type and extent of direct investment has been. The company takes the decision however, is always at management and board level, and that investors are included, there is a big advantage in that decisions made by the higher powers, because all the company’s competencies are included. The management team is committed through consultation among the various roles and hence it’s every angle.

"Once we start to look for a new country where we believe it is worthwhile to establish and direct investment on this site, we book meeting with the board and take it from there"

2. How often are you meeting with management and corporate governance relating to direct investment?

Usually, we have weekly meetings, this day is Monday morning, starting at 10, at these meetings and we discuss everything related to the company to do including direct investment.

3. What role do you think the investment entity has?

Investment division has the role to make investments that also create revenue. Investment division is one of the most important services we have because without direct investment we never developed as a company and do not have the same opportunity to establish ourselves outside of Sweden’s boarder. Without investors to reduce our chances even more to the establishment.

4. Which is the reason to why Sony Ericsson has invested in El Salvador?

Rich countries like Sweden have a higher level of capital and skills than the poorer countries have adopted multi-national companies investing in a developing country such as El-Salvador in order to get a higher return on capital, they have a shortage of capital as multinational companies such as Sony Ericsson benefits of. The reason that Sony Ericsson directly investing is first and foremost to be the driving force and main driver in an all-communicating world. Other reason is that production costs are lower in those countries, so there are more to get in a profit.

5. What positive side is there by invest in El Salvador?
The great thing about investing in a developing country like El Salvador is increased influx of cash generalization. To directly invest in a country like El Salvador, provides cheaper costs of establishment and the low wages that the employee maintains.

6. What is the yield of direct investment between countries?

In exchange for direct investment in El-Salvador recognizes that we give them the latest technology in telecommunications, broaden expertise in the subject, reducing crime in the country, increasing the host country's GDP and provides more opportunity for development in country. We give people a chance where you can use voice, data, images and video to share ideas and information whenever and wherever they want. While we as an industrial country from El Salvador receive a sale that is growing, a good operating margins and strong cash generalization.

7. What do the companies contribute with in direct investment?

As one of the world's top companies in telecommunications, we are contributes with the broad knowledge we have in the topic, the technology we have and increase chances to more jobs.

8. How does the investment contribute to the company's overall vision/ strategy?

Ericsson's overall goal is to create value for shareholders. Management uses four measurements to monitor the company's earnings, which are, a sale that is growing faster than the market, an industry-leading operating margins, strong cash generation and growth of joint ventures.

9. Which benefits do you think can be obtained by investing in El Salvador?

The crucial benefits that are available right now are the low costs, force, wages, production, business expenses, marketing, etc. The generally low level of prices the country has.

10. What kind of negative resistance is faced when trying to get into the country's market?

There are many factors that prevent a company to directly invest in a new country. One must take into account their views and rules. You cannot always build their office where you want in the country and draw the network where you are in need out without anyone else from the country had approved it. As a developing country will often obstacles in the form out duties and limitations of pure business, but rather the corruption and unreliability.

11. Which kind of legal/ law rules are you working on when working with direct investment in El Salvador?

One problem for El Salvador may be the rule of law, which political interests can quickly get the law repealed in favor of powerful sections of El Salvador.
12. What is your intention in a direct investment of a developing country such as El-Salvador?

In the direct investment companies sees most often after that benefit the company have for them self. The purpose of a direct investment in a country like El Salvador is just to reduce costs and increase sales revenue turnover. This in turn will be a benefit for the shareholders and the investors.

13. What are the disadvantages you will face with direct investment in El Salvador?

As a first step into a new continental market is always a big risk. To succeed, a major effort because domestic companies are already established in the market and the risk of failure is high. Because Sony Ericsson had no previous operations in South America will unforeseen obstacles emerge such as cultural clashes, domestic legislation, and guided practice.

14. How has the company adapted itself for a developing country (El-Salvador) business world?

Adaptation is always in shape out of communication. Since this is a large-scale you have a partnership with local and central government is established.
Intervjuguide – Gustav Åberg Sony Ericsson

1) Vad har ni för företagsbakgrund - KOLLA UPP HEMSIDAN ANG INFO OM FÖRETAGET

2) Hur ser processen ut för direkt investering till för Sony Ericsson

Beslutet om att en direkt investering ska genomföras till företaget tas på flera olika nivåer hos de större Sony Ericsson företagen. Vem som har ansvaret för beslutet i dessa företag beror helt på vilken typ och vilken omfattning som direkt investeringen har. Hos företaget tas beslutet däremot alltid på ledningsnivå och styrelse samt att investerare finns med, det finns en stor fördel genom att besluten sker via de högre maktarna eftersom alla företagets kompetenser finns med. I ledningsgruppen sker besluten genom samråd mellan företagets olika roller och därmed även företagets alla synvinklar.

"När vi väl får upp ögonen för ett nytt land där vi anser att det lönar sig att etablera och direkt investera sig på detta ställe, bokar vi möte med styrelsen och tar det därifrån"

3) Hur ofta har ni möte med ledningsgrupp och företags styrelse angående direkt investering

Oftast har vi veckomöten, denna dag är måndag morgon med start klockan 10, på dessa möten tar vi upp allt som har med företaget att göra inkluderat direkt investeringar.

4) Vilken är anledningen till att Sony Ericsson investerat i El Salvador

Då rika länder som Sverige har en högre grad av kapital/kompetens än vad fattigare länder har antas multinationella företag investera i ett utvecklingsland som El- Salvador för att få en högre kapitalavkastning, dem har underskott av kapital som multinationella företag som Sony Ericsson drar nytta av. Anledningen till att Sony Ericsson direkt investerar är först och främst för att vara den drivande och främsta kraften i en kommunikationsintensiv värld. Andra anledningen är för att produktionskostnaderna är lägre i de länder, så det finns mer och hämna i vinst.

5) Vilken positiv sida finns med att investera i El- Salvador

De positiva med att investera i ett utvecklingsland som El- Salvador är ökat inflöde av kassageneralisering. Att direkt investera i ett land som El- Salvador ger billigare kostnader att etablera sig samt de låga lönerna som de anställda vidhåller.

6) Vad blir utbytet vid direkt investering mellan länderna
Utbytet vid direkt investering med El- Salvador medger att vi ger dem den senaste tekniken inom telekommunikation, bredda kompetens inom ämnet, minskar kriminalitet i landet, ökar världlandets BNP och ger större chans till utveckling i landet. Vi ger befolkningen en chans där man kan använda telefoni, data, bilder och video för att utbyta idéer och information när och var de vill. Medan vi från dem mottar en försäljning som växer, en bra rörelsemarginal och en stark kassageneralisering.

7) Vad bidrar ni som företag med vid direkt investering

Som en av världens främsta företag inom telekommunikation bidrar vi med den breda kunskap vi har inom ämnet, den teknik vi har samt öka chansen till mer jobb.

8) Hur bidrar investering till företagets övergripande vision/ strategi

Ericssons övergripande mål är att skapa mervärde för aktieägarna. Ledningen använder fyra mätt för att följa upp bolagets resultat, vilka är; en försäljning som växer snabbare än marknaden, en bransch ledande rörelsemarginal, en stark kassa genering och tillväxt hos joint venture.

9) Vilka vinster tycker du att det finns att hämta genom att investera i El- Salvador

Dem främsta vinsterna som finns att hämta just nu är de låga kostnaderna, gällande; löner, produktionskostnad, företagskostnader, marknadsföring etc. Den generellt låga prisnivån landet har.

10) Vilket motstånd möter ni när ni försöker komma in i landets marknad

Det finns många faktorer som hindrar ett företag att direkt investera i ett nytt land. Man måste ta hänsyn till deras åsikter och regler. Man kan inte alltid bygga sitt kontor där man vill i landet och dra de nät man är i behov utan utan att någon annan från landet godkänt det. Som utvecklingsland kommer hindren ofta in i form utav tullar och rena begränsningar i näringslivet, utan snarare korruption och opålitlighet.

11) Vilka juridiska regler/ lagar följer ni vid direkt investering i El- Salvador

Vid kontrakt skrivning och direkt investering anlitas advokater som handskas med alla de juridiska dokumenten så att det senare inte dyker upp några fel gällande landets lagar och regler. Ett problem för El Salvador kan vara rättssäkerheten, då politiska intressen snabbt kan få gällande lag upphävd till fördel till mäktiga profiler i El Salvador.

12) Vad har ni för avsikt vid en direkt investering av ett utvecklingsland som El- Salvador

Vid direkt investering ser man oftast efter det som gynnar företaget som mest. Avsikten med en direkt investering i ett land som El- Salvador är just att minska kostnadsomsättningen och öka intäktsomsättningen, med detta öka aktieägarnas vinst ännu mer.

13) Vilka nackdelar möter ni inom att direkt investera i El- Salvador
Som ett första steg in i en ny kontinental marknad tar man alltid en stor risk. För att lyckas krävs stora insatser eftersom inhemska aktörer redan är etablerade på marknaden, och risken för att misslyckas är stor. Eftersom SE inte haft någon tidigare verksamhet i Sydamerika så kommer oförutsedda hinder dyka upp till exempel kulturkrockar, inhemsk lagstiftning och praxis.

14) På vilket sätt har företaget anpassat sig efter ett utvecklingsland (El- Salvador) företags land

Anpassning sker alltid i form utav kommunikation. Eftersom detta är en storskalig satsning så måste ett samarbete med lokala och centrala myndigheter etableras.