Public-private partnerships as a strategy for successful expansion in emerging markets?

- *A case study of the motives, means and outcomes of Swedish MNEs engagement in public-private partnerships in emerging markets*

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Abstract

While both the concept of Private-Public Partnerships and the research on the topic is not new, PPPs from a market expansion perspective has not been covered to any notable extent, something this thesis aims to rectify. With the importance of relationships in business in emerging markets, the Institutional Network Approach serves as the backdrop for the study, highlighting the interplay between MNE and surrounding institutions. Through three case studies of Swedish MNEs active in PPP-projects in emerging markets, the aim is to develop a model suitable for analyzing MNE engagements in PPP-projects, but also to see if the gains from PPP engagements can constitute a feasible emerging market expansion tool.

The outcome of the study revealed that the studied MNEs primarily sought legitimacy and credibility in their projects, goals which according to MNEs also were acquired, and that the new model to a large extent captured aspects that were identified as important in the firms’ reports from the projects. It was concluded that in order for the PPP to serve as reliable market expansion tool, the firm has to be of MNE-size in terms of resources and ambitions, because smaller firms would struggle to be awarded, or handle, PPP-projects of this size. Previously stated credibility and legitimacy (from the CSR-aspects of the PPP), as well as the long-term collaboration resulting in solid relationships between MNE and institutions, are other benefits.

Keywords: Public-Private Partnerships, Market Expansion, Emerging Markets, MNE, Swedish, Institutional Network Approach, International Business Strategy
Acknowledgements

We would like thank our supervisor Christine Holmström Lind for her support and patience with us throughout the writing process, and our examiners Maria and Kristina for all their constructive input and valuable feedback.

A special thanks goes out to all our interviewees from Tetra Pak, ABB and Skanska as well as Linda M. Andersson of EY who all took the time and effort to help us onward on this journey.

Veronica Haglund & Carl Liljefors
Uppsala, May of 2014.
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1. Introduction

Throughout the last two decades the global business environment has undergone a fundamental transformation. As a result of the world becoming more interconnected, the interaction and relations with non-market stakeholders, such as representatives from civil society and local governments are becoming an increasingly important task for MNEs who wish to successfully establish themselves and remain competitive in new foreign markets (Rodriguez et al. 2006, Forsgren 2008). The environment of Multinational Enterprises (MNEs) is not limited to its business activities, but involves MNEs as political objects participating in the political spheres of its markets (Forsgren, 2008). MNEs of today are thus required to answer and adhere to a range of complex standards and respond to new relevant constituencies in the market where it is active. Since the rise of the CSR paradigm places firms as citizens of a global world with responsibilities, it is no longer possible for MNEs to focus solely on short-term returns. The changing role of the MNE as a global citizen is a well-known phenomenon in the IB field and poses new challenges for corporations as expectations of them and their behavior are transforming (Shallini, Pawan & Gupta 2011).

At the same time, national governments are finding themselves at crossroads as well. The biggest problems facing the world today are complex and interlinked and involves resource-intense and politically complex ‘mission impossibles’ such as rising income disparities and levels of inequality, climate change and the issue of poverty – challenges which have proven to be far too complex to be solved by any single actor. As a result, the international community is turning to a broader problem-solving approach involving not only states, but a range of stakeholders such as the civil society and the private sector (World Economic Forum, 2013, McKinsey 2009). By joining governments with private enterprises through the formation of public-private partnerships (PPPs), it is possible to harness the complementary competencies that are needed to tackle the intricate problems of, especially, developing countries (Timmerman & Krusemann 2009). In short, these partnerships are collaborative efforts of organizational representatives from two or more economic sectors working together to solve a particular social issue that is identified through a public policy agenda (Waddock, 1991). The public player assumes the responsibility for the planning and payment for the services rendered, while the private party assumes responsibility for the execution and is being paid upon completion of the project. To lower the level of risk for the private party as
the payment might be withheld until the project is fully finished, the capital involved for the projects are often supplied by third-players, usually banks and financial institutes in order to spread the risk for the private actor (Andersson 2008, 2014, Lester 1995, Langford & Harrison 2001).

The public sector controls the decision-making structures, the political and social goals of the country, and the needs of relevant constituencies, while the private sector contributes to the process by its innovation capabilities, knowledge, funds and networks. The underlying core idea is to combine public responsibility with private efficiency – an idea which is far from new but is gaining more attention in the international policy development debate since the macro economic crisis hit the world and financial resources for Overseas Development Assistance (ODA) are becoming scarce (World Bank Group, 2013).

The acknowledgement by policy makers of the intersecting boundaries between private and public economic activities represents an important shift in paradigm. On December 31, 2015, the United Nations Millennium Development goals will be replaced with a new set of international development goals, the Sustainable Development Goals (SDGs). In the Post-2015 development agenda, the role of the private sector will be emphasized and public-private engagement, including PPPs; will be a key pillar for the financing of the development needed for a more sustainable future. The new Post-2015 agenda will also contain another important acknowledgement – the collective responsibility of good governance, not only for state actors but also non-state actors such as corporations. Just like the Millennium Development agenda, the Post-2015 agenda will be one of the most important political frameworks for the coming decade as it will significantly impact the policy framework for all of UN’s 193 member states (World Bank Group 2013). This makes the upcoming catalytic role of the private sector as one of the main drivers for development an important priority of policy makers all over the world (World Economic Forum 2013).

The new political momentum that will exist for PPPs and other public-private economic engagements represent an important change in the global marketplace. However, engaging in a public-private partnership involves important opportunities but also significant risk for MNEs. One could assume that ‘marrying’ the local decision makers potentially offers a number of advantages such as the chance of developing valuable market knowledge and the skills and capacities that is needed to cater to it, which can help the enterprise to outperform

In recent years, economic growth is stagnating in Europe and the US, and slowing down in China, while emerging markets, especially those of developing countries in Africa, are becoming key agents for foreign FDI inflows (UNCTAD 2013). The long term economic prospects of such markets are however highly lucrative as those previously poor are transitioning into affluent consumers (Prahalad & Hart, 2002). The chance of engaging in a public-private partnership in these markets might thereby constitute a great strategic opportunity for MNEs who wish to gain an early foothold in them. On the other hand, public-private engagement can involve great corporate risks, such as enhanced financial risk and the risk of damaging important relationships with the local government and consumers. Perspective is thus required to evaluate and take advantage of new emerging opportunities and balance the potential gains with the risks of the endeavors (Andersson 2014).

1.1 MNEs’ Public-private partnerships engagement – An unexplored area within International Business research

The changing prerequisites of how MNEs can and are expected to behave coupled with the lucrative opportunities arising in emerging markets have created strong incentives for MNEs to engage in public private partnership agreements (Andersson, 2014). Still, little attention has been given to the notion of the motives and the outcomes of how MNEs engage in such projects. Instead, prior research on public-private partnerships is primarily divided among other research streams which place emphasis on other aspects than the MNE. Much research has been carried out in the fields of public administration, organizational economics, project management and entrepreneurship (Hodge & Greve 2007). Much of the research that have been conducted through an MNE perspective have focused on issues such as value distribution and capture mechanisms in PPPs, thus avoiding the broader organizational and managerial dilemmas usually found in such partnerships as well as any potentially negative effects on private sector outcomes (Bennett & Iossa 2006, Chong, Huet, Saussier, & Steiner 2006, Hart 2003). Others, such as Rangan et al. (2006), argue than an analysis on the micro-level of the matching between the underlying value rationale and diverse formations of organizational forms required for PPP engagement by MNE’s, is needed.
The lack of research exploring the MNEs engagement in PPP projects, especially those in emerging markets, is troublesome considering the new momentum for PPPs in these markets involving MNEs. Knowledge on how and why MNEs engage in PPPs in emerging markets and how the firm’s perceive PPPs as a means for market expansion in such markets, is highly relevant as the motives, means, and by the MNE, perceived outcomes from such engagement, most certainly influences the entire PPP venture. Considering that PPPs are complex endeavours involving many different stakeholders, and the outcomes will influence all involved, we argue that the knowledge gap regarding how and why MNEs decide to engage in PPPs in emerging markets, is highly problematic.

1.2 Aim and research question

Purpose
Engagement in a PPP from an MNE is a major task which involves working closely with both the local government in the market but most often other stakeholders as well. As public private partnerships involve great investments and often a large degree of risk, the MNE must balance its own interests with those of the other involved stakeholders. The firm is not a local player but a foreigner who acts on an area that is set and dominated by deeply-rooted institutions (Andersson, 2014, Timmerman & Krusemann, 2009). This together with the notion that networks are central components for successful establishment in emerging markets (Jansson, 2007), suggests that the institutional network effects that a PPP in an emerging market might render for an MNE, is a highly interesting issue to investigate. The idea to focus on the institutional network effects of the PPP engagement is further supported by nature of public private partnership itself, as it involves an array of different stakeholders and institutions. The theoretical lens for this study will therefore be the institutional network perspective.

Our overarching purpose of the study is thus to contribute to the field of market entry strategy by shedding light on why and how MNEs engage in public private partnerships in emerging markets. By doing so we hope to contribute to a better understanding of whether or not MNEs use PPP engagement in emerging markets as an applied strategy to reap certain benefits in the given markets, and if so, what benefits are associated with a PPP strategy. The direct aim of this study is to analyze a selection of Swedish MNEs’ public private partnerships ventures in
emerging markets from a market expansion perspective. Such a study places particular emphasis on the motives behind the partnerships from the MNC point-of-view, the methods undertaken to reach set goals, and the subsequent results and other outcomes. Our research has been guided by the following questions:

- Why do MNEs’ engage in public-private partnerships in emerging markets?
- How do MNEs’ engage in PPPs in emerging markets?
- What are the perceived outcomes of the MNEs’ PPP engagements?
2. Theoretical framework

This chapter outlines the theoretical framework for our study. It begins with looking at entry into emerging markets, and progresses to Public-Private Partnerships, with advantages and motives for them, as well as prior research done. Thereafter, Institutional theory is the focus, moving towards the importance of business networks in emerging market expansions. Afterwards, the Institutional Network Approach is presented. Rounding off the chapter is a theoretical summary that leads toward a new model of analyzing the MNE’s engagement in emerging market PPP projects.

2.1 Entry into emerging markets - A few words on emerging markets and MNEs’ rationale for moving into them

Jansson (2007) defines an emerging market as a growing market that is being transformed from a pre-market stage (non-pecuniary/traditional/centrally planned) to the market stage of the mature Western capitalism economy, through the use of integrated and successful structural reforms of companies, markets and society (Ibid). Quelch & Arnold (1998) point out three aspects of a country’s economy that they believe to be present in various definitions of an emerging market. Firstly, the economic development is usually indicated by an average-level GDP, or alternatively, the balance between any commercial, industrial and agrarian activity present. Secondly, the relative speed of economic development, usually analyzed through the GDP growth rate. The third aspect is the existing system for which the market is governed with particular emphasis on the stability and extent of a free-market system. If there is an ongoing process of economic liberalization moving from a command economy, Quelch & Arnold (1998) suggests that the “transitional economy” is more appropriate.

Emerging markets thus differ compared to other types of markets which is why the path to successful market expansion also differs. Over time, many different views have been presented on different aspects of firms’ entrance into emerging markets (Welch et al. 2007, Dikova & van Witteloostuijn 2007, Slangen & Hennart 2008). One significant difference between emerging markets and developed such is the differing institutional context (Henisz 2000, Brouthers 2002, Meyer & Nguyen 2005). The lack of formal institutions often increases the degree of uncertainty associated with the expansion into the emerging market. In order to overcome this, the importance of local networks has been emphasized (Forsgren 2008, Jansson 2007, London, Hart & Stuart 2004). Successful here means for firms to overcome
their liability of foreignness, and to establish relationships with a partner native to the market in order to gain legitimacy and decrease uncertainty (Slangen & van Tulder 2009).

In terms of company incentives for moving into emerging markets, the time perspective varies compared to entry into more mature markets, and more time is generally needed for the MNC to make its transactions in emerging markets profitable. Investments into ventures in emerging markets thus needs to be viewed through a long-term perspective as major macro-economic changes such as the formation and growth of the new middle class, can be taken into account. (Bakutes et al. 2014). Yet, it is becoming increasingly clear to both managers and scholars alike that there are opportunities associated with low-income markets. A very large majority of the populations in such markets operate mainly in large, but hidden economies that are not recorded in official GDP statistics (Prahalad & Hart 2002). It has been estimated that the informal sector of such hidden economies includes more than $9 trillion in assets that are either unregistered or hidden. (London & Hart 2004, de Soto 2000). With so much resources based on hidden resources, the available government funding for societal improvement projects are highly limited why alternative solution to bring in funds, such as public private partnerships, could be highly beneficial solutions (UNCTAD 2013, Andersson 2014).

2.2 Moving into the business context for the study - A definition of Public-Private Partnerships

The term public private partnership seemingly appeared for the first time in the United States where the term then meant joint-sector funding for educational programmes. Later, in the 1950s, the concept was expanded to include funding for utilities as well, but did not become as widely-encompassing until a decade later when it was used for joint-sector cooperation for urban renewal. It can also be used to refer to publicly-funded provision of social services by non-public-sector bodies, such as non-governmental organizations (NGOs), or with public funding of R&D done by private-sector companies. In short, these partnerships are collaborative efforts of organizational representatives from two or more economic sectors working together to solve a particular social issue that is identified through a public policy agenda (Waddock 1991). The public player is usually responsible only for the planning, and payment for services rendered is always paid upon completion of the project, meaning that the private player is bearing much of the risk associated with the project. Should it not be completed to
the satisfaction of the other, payment might be withheld. For this reason, up to 80-90% of the capital comes from third-players, usually banks, to spread the risk. The element of risk transfer is closely tied to the first criteria as the transfer of risk ties the involved parties to each other in a common mutual interest (Andersson 2008 & 2014, Lester 1995, Langford & Harrison 2001). PPPs are therefore deeply rooted in a long-term perspective, as the projects usually run over a long period of time (Andersson 2014).

2.3 Advantages and motives behind public private partnerships

Looking into the motives behind the instigation of a PPP, several key points from the public actor’s view are recognized. There exists first of all a wish to modernize aspects of the public sector which can be done with the help of a private sector actor. Secondly, as a result of such collaboration, access can be gained to private funding for public services, while the private party is being offered a long-term, lucrative investment opportunity. Public opinion and legitimacy can be improved as the public as well as the private actor are seen as working actively on behalf of the society. Furthermore risk that arises in connection with such collaboration can be handled and borne jointly by the actors, which increase the chances for success (Mörth & Sahlin-Andersson 2006). Successful implementation of PPPs can accomplish many things, such as creating value for society, stimulating national competition and increasing technology diffusion. It may enhance the effectiveness of the government mission through the utilization of private sector commercial technologies, production efficiencies, and cost reductions. For the private party, innovation, competitiveness and risk and cost reduction may be stimulated. Lastly, there is ample evidence that regional economy where the PPP is instilled may be strengthened through creation of new jobs, products and profits (Link 1999).

Unlike contracting-out, which is a stage of outsourcing where the government contracts with a private organization to construct a product or realize a service, PPPs differ by focusing on continuous cooperation to create customized products, making it an ideal means for complex and difficult projects (Savas 2000). However, different actors involved in the PPPs often have different goals and agendas of their own (Groves 1973, Selsky & Parker 2005). Therefore the importance of strong relationships between the public and private stakeholders cannot be overstated since a lack thereof could result in misunderstandings and then conflicts (Tang et al. 2010). Jha and Iyer (2007) mention key failure factors for the timely and successful
implementation of a project, namely: principals’ ignorance and lack of knowledge, lack of coordination among actors, less than friendly socio-economic environments, and the indecisiveness of participants in the PPP (Mitchell-Weaver & Manning 1992).

2.4 Prior research on the management and outcomes of public private partnerships

Much research has been done on how the engagement of private actors can be used to deliver value to the public. Public private partnerships have thus been explored in numerous different research contexts already. However most research have been focusing on the potential pitfalls of public private partnerships endeavours focusing on how such PPP’s should be organized in order to be as successful as possible. The notion of whether or not PPP’s are suitable arrangements in order to deliver public value have been focused on quite extensively (Spiller 2010, Rufin & Rivera-Santos 2010, and Rangan et al. 2006). Most research efforts have been concentrated on either the managerial and organizational aspects of the PPP concept, or have put the state’s and the public’s good, as the focal point. Most have its roots in the fields of public management, political economy, controlling, and project management (Rufin & Rivera-Santos, 2010, Rangan et al., 2006) while the interest from the IB field have been highly limited. Current literature thus provide little insight in the how the formation and realization of a public private partnership impacts the firm, its competencies and capabilities and perhaps most interestingly, its stance and opportunities in the market where the public private partnership is being carried out (Spiller 2010, Rufin & Rivera-Santos 2010, Rangan et al. 2006).

2.5 Institutional theory – The theoretical point of departure for our study

As mentioned earlier, emerging markets involve operating in a different institutional context compared to developed markets. Within the field of international management research, the institutional context in which companies do business is considered to have a direct influence on what market entry strategies are chosen by MNEs and their outcomes for them (Henisz 2000, Brouthers 2002, Meyer & Nguyen 2005). The institutional theory perspective is founded in the notion that business networks as well as society at large is comprised of institutions. In other words, this means that the emphasis is on the more resilient, deeper aspects found in social structures, especially the processes which through these structures (structures like rules, routines, norms and schemes) become instituted as accepted authority for guiding social behavior. In essence, how rules, routines etc. become established as
accepted authority. Because of such authoritative guidelines from the institutions of the environment, an organization must, if it wishes to survive there, follow and conform to the ruling system of accepted norms and beliefs in effect in that environment. The reasoning behind this is that through such institutional isomorphism, both in the way the organization structures itself and how it creates its procedures, legitimacy is gained which is necessary for success (Scott 1995, Dacin, 1997, Deephouse, 1996, Suchman, 1995).

This institutional environment includes formal and informal aspects referred to as regulative, cognitive, and normative structures, which affect both human and organizational behavior (Scott 2007, Meyer & Rowan 1977). The formal constraints are made up of laws and rules that are created by institutions of the legal, economic and political system. These laws help guide the behavior of firms by defining the rules of the game, by monitoring, and by enforcing that they are followed. Informal aspects that affect the behavior of stakeholders such as employees, managers, and consumers in a specific country are mainly values and norms (North 1990). Within these informal aspects is the national culture (Hofstede 2001). Cultural factors tend to have an impact on managerial costs and also on the way uncertainty is assessed in foreign markets. As such, different environments consist of different levels of resources and institutions of varying effectiveness (Demirbag et al. 2008).

The term is also signified by predictability since the accepted norms help to standardize the behavior of the members because most people usually act in a way that is accepted by the collective. As a result, institutions are often very helpful in describing, explaining and predicting actual organizational behavior, which, in turn, reduces risks and uncertainty in international business strategy (Jansson 2007). These institutions therefore influence transaction and production costs and therefore the profitability of firms engaged in economic activities (North 1990). These institutional conditions have a profound impact on of the most important decisions that are associated with market entry, namely, what entry mode to choose (Gaba et al. 2002, Estrin & Prevezer 2010). The definition of entry mode can, according to Welch et al. (2007), be the institutional or organizational arrangement that is utilized in order to conduct an international business activity, such as the servicing of customers or the manufacturing of goods. It is thus imperative that foreign firms select adequate modes of market entry if they are to reduce institutional pressures and to compensate for institutional weaknesses (ibid).
2.6 The importance of business networks for emerging market expansion

The idea that differences between markets influence the abilities and chances of the businesses active in them is a fundamental concept particularly within the realm of international business studies (Forsgren, 2008). As mentioned, another important feature distinguishing emerging markets from more mature such, involve the importance of local networks since these networks, in lack of formal institutions, play a more pronounced role in the societies of emerging markets (Jansson, 2007).

The business network theory, a theoretical paradigm particularly within the field of the International Business research, emphasises the importance of the relationships the firm has with relevant actors in the local market as a key factor to successful internationalization (ibid), similar to the stance taken by the International Network Approach. At the heart of the network approach lays an assumption that knowledge of the foreign markets that a firm chooses to enter is an important factor for successful market entry. The network theory essentially assumes that such knowledge must be acquired through first-hand experience. The term ‘network’ places emphasis on the relationships the actor is involved with, which is of particular importance in emerging country markets which are often relationship-oriented societies, and also important for the MNEs themselves. The firms therefore embrace two types of networks, the external network towards parties in the external environment, as well as internal networks within the MNE (Jansson 2007, Forsgren 2008, Hilmersson & Jansson 2012).

The perspective highlights that a basic understanding of the business networks in the markets a firm chooses to enter, is essential for any company that attempts to compete with local ‘insiders’, that is, competitors who do understand the dynamics of the local networks (Forsgren, 2008, Hilmersson & Jansson 2012). Previous research founded in the network theory has given ample evidence that existing business networks appear to exert influence over the behaviours of the firm in its internationalization process. Agndal & Chetty (2007) found that such business relationships also influences strategic changes in a firm’s internationalization process. That business relationships influence significant impact on how firm’s expand abroad is thus a well-confirmed notion. Seen through a network approach, one could therefore argue that internationalization is an outcome of the actions that a firm carry out in order to establish its relationships by strengthening network positions. How firms’
however influence their positions in such networks is not as well-researched (Johanson & Vahlne, 2009, Coviello & Munro 1995 & 1997).

2.7 Introducing Jansson’s (2007) Institutional Network Approach

The impact on both the institutional context as well as network environment of a MNEs market presence in an emerging market is well-researched phenomena (Jansson, Hilmersson & Sandberg, 2009, Arnold & Quelch, 1998) Jansson (2007) summarize the interplay between these two in his institutional network approach – a theoretical framework combining institutional theory and network theory. This perspective recognizes both the importance of effective networking by establishing relationships between decision-makers in the MNE (especially on the local level), and those that are active in the emerging market, but also the challenges posed by the local institutional context (Jansson 2007).

To summarize, the internal environment and the external environment have two major contents: institutions and networks. These two ingredients have one common factor; the dependability of the MNE on the environment in which it operates. Due to the environment’s prominent role in international business strategy, an approach is needed that can provide a detailed description of both the environment as well as of how strategy and that environment are related to one another. This is not achieved by applying either an institutional perspective or a network perspective on the MNE (Jansson 2007). The institutional network approach instead creates a combination of the two for the purpose of emphasizing that the MNE is immersed in an environment consisting of institutions and networks. When viewing this external environment through the lens of an institutional perspective, it is defined as the external institutional setting. This is further divided into two major parts: societal sectors and organizational fields. When instead a network perspective is applied to the environment, the proximate external network environment consists of stakeholder networks, for example, suppliers, customers, and competitors in the product/service market network, units in the government network, and workers in the labour market network. Moving the focus of external environment affecting the MNC a bit further from the center, more distant societal sectors with which the MNC has no direct relationships are encountered, such as the legal-and political system (ibid).
A firm’s operations and the strategies behind them can be considered effective when goals are achieved while creating three main types of value in society, which are social value, natural value and economic value. If an advantage over competitors is created this way, it is considered a sustainable competitive advantage. Thus, competitive advantage can be achieved in both legitimacy-based environments as well as in efficiency-based environments. It should be noted that a competitive advantage gained in legitimacy-based environments is considered a societal advantage. A sustainable competitive advantage has its roots in both types of environments, for example, by relating societal advantages to efficiency-based competitive advantages (Jansson 2007).

2.8 Theoretical summary: Towards a new model of analysis for MNEs PPP engagement in emerging markets

In order to analyze the unique features of MNE’s PPP engagement in emerging markets, a new theoretical model have been created. In short, the model is designed to illustrate the firm’s underlying reasons for the creation of PPP-projects (the firm’s motivation for PPP engagement), how firms leverage their resources and capabilities towards other actors in the project coalition (the firm’s means for PPP engagement), and outcomes of the engagement. The model draws aspects from Jansson’s (2007) Institutional Network Approach which acknowledges the unique requirements of firms’ expansion into emerging markets. Besides emphasizing the importance of relationships and how they are leveraged as well as the pressures exerted from institutions in emerging markets, Jansson’s (2007) Institutional Network Approach places focus in proper utilization of firm resources – a notion we argue is highly relevant considering the amount of resources needed from an MNE in order to participate in a public-private partnership. All these reasons combined suggest that Jansson’s (2007) Institutional Network perspective would serve as a suitable theoretical backdrop for this study.

In order to cover the unique prerequisites needed for PPP engagement as well as the potential risks and gains, Jansson’s (2007) approach was complemented with a number of variables associated with the opportunities and risks of PPP engagement for firms described earlier in this section. Firstly, the firm’s internal resources and capabilities and its ability to use these through the creation and leveraging of relationships against important institutions in the
MNE’s external environment, was added in order to cover the internal aspect of the firm engaged in the PPP.

Our overarching research questions of how and why MNE’s go into PPPs are here represented in the first three steps of the model, while perceived outcomes are dealt with in the final step. From identifying what needs and agendas that together makes the creation of a PPP-project necessary (Step 1), to the formation of coalitions where actors from different sectors collaborate (Step 2). The focus is then shifted towards the MNE and how it harnesses its internal resources and capabilities towards the surrounding environment with the different institutions like NGOs, governments, or other partners (Step 3).

Fig 1: Towards a new model of analysis for MNEs PPP engagement in emerging markets – A new suggested theoretical tool for analysing MNEs PPP engagement in emerging markets

**Step 1: Needs & Agendas**
Most PPP-projects are created as a result of a social agenda by a country’s government or by an NGO active there. It can range from the improving the healthcare system, building roads,
or in general trying to improve the quality of life for those who most sorely need it. There is often a deficiency of resources or knowledge needed that the government or NGO for different reasons do not possess. It is therefore necessary to turn to large corporations with the resources and capabilities to fill the gaps needed for the project’s creation, implementation and completion (Timmerman & Krusemann, 2009).

**Step 2: Formation**

Once the necessary actors that are capable of making the necessary contributions are identified, the formation of the PPP coalition can begin. For example, it can be a local government (social agenda to improve an aspect in society), an MNE (which sees the potential for some sort of gain, commercial or reputational for instance), as well as supporting actors (banks, investors, suppliers, and other partnering companies) (Yescombe 2007, Waddock 1991).

**Part 3: Utilization & Implementation**

This step focuses solely on the MNE and its capability to utilize its internal resources. These are matched against the creation and maintenance of the MNE’s relationships with actors (institutions) in its external environment, such as the other members of the coalition as well as others, like local population, media and public opinion. This step is crucial to be handled well by the MNE in order to obtain the desired outcomes of the PPP-projects (Jansson, 2007).
3. Methodology

This chapter outlines the methodological choices which have guided our research. The overall aim of this chapter is to explain the process of data gathering and analysis, and explain the strategies behind our chosen approaches, and how these relate to our overarching research question, including choice of research method and actions undertaken to ensure reliability and validity.

3.1. Choice of research approach

An abductive research approach

In this study, we are applying an institutional network approach to the studied MNEs PPP-reports, through the use of a number of observations. One could thus argue that our research is grounded in an abductive approach where our gathered data and the theoretical ideas used for understanding are, are being played off against each other. The data is then interpreted in the light of the theoretical realm and vice versa. The emerging theory is then tested and redefined in an iterative process as the research processes proceeds. Our primary reason for applying such an approach lies in the lack of prior research in the field. Using an abductive approach as the focal point of departure for the research rather than a deductive or a purely inductive such, is according to Saunders et al. (2009) especially beneficial in relation to qualitative research involving few research objects.

Qualitative approach

As little research has been conducted on our area of interest in the past, our ’starting point’ will be to explore the nature of MNEs engagements in PPPs including the perceived outcomes, and analyze the results from an Institutionalized Network Approach perspective. Since the overall purpose of this study is to, through the lens of INA; analyze a selection of Swedish firms’ PPP-ventures in emerging markets from a market expansion perspective why we believe that a qualitative research method would be preferable over a quantitative method. Furthermore, corporate strategies and the underlying reasoning behind them are often difficult to measure and quantify, which further suggests that a qualitative research method would be preferable. (Saunders, Lewis & Thornhill 2009)

With a research gap identified when viewing PPPs as an expansion tool by MNEs, we set out on our research from an ambition to attempt to explain the reasoning behind engagement in
PPP by an MNE from a market entry/expansion point-of-view. Can PPPs (if at all) strengthen the market presence of the MNE? How are such projects generally undertaken and what has been the result and why? Could market expansion be a chief reason behind participating in such projects? Given that our niche is new and unexplored and that our research question in closely linked to concepts that are fairly abstract and difficult to quantify, we believe that a qualitative research method would be preferred over a quantitative approach.

Another argument for choosing a qualitative method lies in the fact that engagement in a PPP often is connected with a significant degree of risk as it is quite resource-intensive, is often carried out in order to achieve some sort of strategically important return benefit, and most often involve a long-term engagement from the MNE’s side. Given this, one could argue that a MNE’s decision to engage in a public-private partnership represents a practical outcome of a strategic decision. Lewis, Saunders & Thornhill (2009) as well as Gibbert, Ruigrok & Wicki (2008) and Gummesson (1988) all argue that corporate strategies and the underlying reasoning behind them are often difficult to measure and quantify due to the latter’s esoteric nature. This characteristic would suggest that a qualitative research method would be preferable.

3.2 Research strategy

With the purpose of our study being to investigate the reasoning behind-, the methods, and results of MNE’s engagement in PPPs when expanding into an emerging market, we believed case studies would be the best choice. Lewis, Saunders & Thornhill (2009) as well as Gibbert, et. al. (2008) argue that case studies often are better suited than other research strategies to clarify causations, relationships and other perhaps less evident interrelations. Conducting a case study as our primary research strategy allows us to investigate how PPP engagement influences the stance of the MNE in a real-life setting, faced with real-life decisions; something we believe would be advantageous since previous research in the field is highly limited. It would also allow us to study the results of a few MNE’s PPP engagement in detail, which we argue would yield a better and more profound understanding of how the engagement influences the MNEs, than what a quantitative approach would allow. (Gummesson, 1988) Based on this, we’ve chosen to conduct three case studies of large Swedish firms currently engaged in PPP initiatives in emerging markets in two continents.
According to Saunders et. al. (2009) exploratory studies are better suited to investigate phenomena that are indeed new and unrehearsed. Gibbert et al (2008) as well as Saunders et. al (2009) argue that case studies often are also better suited than other research strategies to clarify causations, relationships and other perhaps less evident interrelations. Conducting a case study would allow us to investigate impact of PPPs on MNEs market stance in a real-life setting, something we believe would be advantageous considering that little research has been carried out before and our research therefore would be of exploratory character (Bryman & Bell 2007). Saunders et. al (2009) also argue that case studies are especially suitable for research which aims to address explorative issues attempting to address issues such as 'why' and 'how'. Based on this notion we have chosen to conduct three case studies involving three different MNE’s PPP projects in emerging markets.

Case selection
The number of Swedish MNEs engaged in public-private partnerships in an emerging market is fairly limited. We identified the objects of our case study through an extensive research phase of which our starting point was an interview with Linda M. Andersson, a partner of PPP advisory services at Ernest & Young and one of the country’s most experienced experts within the field of PPP research in Sweden. All participating MNEs where thus chosen through the use of a targeted selection process as described by Saunders et. al. (2009) and Bryman & Bell (2011), as this selection method is especially relevant when choosing study objects for case studies as it allows choosing only the objects that are perceived to be most relevant for the study. This method was also applied when choosing interviewees within the MNEs and allowed us to focus solely on those employees who were the most knowledgeable about the public-private partnership engagement. Nine respondents from three different MNEs have agreed to be interviewed. All respondents were chosen on the basis of their involvement in the different MNEs PPP projects. Only employees with deep involvement and knowledge of the projects were asked to participate. More details of each respondent and their roles in the MNE are described in Appendix I.

According to Saunders et. al. (2009), the method of selecting one’s interviewees should be founded in the very purpose of the study. For this reason we have chosen to interview at least two employees from each studied MNE depending on level of given access. One could argue that interviewing more respondents from each company would have given more depth to the study; however we argue that including more interviewees would have created redundancies
since we already had the most knowledgeable individuals in the projects. Adding further individuals further down the chain of command would, in our case, not necessarily lead to a better understanding of how MNE’s PPP engagement would positively influence their presence in the corresponding market. As time and resources were limited, we chose however to prioritize respondents from several different MNEs rather than to home in on one specific MNE, as we believe our ability to draw generalizations from the results would be improved.

It should be noted that all countries were our participating companies are engaged in PPPs are listed on Standard & Poor's The Emerging Markets Data Base, largest statistical resource in the world on emerging markets (Standards & Poor, 2014). After having identified a number of potential case study objects, all potential candidates were evaluated and ranked using four criteria:

I. The company must be engaged in a public-private partnership following the definition of a PPP presented in our theory section.

II. In order to evaluate the effects of the engagement, the PPP must be ongoing and have been running for at least three years. The given time frame was set after discussion with Andersson (2014) and is based on the notions that most PPP engagements require fairly long lead times before being fully implemented.

III. The PPP must be set in an emerging market as defined in the theoretical framework presented earlier.

IV. The company must be a multinational enterprise with operations in one or more countries other than the home country.

3.3 Data collection

Saunders et. al (2009) underline the importance of using different types of data, important especially during case studies in order to ensure reliability. For this reason we have chosen to include other primary but also secondary data from the MNEs on the participating in our study in order to triangulate our results, and thereby increase validity and the chances of successful generalization from our findings. This data is primarily made up of print material and text presented on the websites from the MNEs on their PPP engagement. We found this material to be especially important to include, in order to compare if and if so how the input from the interviewees differ compared to the ‘official’ data available.
Interviews

The main source of primary data for our study consists of a number of in-depth interviews with respondents from our case study objects. According to Yin (1994) conducting in-depth interviews allows for a more comprehensive understanding of abstract and often complex phenomena, than quantitative research methods. They also allow the participating respondents to speak freely and elaborate on the investigated subjects (Yin 1994, Bryman & Bell 2011), something we consider important for the purpose of our study.

In total, 9 interviews were carried out, with attempts to secure further interviewees from companies proving very tough. We were told that we had already spoken to all the relevant individuals, or the persons pointed out as possible candidates for further interviews did not have the time. One thing we did strive for was a comprehensive understanding of how the studied MNEs perceive the effects of their engagement in the public-private partnership. The reasoning behind this focus was to try and quantify the positive effects (spill-over or others) from the PPP-project from the corporations’ perspective.

We have chosen to conduct semi-structured interviews, since this type of interview method in comparison to structured interviews is more flexible, allowing a more dynamic approach where relevant follow-up questions can be included when needed, or new paths based on the respondents preceding answers could be explored. Semi-structured interviews are especially useful, in the words of Saunders et. al (2009) as well as Yin (2004), when trying to investigate and clarify linkages between two different variables. The choice of a semi-structured interview method has therefore allowed us to ask questions that are complex while also maintaining an open dialogue with our respondents. Furthermore a semi-structured method allows us to adapt and vary the questions of the interview, and direct necessary focus on particularly relevant areas by posing targeted follow-up questions. We are of the opinion that this all together has improved the reliability as well as the validity of the interviews.

We have followed the advice of Saunders et. al (2009) and grouped all interview questions together in batches after our theoretical framework in order to create a clear linkage between the study’s theoretical realm and the gathering of the empirical data. Afterwards a comprehensive interview guide was set up. To ensure consistency in the data gathering process and to enhance reliability, the interview guide which is presented in Appendix II was used for all interviews carried out in the data gathering process. The main purpose of the
interview guide is to ensure consistency but also to ensure data abundance in order to make sure that as much relevant data was collected from each interview as possible. However, not all questions proved to be relevant for all our respondents, which is why some questions after careful considerations were left out for some of our later respondents. Before all interviews an ‘un-coded’ interview guide, i.e. an interview guide containing all questions but no theoretical groupings, were being sent out to the respondents. Our primary reason for doing so was to allow our interviewees adequate time to prepare well before the interview, naturally boosting the validity factor as it allows respondents to think through and reflect before answering. (Saunders et al., 2000)

We performed most of our interviews in person, but since some of our respondents were situated in other countries, some were carried out over telephone. Our overall ambition was however to carry out as many interviews as possible in person, since telephone interviews do not allow for the interviewer to interpret body language and other subtle signals that are conveyed in person, which could result in slightly reduced reliability compared to if the interview was conducted face-to-face. Furthermore, telephone interviews tend to allow less personal contact between the interviewer and the interviewee which further could render a less dynamic exchange between the interviewer and the respondent (Ghauri & Grønhaug 2005). To compensate the lack of face-to-face contact and to ensure reliability, we spent extra time with the interviewees before starting the interview in order to establish an open and safe climate for the conversation.

All interviews went on for more than an hour, while most of them took close to two hours. In order to ensure reliability we’ve followed Saunders et. al’s (2009) recommendations and recorded all interviews to facilitate correct transcription. To avoid misinterpretations we were both present at all interview occasions. During the interviews one of us moderated the interviewed and managed the interaction with the respondent, while the other managed the recording of the interview and focused on listening and watching the respondent, while taking notes to complement the recordings. In order to get a better understanding and a more comprehensive view of the data from the interviews, we followed the recommendations of Ghauri & Grønhaug (2005) and Bryman & Bell (2007) and transcribed the interviews shortly after finalizing the interview.
3.4 Operationalization

Our primary theoretical background for our research is Jansson’s (2007) institutional network approach and prior research focusing on emerging markets and public private partnerships. Our theoretical framework highlights the importance of establishing a presence of local business networks in the market as well as realizing the need to understand and respond to various institutional pressures exerted from the business environment. The model comprises of both the internal institutional environment of the MNE, the external institutional environment surrounding the firm, as well as the MNEs tools for linking the two. By investigating the rationale for MNEs engagements in PPPs in emerging markets and the experienced outcomes of the engagement, we believe that it is possible to assess if, and if so how, MNEs perceive PPP as a market entry strategy.

In order to test the model in practice, we formulated a number of interview questions which intended to measure the variables included in our model. In order to shed as much light as possible on the institutional environment of the MNEs, interviewees were asked to describe relationships with different stakeholders, how firm resources had been deployed interacting with such stakeholders, and what the perceived effects were of the resource deployment. The questions have been divided into three thematic areas that are in line with our research questions, but are also intended to give a good enough foundation to take in as many aspects of our model as well as other relevant research. In order to enhance validity, we let Jansson’s (2007) prior work serve an inspiration on how to best translate the theoretical concepts contained in the institutional network approach into relevant questions for our interviewees. In a similar way, we used prior research from the IB field related to the issue of emerging market expansion (Including the work of London, Hart & Stuart, 2004, Slangen & van Tulder 2009) as well as within the field of PPP research (primarily Andersson, 2008 and Timmerman & Krusemann, 2009). Due to the abductive approach of the research, the questions were also formulated to be as open as possible to allow our respondents to speak freely on the subject and to expand on those areas which have proven to be most important for firms.

3.5 Limitations

We are well aware that case studies are by any means far from perfect vehicles for research and they come with distinct drawbacks. For example it is often more difficult to ensure anonymity for respondents which might affect the reliability of the research negatively (Yin 1994, Saunders et. al, 2009) Furthermore, findings tend to be complex in nature and
successfully putting that complexity into easily-accessible and realistic pictures can be challenging. Results are often not possible to draw generalizations from without the broader perspective given by quantitative studies for example. It is also difficult to answer a wide arrange of research questions, prompting instead the same narrow research focus that defines this method of research (Hodkinson & Hodkinson 2001). This study is based on data from three different case studies. We are aware that focusing solely on three companies will limit the chances of drawing general conclusions from our findings as opposed to if more cases were studied. Still we argue that the number of cases to be included in the study is enough to yield enough input to fulfill the purpose of this study. In total, we have 9 interviews. We are fully aware that more interviews might have given more valuable input to the study, yet we argue that our number of interviewees is more than sufficient to answer the purpose of this study. We would like to emphasise that much effort was done to find as many interviewees as possible for our study. However, we quickly learnt that very few from each company were sufficiently knowledgeable on the MNEs’ PPP projects. For this reason, we chose to only interview those who had full insight into the projects which unfortunately turned out to be very few.
4. Empirical findings

In this chapter we present the results of our empirical research based on the findings from our in-depth interviews and secondary information from the MNEs themselves. The findings are presented in accordance with our research questions.

4.1 A few words on the MNEs of the study and their PPP engagement in emerging markets

ABB is one of the largest engineering companies as well as one of the largest conglomerates in the world. The company is headquartered in Zurich, Switzerland, employs around 150,000 employees and has currently operations in 100 countries. In 2002 ABB’s initiative ’Access to energy’ was launched. The project is a rural electrification program which was initiated as a part of the company’s contribution to common efforts in line with ABB’s social policy. Currently there are two main public-private partnership projects – one in a remote location in Southern Tanzania (launched in 2002) and one in the deserts of Rajasthan in India (launched in 2005) The projects are joint efforts which involves close cooperation with the local government as well as NGOs. ABB has provided the project sites with energy solutions and offered electricity to highly subsidized rates at an initial stage of the project. After the economic, social and environmental benefits of having access to electricity became tangible, electricity prices have been slowly raised. (ABB 2014)

Skanska is the largest construction company in Sweden with over 100 years of history, employing over 50,000 people, with total assets valued around 82 billion as of 2011. Skanska has been involved in a number of PPP projects of which two will be covered in this study as they are the ones of the firm’s PPPs that best meet our case selection criterion. The project constituted one of Europe’s by then, largest road projects, involved building a 152 kilometers long North-South route linking the city of Gdansk to the city of Torun. Throughout the negotiation process of the PPP of European Road 75 in Poland, Skanska was invited by the Chilean government to participate in the public procurement process of the financing, construction, operation and management of a 61 kilometer long highway, Autopista Central outside of Santiago (Ekelund, 2014). The Tetra Laval Group\(^1\) consists of three industrial

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\(^1\) Since the majority of the projects in the company group are carried out under the name of Tetra Pak, we have after careful consideration chosen to use the same name as the name the Tetra Laval Group use referring to the projects, which is Tetra Pak.
groups: Tetra Pak, DeLaval and Sidel. The group consists of three leading multinational food packaging and processing companies with headquarters in Lund, Sweden and Lausanne, Switzerland. The company, originally of Swedish origin, offers packaging solutions, processing solutions, and filling machines for processes and packaged food. Tetra Pak has been involved in community projects since the late 1970s when the company became engaged in Operation Food, a joint venture with the World Bank and The World Food Program in order to supply milk to Indian communities. Tetra Pak’s current programme for community engagement, Food for Development Program (FfD), was originally initiated to alleviate global poverty and improve nutrition and health through the use of a number of different projects in developing markets, targeted to improve agricultural practices and dairy handling, to prove training for farmers in order to enhance efficiency, productivity and food safety. The projects are run in close collaboration with NGOs and local governments in the markets (About Food for Development, Tetra Pak, 2014).

4.2 Why do MNE’s engage in public private partnerships in emerging markets?

**ABB’s rational for creating its Access to Electricity project**

With about 1, 3 billion people not having access to electricity, and one of the core competencies of ABB being the distribution and transfusion of electricity, the company’s Sustainability division initiated that which later would become ABB’s still-ongoing Access to Electricity projects (Nordström, 2014) The general idea behind the initiative was to collaborate with NGOs and other stakeholder order to create mutual offers that could render electricity access event to remote rural areas. The purpose of the project was twofold; despite the advancements in technology, many of the technological advancements still had no considerable impact on the number of people who do not have access to electricity. The primary reason for this lies in the fact that investments usually do not reach the poorest because of the difficulty in reaching the end customer in rural areas without functioning market channels. The market basically had to be developed from scratch. At the same time, ABB saw the massive potential in an untapped market of consumers who currently lacked access to energy. However, commercial value was not the only rationale behind the project. The company has a strong organizational culture which emphasizes social responsibility and pursues an ambitious agenda of corporate social responsibility activities (Nordström 2014, Pagounis 2014).
Initially, the idea behind the project was thus not purely commercial. Rather ABB saw the project as means to strengthen the general position of ABB. By forming the Access to Electricity, ABB hoped to draw attention the problems of electrification, or rather lack thereof, as well as adding thoughts and ideas for solutions. Furthermore ABB also wanted to show its involvement and initiative in concepts expected to become even more important in the future – sun, wind and wave energy (Nordström 2014). According to ABB, the initial purpose of the project was not to promote its own products or technology, rather show how the access to modern energy sources in remote communities that were marginalized and economically backward, could improve the lives and livelihood of many (Nordström 2014, Pagounis 2014, Baumgartner 2014).

The idea behind the projects was to subsidize electricity in order to kick-start the economy of the local villages; by granting access to electricity ABB believe that the local villagers would not only reap significant welfare effects, but also improve their productivity, as well as the safety aspect of replacing kerosene lanterns with lamps. Through the use of electricity, work hours could be sustained even after dark; shopkeepers could keep their shops open late at night, resulting in a stronger local economy. After having established a stronger and more stable economy, and showed the benefits of electricity access, a demand for electricity would have been established. ABB’s plan was then to lower the price subsidies on electricity in a stepwise process and in a long-term perspective, introduce market based prices. The location chosen for the pilot study was Ngarambe, a small and remote village in Tanzania. Tanzania was at the time not an important market for ABB and the company’s presence were limited to a small factory which later was sold (ABB, Access to Electricity: The power to change lives, 2013).

However, ABB viewed possibilities to expand into East Africa and had a positive outlook on the future for its product in the African markets. The second market that was chosen to be included in the project was India. Compared to the first projects, the rationale for launching Access to Electricity in the market was significantly different; ABB had been present in India for nearly fifty years and the context of market and the expectations from companies present in them, was by ABB perceived to very different compared to many other markets (Nordström 2014, Asnani 2014). Doing good and contributing to the Indian society was a non-negotiable expectation on MNEs, why ABB already had been involved in several charity
projects in the market. Access for Electricity was however the company’s first PPP engagement in the market (ibid).

Skanska’s rationale for creating its PPP project in Poland and Chile

In the mid-nineties, the Polish government was looking for a way to build large stretches of highway without investing too large sums of money upfront. The public procurement was made in 1997, but Skanska was not able to finish negotiations and sign the contracts until 2004. Since then, Poland has publicly procured a number of highways, again with the idea to limit initial investment sums as much as possible, due to the rapid developments in the company with many sectors needing investments (Ekelund, 2014, Skanska, A1 Motorway Poland, 2014).

Skanska has no policy to try and influence clients towards a Public-Private Partnership solution, but the company prefers PPPs for a number of reasons; PPP projects tend to be of much larger size, offering an increased degree of autonomy, and if handled well can lead to considerable profits. However, the risks and demands placed upon the company are higher, which can result in the loss of money when particular problems are encountered, but in most cases, Skanska believe that the increased freedom is worth the risks (Olbryk, 2014). The organization becomes more streamlined, able to do tasks in an increasingly efficient manner. As such, it can cost less to build the entire road, than to build segments separately, and still bring greater returns because of the organizational improvements and innovative solutions that can come thereof (Ekelund 2014, Olbryk 2014).

In addition, Skanska has been investing money into its own PPP projects which means earnings can be gained from the investments as well as the projects themselves. Such investments must be able to carry themselves though, since without a linear graph of returns, Skanska will not invest (Ekelund, 2014). The project in Poland was of such a large and significant nature that Skanska found it highly important to be involved. Besides purely monetary gains, the participation in the Polish project was believed to give important learning effects for the organisation which were believed to make the organisation more effective and proficient in similar projects, and more capable to handle future projects of this kind (Olbryk 2014).
**Tetra Pak’s rational for creating its various Food for Development projects**

All projects included in the Tetra Laval\(^2\) Food for Development Office (FfDO) umbrella all share a pronounced commercial driving force. All projects under the initiative have a pronounced purpose to strengthen value chains in emerging markets. A strong market-development perspective courses through all of the company’s business activities of this kind with no projects being done at a time and place that does not in some way help build markets for Tetra Pak’s products. At the same time, the projects create many positive development impacts. Everything that Tetra Pak does in support of its clients needs to be effective and financially viable. Much of what is done in the PPP field is also providing value to the organization by demonstrating how Tetra Laval helps create value in the communities and markets where they are present. The results of Tetra Laval’s FfDO PPP are thus used throughout the entire organization.

**4.2 How do MNE’s engage in PPPs in emerging markets?**

*The implementation of Access to Electricity in Tanzania and India*

External consultants were hired for feasibility studies, and talks were held with the Swedish International Development Agency (SIDA), as well as Ericsson, TetraPak and others in order to secure funding (Nordström 2014, Pagounis 2014, Baumgartner 2014). ABB tried to gain multilateral funding from SIDA but soon realized that the best way to go about would be to team up with the local government at the sites of the project in order to secure funding. The location chosen for the pilot study was Ngarambe, a small and remote village in Tanzania. ABB had a parallel cooperative agreement with the NGO, World Wildlife Fund for Nature (WWF) who was active in the region. The latter was working with the village of Ngarambe in the outskirts of a large wildlife reservation to ensure that the village was environmentally sustainable in a way that did not harm the reservation (ABB, *Access to Electricity: The power to change lives*, 2014).

The presence of WWF was an important argument when settling on the location according to ABB, which hoped that the collaboration would facilitate the project and bring synergies (Nordström, 2014).

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\(^2\) The Tetra Laval Group consists of three industrial groups; Tetra Pak, DeLaval and Sidel. Since the majority of the projects are carried out under the name of Tetra Pak, we have after careful consideration chosen to use the same name as the name the Tetra Laval Group use when referring to the projects, which is Tetra Pak.
ABB’s contribution to the project involved installing the underground cables and low-voltage equipment needed to use diesel generators. ABB also supplied the generators and trained locals to run the power supply. WWF contributed to the project by providing guidance on social issues ranging after dark each day and from reducing deforestation to health care and environmental education (ibid). In 2005, three years after the pilot study in Tanzania was launched, a second project was put in place, this time in India - an important market to ABB who had been present in the market for nearly fifty years. The second project was placed in the rural desert of Rajahstan in northwest. As the geographical conditions where very different compared to the first project in Tanzania, another type of solution, solar panels, was chosen. This time a local NGO was tied up to the project (ABB, *Access to Electricity: The power to change lives*). Until then, ABB had little investment in solar technology which is why the solar panels needed for the project had to be sourced from another supplier (Nordström 2014, Pagounis 2014).

A common denominator for all projects was that ABB provided the knowledge and the technology needed for each of the projects. In all three instances, ABB teamed up with the local authorities in each site, arranging an agreement where the local government and ABB shared the costs of the projects. The projects in India were built on a business model where local villagers were offered the possibility to buy the solar panels to highly subsidized prices funded by the local government and ABB. In Tanzania, the villagers were all offered electricity to a subsidized cost borne primarily by ABB but also the local government. The NGO WWF contributed to the project by educating villagers in how to use the electricity to improve their livelihoods in a sustainable way that would not influence the local surroundings (ibid).

*The implementation of Skanska’s PPP projects in Poland and Chile*

Skanska was invited by the Polish government to participate in a highway project in 1997. The project constituted one of Europe’s by then, largest road projects, involved building a 152 kilometers long North-South route linking the city of Gdansk to the city of Torun. The project, named European Road E75, was a part of the Pan European Transport Corridor VI (Skanska, *A1 Motorway Poland*, Ekelund, 2014). A rigorous project organization was present to support the procurement of bank agreements and other practical prerequisites. In 2004, a deal was made with the suitable payment and demands and in 2005 the concession period for the projects started. The PPP project in Poland involved a number of partners working
alongside Skanska such as local construction firms and other suppliers. Furthermore, a third party investment partner was found, John Laing Investments (Skanska, *A1 Motorway Poland*, 2014, Ekelund, 2014). All of the involved partners as well as Skanska had invested money into the project; as such every party was involved and sharing risk within their respective areas. A Warsaw-based law firm was involved as the legal counsel. Skanska was the only foreign party involved in the project. Skanska had then prior experience from similar PPP projects in the UK from a range of sectors, such as roads and healthcare (Ekelund 2014, Olbryk 2014).

Throughout the negotiation process of the PPP of European Road 75 in Poland, Skanska was invited by the Chilean government to participate in the public procurement process of the financing, construction, operation and management of a 61-kilometer long highway, Autopista Central outside of Santiago. The project was at the time the largest infrastructure city road project in Chile. At the time the Chilean government needed to bring in capital for the venture, and thus offered candidates to pay an amount to be allowed to build roads which could then be tolled and bring in revenue that way (Skanska, *Autopista Central, Santiago de Chile*, 2014).

To that end, Skanska thus paid for the construction, all maintenance and operation of the road as well as for employees, toll collection and road clearing. The idea was, from the government’s side, to sell four projects of this kind in Santiago, and with the income generated from those, afford to build road projects in the countryside which would be far less profitable, but nevertheless important for the development of the country. In this project, Skanska submitted its offer and was awarded the project after only a short period of time (Ekelund 2014). Skanska was engaged as the commercial partner for the project in the year of 2000, and one year later, in 2001, the 31-year long concession period for the project started (Skanska, *Autopista Central, Santiago de Chile*, 2014). The construction phase of the project was finished seven years later, in 2007. Unlike the funding of European Road E75, the funding of Autopista Central was done in both Chilean pesos and US dollars – a demand from the Chilean government and local practice for this type of project. Skanska adhered to the custom, although it involved exposing the company to a double-currency risk. Another local custom which further increased the level of risk in the project, involved the practice of initiating the negotiations with banks and investors for the projects, after (not before) Skanska was contracted for the task (Ekelund, 2014, Olbryk, 2014).
The implementation of Tetra Pak’s school milk projects and its dairy hub projects in Bangladesh and Sri Lanka

Tetra Pak pursues primarily two types of PPPs in developing countries, including emerging markets; School milk programs and small holder milk production through dairy hubs. The school milk programs constitute a large part of Tetra Pak’s global business and are something that Tetra Pak has been working with for more than fifty years. By providing packaged milk to school children in developing countries, Tetra Pak together with the local government improves the livelihood for many school children. The purpose of the initiative is however twofold; by supplying milk to school children Tetra Pak can increase and sustain the local demand for Tetra Pak’s products while improving social security and quality of life for those who live in the community where the school children are given access to milk. Tetra Pak and its customers supply the local government or other local partners with packaged milk at an affordable price (special discounts are often applied) (Eriksson 2014, Tinnberg 2014).

Often a stepwise approach is used were Tetra Pak deploys a pilot program in order to demonstrate to the local government that the model works and its welfare effects. After having demonstrated the capacities of the program in practice, the government often steps up the program which means more business for Tetra Pak’s customers and thereby Tetra Pak, but also healthier school children. Tetra Pak’s support to school milk projects thus helps the milk producers, who are the ones who supply the milk to dairy processors that in turn supply the school milk programs, to create a demand from the public sector procurers who in turn will begin to see a need for quality packages that Tetra Pak can provide. In some school milk programs, Tetra Pak has also collaborated with other government actors from other countries, such as USAID (Eriksson 2014, Tinnberg 2014).

The effects of Tetra Pak’s various school milk projects are vast; in 2013 more than 64 million children in 63 countries were able to drink milk (or another nutritious drink) in school. This is a way to, in the long-term, build up steady consumption for milk and other nutritional drinks that are packaged by Tetra Pak. A key component that makes this possible is Tetra Pak’s UHT technology which makes it possible to keep packaged milk unrefrigerated for many months – an ideal solution for developing countries where reliable refrigeration for transportation and storage is rare (Eriksson 2014, Tinnberg 2014).

Currently Tetra Pak engages in another type of project to address the needs of emerging markets. Through the introduction of so called dairy hubs, Tetra Pak helps its dairy customers
and small scale dairy farmers to grow. Small scale milk producers in developing countries are usually an untapped resource that is not connected to the formal value chain of the main milk production industry—Tetra Pak’s primary customer segment. In order to facilitate the integration process of the farmers and help both Tetra Pak’s clients, and them, Tetra Pak created its dairy hub model. The core idea of the model is to connect a couple of thousand milk farmers in separated villages into one hub. By collecting the milk from all farmers to one and the same place, the dairies can access the milk of the farmers in a cost-effective way while ensuring that quality standards are met. In order for the model to work, a simple infrastructure needs to be established including cooling tanks and trucks to transport the milk. However, the main challenge of the endeavor is to convince the farmers to start delivering their products, as well as considering improving their production by shying away from traditional and ineffective methods for animal husbandry and similar (Tinnberg 2014).

As the farmers are being introduced to the model, most farmers however quickly understand the benefits of the model, transforming them into loyal suppliers as they reap the positive effects of the model. Farmers who participate are trained how to feed their cows in a better way, the importance of free access to fresh water, what kind of fodder crops they shall grow etc. and that most improvements can be done without having to make any changes in their cow stock or any large investments. The benefits for Tetra Pak’s customers are massive: by using local farmers, the dairies can access more milk that can be processed, packed and sold. Through the hub system, the traditional value chain which is built on middlemen who have sourced milk locally from farmers can be replaced. The result is a more effective sourcing where the dairy customer, due to the centralized sourcing can more easily control and maintain quality of the produce (Eriksson, 2014).

Tetra Pak’s dairy hub model has been tested in several countries and has been constantly developed over time. Just like in the case of Tetra Pak’s school milk projects, the model is often illustrated through the use of a pilot case in order to illustrate how the model can help increase the scope of access and consumption among local consumers. Currently, the model is in use in Bangladesh, Nicaragua and Sri Lanka. The model is built on a close client and Tetra Pak collaboration. Tetra Pak works together with its clients in order to deliver the technical competence and infrastructure needed to make the model work. In the pure client-Tetra Pak-financed version, the financial burden is shared by client, the dairy firm, who takes it upon itself to realize the model, before the threshold is reached for the project to reach sufficient
size and become profitable, and Tetra Pak. In Bangladesh, the Swedish Development Cooperation Agency, SIDA has now been involved in order to make the project proceed smoother and faster with a larger scope of operations, to make sure the system can be developed at a faster pace (Eriksson, 2014, Tinnberg, 2014).

The role of SIDA will be a primarily financial one, as the agency will contribute with funding in order to increase the scope of the program and leverage the number of farmers who are involved in it. In Sri Lanka, the dairy hub model is being employed through the use of a partnership with the German development cooperation agency and implemented by GIZ, where the agency carries a part of the set up costs for the initiative. Many other countries are interested in the model and Tetra Pak is working with several dairy customers to develop dairy hub projects (Eriksson 2014, Tinnberg 2014).

4.3 What where the perceived outcomes of the MNE’s PPP engagement in regard to the institutional network approach?

ABB’s view on the results of Access to Electricity

ABB’s first Access to Electricity project was launched in 2002. Since then the first two projects have been formally evaluated. One key take away from these involved the learning experience that the collaboration with aid organisations was a facilitating factor for the projects as they yielded credibility and legitimacy. However, the collaboration also proved to be challenging, especially since ABB and the NGOs often turned out have significantly different time frames and objectives for the projects (Nordström 2014, Pagounis 2014, Baumgartner 2014).

Where ABB saw the project as a means to improve social welfare for the participating villages with the idea to slowly build up a new market segment, the NGO, especially the WWF saw Access to Electricity as a strictly humanitarian project. The different views on the purpose of the project made it difficult to agree on goals. Furthermore, the idea of pursuing the projects and fostering a ‘commercial orientation’ turned out to be a difficult endeavour, which sometimes made ABB’s participation in the projects difficult to motivate for corporate management (Nordström 2014). In retrospect, our interviewees agreed that the cooperation with the NGO sphere was far from an ideal starting point for a project which was intended to have a commercial purpose, however small. Another drawback was the fact that ABB and SIDA, despite long negotiations, did not reach agreement on multilateral funding for the
The commercial goals set for the Access to Electricity projects have yet not been met. The plan to step-wise raise the price of the electricity provided as the economic benefits of having power became more tangible over time, have not been realized. However, ABB primarily believes this to be a result of reasons related to force majeure such as drought and recession, rather than the project itself (Asnani 2014) Since the launch of Access to Electricity, the solar panels have experienced a radical price drop of almost 80% which has set the entire industry rocking, resulting in significantly reduced prices of the project (Pagounis 2014, Baumgartner, 2014).

Still ABB argue that the participation in the projects have given the company important learning experiences in operating successfully in emerging markets and engage communities in emerging markets. One example of this is how to handle the threat of corruption in rural areas. In order to secure that the funding for the project was used as intended, ABB instilled a number of corruption controls for its project in Rajasthan which turned out to be successful.

An unexpected benefit of the project is that servicing and maintenance of the panels, has grown to be a local sector of its own in the participating villages, further pedalling the social and economic development effects of the projects (Ansani 2014). Another unexpected outcome was the revelation that ABB’s product portfolio of technological solutions proved to be too advanced to be implemented into the, by comparison much simpler environments of the rural villages, due to the voltage level of the products far exceeding what could be used in those settings (Nordström 2014).

In India, the close collaboration with the suppliers of solar panels and the development work needed to target the panels to the needs of the participating villages, turned out to be beneficial for ABB. Besides establishing a close collaborative relationship with the supplier, ABB learnt much on how to apply solar panel technology could be used in rural settings and what needs ABB could service the sector (Asnani 2014). The Access to Electricity have thus turned out to be a means to test how ABB’s technology could be used for operations in environments different from the usual ones, becoming a sort of rural product ‘incubator’. However, no specific business transactions or new contracts in the markets can be attributed
to the projects. The projects have thus not had any direct influence of the company’s business in the markets (Baumgartner, 2014).

Despite the close collaboration with local governments, the Access to Electricity projects have so far rendered little success in terms of influencing local policy in the markets where the projects were applied (Nordström 2014, Ansani 2014) Still, ABB believe that the company’s overall image in the local communities, both among policy makers, suppliers and the broader public, has been improved as a result of the engagement, which by ABB is considered to be favourable from a business stance (Nordström 2014, Pagounis 2014, Baumgartner 2014).

Skanska’s view on the results of its PPPs in Chile and Poland

Skanska’s PPP engagement in Poland was finished well before the set deadline which meant the project rendered financial returns earlier than planned. At the year end of 2011 and into 2012, the two first phases of the projects were ready and generating income (Olbryk, 2014). After the construction part was finished, Skanska assumed the responsibility for the maintenance and management of the highway, a responsibility which ends in 2039. No major complications occurred throughout the construction phase. Still Skanska did experience difficulties with its relation to the client, the Polish road authority. The local authority turned out to be politically run which made the process bureaucratic and time-consuming. This was however something that Skanska was not unfamiliar with, having occurred in other projects in other markets (ibid).

No final evaluations have been conducted yet, but overall Skanska believe the project to have turned out well. The final evaluation is still to be conducted, but Skanska expects no major problems to arise. Skanska is already prospecting another PPP project in the south of Poland. The new project will differ compared to the first one as it will focus on renovating and restoring existing roads rather than new construction (Ekelund 2014). According to Skanska, the company’s prior experiences of PPP projects in Poland and Chile have been instrumental in ensuring new business in these markets. In turn, Skanska’s earlier PPP engagement in developed markets was an important prerequisite for landing the first PPP engagements in Poland and Chile, as these proved to the local authorities that Skanska had the skills and experience to take on such projects. Skanska therefore consider its prior PPP experiences to be an important asset to the company as it distinguishes the firm from other actors on the market. (Ekelund 2014, Olbryk 2014) For this reason, Skanska has a separate PPP unit that
works with solely with the company’s PPP engagement in order to ensure that the knowledge gained through the projects is retained and spread across the entire organization (ibid).

To Skanska, the most important take away from the projects in Poland and Chile have not been the financial returns from the projects, but the organizational learning which has occurred from the projects. Both projects have added to a deepened knowledge in road building and road maintenance in emerging markets, lessons which will benefit the entire corporation (Ekelund 2014). Seen from an investment side, much has been gained from the contacts made during the venture, with the partners ready to do more projects with Skanska. Several ventures have already been undertaken with the local Polish supplier partners and John Laing Investments. Furthermore, Skanska considered the relationship with the local partners to have added to the company’s overall area of expertise as Skanska now can consult its Polish and Chilean network if a particular problem comes up (Ekelund 2014).

Our interviewees argue that one of the company’s key stakeholder groups, investors, are becoming increasingly positive towards Skanska’s involvement in PPPs. After Skanska’s prior successful engagement in both developed and developing markets, investors now see the point of PPP engagement and the profits this type of engagement can render. Furthermore this time of PPP engagement come with a certain ‘reputation factor’ which has helped to strengthen Skanska’s stance in the industry (Ekelund 2014, Olbryk 2014) PPPs, especially in ‘difficult’ markets are considered as challenging and the fact that Skanska has participated in several such has in a concise way allowed Skanska to manifest its skills and capacities both to competitors and potential clients (Olbryk 2014).

Especially Skanska’s engagement in Autopista Central proved to be commercially beneficial. Skanska paid for the construction, all maintenance and running of the road as well as for employees, toll collection and road clearing and today, with more than fifteen years remaining of the concession period, the profit generated from the tolls already outweigh the capital put in. The Autopista Central engagement has also generated other business opportunities in terms of other PPP engagements. Furthermore it has also made Skanska establish a larger presence in Chile which also has strengthened the company’s stance in the market, according to our interviewees (Ekelund 2014). In 2010, the concession period for the Skanska’s second PPP engagement in Chile was initiated, the Antofagasta Highways, a project with a contract value of approximately 250 M US dollar (Skansa, The Antofagasta Highways, 2014). The
experience and self-confidence from having completed the Autopista Central venture proved to be very useful in the public procurement process for the Antofagasta Highways. Skanska was asked to propose solutions for the project and with its prior experiences in the Autopista Central venture, Skanska put forth a number of potential solutions that were eventually accepted by the government which gave the job to them (Ekelund 2014). The increased risk involved with the project in terms of enhanced currency risk and the Chilean government’s demand on securing funding after the project was agreed upon, thus turned out to be compensated by the gains involved in the deal (ibid).

Although Skanska’s projects in Poland and Chile by the company both were considered very successful, there are some things that can be improved before engaging in a similar venture. For example, Skanska learnt that that the contracts used in Poland turned out to be unclear and imprecise in its formulation, leaving room for confusion and misunderstandings (Ekelund, 2014). Similar problems occurred in Chile where Skanska when starting the construction period, had no real base of operations. This prompted the company to hire project coordination- and management staff from Argentina, a market where Skanska had an established presence. The lack of an operational base in the market led to a number of practical difficulties causing delays; some machines needed for the construction were unavailable and had to be bought or rented from other sources (Olburyk 2014).

_Tetra Pak’s view on the results of its various school milk projects and its dairy hub projects in Bangladesh and Sri Lanka_

Tetra Pak’s engagement in its various PPP projects under the Food for Development Office umbrella has been proven a great success for the company. Throughout time, the company has used its experiences from the each PPP engagement in order to improve its operations. The results of the various PPPs throughout the years are the refined school milk model and the newer dairy hub model. Both models have proven to be financially viable and have a positive impact on the amount of business in the market. The costs associated with the implementation of the models have been proved to be small in relation to the returns rendered from them. Furthermore both models have proven to improve the relationship between Tetra Pak and its customers, which also is one of the initial goals of the model. Both models have had a proven effect on the demand for milk products which has proved to be beneficial as the markets where the models are being used, are transitioning from developing markets to develop such. When the demand for milk in the market has been established, Tetra Pak is keen to be seen as
a reliable packing partner that can be turned to when the wealth of society increases and the clients are looking for partners when they expand (Eriksson 2014).

It has been proven beneficial to start the process yourself before involving other partners. Partnerships with NGOs, governments and funding partners can be challenging and it helps if a model can be proved successful before it is scaled up together with different partners (Tinnberg 2014, Eriksson 2014).

Financial assistance from development cooperation agencies covering initial costs for setting up or scaling up the projects can be the catalyst needed to get local authorities and partners involved. However, in the long term, projects must bear its own costs and commitment from local partners be secured. Our interviewees state that they believe that Tetra Pak’s PPP engagement have proven to local customers as well as external stakeholders present in the market that Tetra Pak is a company that cares and engages in the local conditions of the markets were it is present. Furthermore, they believe that Tetra Pak’s PPP engagements have strengthened its position in the market, arguing that no competitors can help their customers secure their market in a similar way than Tetra Pak’s projects do. Combining Tetra Laval’s FfDO projects with its full-service offer therefore gives Tetra Pak a valuable edge in the global competition, which has proven to be especially successful in emerging markets where the prerequisites and needs of the customers differ, compared to those in developed markets (Tinnberg 2014, Eriksson 2014).

In recent years, however, new opportunities to collaborate with aid organizations have appeared, and Tetra Pak has, as such, started looking into such possibilities. The current project in Bangladesh in collaboration with PRAN Dairy Ltd. turned out to be financially viable – the facilitation of increased milk supply, and the effects thereof, has outweighed the large investments behind them. Today PRAN has access to larger quantities of higher-quality milk than before and can now source the milk from local producers while benefitting from economy of scale. Another benefit for PRAN involves a better control of its supply chain, allowing farms that do not deliver or attempt to cheat being eliminated. Most importantly for Tetra Pak, more milk is being produced since the dairy hub model was introduced, which means a larger and more stable need for Tetra Pak’s packaging solutions, but also for its sister company De Laval’s products which are used by farmers and dairies (Eriksson 2014).
5. Analysis & conclusions

In this chapter we analyse the results of our study through the use of the theoretical framework presented earlier. At the end, we summarize our findings to answer our overarching research questions.

5.1 Emerging markets – A special environment for MNEs

It is clear being involved in public-private partnerships in foreign countries constitutes a particular kind of institutional environment for the MNE, one that puts particular emphasis on a strategic fit between both internal- and external environments, and of both seeking legitimacy and efficiency. When working together with a country government, the regulations and norms to adhere to are many, sometimes increasing the risk felt by the firm as in the case of the forced double-currency usage of Skanska in Chile. With the rise of the idea that not “doing good”, through solid CSR efforts, is unthinkable for modern-day MNEs in emerging markets, the role of the core values of the firm are becoming more important since having ethical core values is moving from being a novel idea to an absolute necessity, and a fundamental expectation from both internal stakeholders such as customers, suppliers and employees, but also external ones, such as the public, investors and media. It would seem an ill-conceived idea to attempt to pursue a business venture in an emerging country market solely based on efficiency-related gains. While it is true that doing things better than competitors in terms of production, distribution and marketing is important, it is nowhere near enough in these kinds of markets. Without being seen as a legitimate company, without being seen as a company that doing something for the society in that market, projects will be extremely hard to pursue. This is also something which was clearly expressed by all of MNEs in our study, which is a fact that suggests that the firms themselves seem to share a view of how emerging markets differ compared to developing, which is consistent with how emerging markets and their specific challenges are described by academia.

5.2 A legitimacy-based rationale in focus

A common theme to all three MNEs investigated in this study is the fact that a legitimacy-oriented international business strategy appears to be in focus. This is line with the reasoning
of Jansson (2007) and many other scholars in the field of IB who have been emphasizing the importance of relationships in emerging markets. When considering the firm’s stated motives for engaging in PPP projects, the views of our investigated MNEs are in some cases aligned and sometimes differ considerably. The efficiency-based rationale where economic efficiency constitutes the primary reason for the strategic decision to enter a PPP in an emerging market is present among all three MNEs in our study - but to varying degrees. Tetra Pak is the strongest proponent of this rationale with the firm’s strong and highly pronounced commercial perspective, where the efficiency-based rational is a motive infusing every action taken. Nothing which not directly or indirectly contributes with commercial value is undertaken in any of Tetra Pak’s various PPP projects.

On the other end of the spectrum lies ABB which have not yet pursued market-related gains associated with the efficiency-based rationale – An outcome which according to the company itself is due to market immaturity and a lack of suitable technology. While Tetra Pak’s PPP engagement are pronounced means for market development, ABB’s Access to Electricity projects revolved much more around the worthiness of the cause even though there were hopes that the market would mature at perhaps a faster pace than what later turned out to be the case. Compared to Tetra Pak, ABB’s rational for engaging in its PPPs is clearly more driven by a will to win reputation-based gains rather than seeking efficiency.

Skanska occupies the middle ground with its balance between the ambition of increasing their knowledge pool and reputation-based gains (for example, an increased legitimacy from particularly the governments which would yield further contracts). All three companies have made it clear that increased reputation and market-building are important reasons for moving in, a sentiment about emerging markets shared by Jansson (2007), Forsgren (2008), Hilmersson & Jansson, (2012) and many others. This turned out to be the case in Chile where the government awarded Skanska subsequent projects with their previous performance fresh in mind.

From our study, we see that the interplay between internal resources and capabilities and the relationships with external actors to varying degrees are represented in all three MNE’s rationale for participating in public-private partnerships in emerging markets. Different rationales were considered of different importance depending on the company. Skanska and Tetra Pak, the latter having long experience of PPP collaboration, made considerable
commercial gains, while ABB being the newcomer with their first project, saw the fewest of such gains. It should also be noted, however, that ABB mainly saw their Access to Electricity as larger CSR projects (yet with commercial hopes in the back of their minds). On the other hand, Skanska and Tetra Pak had a clear business strategy stating that their projects were meant to yield business benefits, present or future. A common denominator for the three studied MNEs is that core values, firm knowledge, as well as managerial systems were the primary aspects deployed from the MNEs’ internal environments into the PPP-projects. Among the two rationales of international business strategy listed by Jansson (2007), a legitimacy-based motivation was by the MNEs seen as being of greater importance considering the special prerequisites (institutional pressures) of the emerging markets.

5.3 The choice of implementation of the PPPs mirror the rationale behind them

The three firms in our study had chosen three different types of public-private partnerships with three different purposes in mind. We argue that the path they chose to implement their projects in practice clearly reflected the rationale behind the projects; Tetra Pak wanted to help their clients, and as such chose a project where the firm worked close to them and created value for them in a clear, concise way. ABB wished to reinforce internal values that were a part of the corporation, ‘do good’ and consequently decided to work together with an NGO which, besides the practical gains, awarded the project’s purpose with an enhanced level of credibility and legitimacy. Skanska on the other hand entered their public-private partnerships in Poland and Chile in order to create a market presence in those markets, a stated goal that was realized through an engagement type that involved their core competencies. This is opposed to the cases with ABB and Tetra Pak where both firms faced new challenges, outside their comfort zone of operations.

In regards to actual implementation of the MNEs public private partnerships, the MNEs choice of how to implement the PPP agreement in practice differed as well between the three MNEs involved in the study. One such important difference involves the choice of whom to collaborate with when realizing the projects. One of our companies, ABB decided to work alongside NGOs, needing their legitimacy and knowledge of especially the social aspects of the market. As could be expected, the firm had little experience of working in the extreme rural settings, far from where their products were naturally being used, meaning not securing cooperation with a more experienced party such as WWF and other NGOs would have
rendered the project impossible to implement. Collaboration with other for-profit companies was considered but eventually not realized. ABB thus utilized the firm’s resources and capabilities to the fullest, employing their technical and managerial systems, as well as the know-how of their employees, letting the NGOs fill the legitimacy gap with their much deeper experience and knowledge of the local conditions and traditions.

Tetra Pak, once again the polar opposite of ABB, had chosen another path and had previously not worked with aid organizations, rather relying on setting the stage for their products by helping a commercial partner improve the market conditions and thereby boost the demand. This approach seems closely rooted in the efficiency-seeking rational for engaging in the PPP ventures from the start, as it solely employs means of implementation that are geared to build up the market where the project is set. Skanska worked together with number of partners, each contributing with specialized knowledge, to fill blank areas of Skanska’s competencies. In their case, the legitimacy-based rationale was almost completely focused on the local government and the relationship with it, while the efficiency-rationale, with cost-efficient firm use of resources was employed more towards the partners. Weighing all this together, we argue that choice of partners in the PPPs, besides the choice of engaging in a project with a public party; clearly seem to match the rationale expressed by the MNEs.

The level of impact of trustworthiness, as well from what stakeholder it was given from, varied between all three MNEs. Due to its lack of a pronounced commercial focus, ABB reputation gains involved with its Access to Electricity stemmed mainly from the social environment, with recognition from affected communities, NGOs as well as relevant parts of the global society (as a result of communicating the projects’ success). Tetra Pak focused more on gains from the economic environment, with relationships with partners solidifying. Skanska, finally, worked alongside both external partners as well as local authorities to the greatest degree of the three, and saw relationships and bonds strengthen with both. The change in market presence was felt strongest by Skanska which had considerably increased their knowledge pool, becoming far more proficient in road building, with the direct result of more projects. ABB, with the market at the time of writing being nowhere near mature enough for commercial success, viewed its Access to Electricity more as a CSR project rather than a commercial project, and enjoyed purely reputational gains.
5.4 Public-Private Partnerships for MNEs – a strategic path?

It would seem that three companies all achieved a slightly different strategic fit between their internal resources and capabilities, and their external environments, with slightly different outcomes as a result. With the nature of the market so far from ABB’s conventional core markets, the firm utilized its collaboration with the NGOs to augment their lack of established relationships with key institutions by having the NGO provide individuals with the sufficient clout through crucial relationships with authorities and the communities. The interaction with the external environment was smaller in the case of ABB since they worked primarily with NGOs and the community of the villages as its key stakeholder network. Although the government and the government agencies were involved as a financial party of the project, the relations who were enhanced through the PPP were primarily with the non-public actors. Through the process, environmental support was also gained, and it could be argued that ABB with their current track record of having done such projects will have a slight competitive advantage over competitors who, for whatever reason, wishes to enter similar emerging markets. It seems unfortunately however, that such advantage would not spill over into the general business areas for ABB in India. It would instead be more appropriate to call such gains societal advantages since they are born from gains won in the MNEs striving for legitimacy in the market. Already being considered one of the most ethical companies in the world, it is debatable whether such an advantage would be of any weight in the grand scheme of things however.

Tetra Pak projects shared one similarity with ABB’s in that the notion that through support, the market could grow and accept the company’s products. With the different technological requirements for introducing an electrical grid in rural areas, and packaging milk, Tetra Pak could reap market-related rewards much quicker. Yet the way the firm had to utilize its social capital was similar to ABB but different in one aspect. Rather than just convincing the relevant stakeholders (dairy farmers) that what the MNE was doing was good for society, they also had to persuade another stakeholder group, the farmers of the market, to join its dairy hub programs. In essence, Tetra Pak’s entire business model for the PPP within the project depended on the local players deciding to come aboard. While it is true that ABB could hardly have completed their projects if the local sentiment was against them, Tetra Pak needed not just the consent but the active and consistent participation. This required monitoring, why sufficient monitoring systems needed to be put in place. While ABB mainly monitored that funds arrived and were used for the intended purposes, Tetra Pak made sure only farmers who
met the requirements of their customers, was allowed to stay on the hub – a responsibility which involved considerably more than at stake for Tetra Pak than merely losing money. A failure to ‘secure’ farmers to the model, would seriously damage the relationship with Tetra Pak’s customer who then could face dire problems with their supply chain.

Furthermore the issue of voluntary participation from important stakeholder group constituted an important difference and prerequisite for the MNEs PPPs. The locals affected by the Access to Electricity programs also had to participate, but this participation dealt mainly with the NGO or the community, whereas the dairy farmers worked with Tetra Pak throughout. Skanska enjoyed arguably the best initial fit between internal and external environments. There was a clear connection between the utilization of organizational knowledge and capabilities (processes), the leveraging of key relationships to secure either contributing knowledge from partners, or legitimacy from stakeholders native to the market, and the requirements of the work at hand. Unlike ABB, which worked to the smallest extent of the three with commercial partners, Skanska utilized partners in a mutual supporting role, bringing in specialized knowledge wherever needed. Tetra Pak, by contrast, saw their partners as keys to the markets. While society definitely benefitted, it was the intent to build up the capacity for increased demand as well as the increased demand itself that saw the partners given a gatekeeper-role.

We argue that a similarity in mode of operation exists between Tetra Pak and ABB in that both MNEs chief contribution was the firm knowledge that was then implemented on their behalf by partners possessing a much stronger market position in the current business environment. The partners were either local or had extensive experience working in that market, although in ABB’s case, the firm had engineers set up the panels, the general running of the project like educating the locals in the use of the system with ledgers, how banks worked etc., fell on the NGOs. The physical implementation of the panels, while important in its own right, are seen as a small part of the general activities, hence we argue that ABB role in the project is comparable to the one of Tetra Pak.

This similarity between the two firms (in terms of how firm resources and capabilities are implemented on the firm’s behalf by a partner) is interesting. The MNEs may possess the required knowledge, and the technical systems to implement the knowledge physically, in the form of technical products, and the managerial systems to oversee such a process. However
we argue that without sufficiently strong relationships with key institutions, implementation in a foreign PPP market is next to impossible. The cultivation and maintenance of key relationships is very important, but so too is the trustworthiness that comes thereof that may grant additional business opportunities. Granted, with infinite resources, a firm could perform the implementation itself while using resources to “buy” into the market, to gain legitimacy with key stakeholders that way, but realistically, completing the objectives with a minimum of spent resources is naturally ideal. This point is made in order stress that considering no foul play, and without spending extra resources, ABB and Tetra Pak could not have gone through with the implementation of their products on their own, at least in any financially viable way. Skanska’s case is different because the parameters of the PPP were different for them; the firm was awarded sufficient initial legitimacy by the very process of being selected through negotiations with the government authorities.

5.5 Why PPP as a means for expansion into emerging markets?

We argue that study shows that the investigated MNEs motives chose to participate in PPP-projects in emerging markets depending on several reasons. The most important of these are connected to the business context that a partnership gives, which seems to be a supporting factor particularly in emerging countries. A public-private partnership makes it possible to directly approach important institutions, like governments and NGOs, and form important relationships with such, thus bypassing the liability of foreignness experienced with other entry modes. This also paves the way for a number of possibilities to develop networks. PPPs, due to their nature, facilitate the creation and development of relations. Unlike joint ventures and other entry modes, public-private partnerships involve a number of long-term commitments where the MNE and other collaborating parties are ‘forced’ to work together in a way that is sustained over long periods of time. As such, long-term relationships are necessary to be forged something that, again, is of particular importance in the emerging markets. Although the public party of the PPP was mentioned as an important facilitator of the projects, all MNEs mentioned the relationships with other actors – customers, NGOs, local communities, suppliers etc – as some of the most important gains of the projects. This suggests that the MNEs PPP engagement, despite a context where the relationship with the public actor often is presented as the primary differentiator compared to other entry strategies, by the MNEs perhaps best is viewed as a tool to initiate or enhance relationships with a wide variety of stakeholders.
All three MNEs stated that the public-private partnerships yielded similar benefits, the greatest being the increased credibility and legitimacy. Skanska became a credible contractor after being allowed to demonstrate the firm proficiency in Chile and Poland, ABB won their credibility with their CSR-based strategy and internal organizational culture as a result of the Access to Electricity projects. Tetra Pak showed their clients and the local community that the firm is a solid and credible choice for a supplier (a supplier that provides so much client value that it even boosts both the demand for the clients’ products and their production capacity).

5.6 Institutional Network Approach – A highly relevant approach for MNEs’ PPP engagement in emerging markets

Compared to previous research, this study brings out a number of points in support for why MNEs PPP engagement can and perhaps, should be viewed as an entry mode which influences the institutional network of the firm in the emerging market where the PPP is carried out. Firms are indeed global citizens that, at least in an emerging market setting, will find it very difficult to pursue business ventures with any kind of success, without legitimacy. The INA perspective emphasizes the importance of respecting the institutional reality; something that Tetra Pak, Skanska and ABB can be argued to have done with their PPP-projects.

The impact of the MNC on the institutional environment of the developing market was perhaps most evident in the case of Skanska’s PPP project in Chile. Facing the huge task ensuring country development, the Chilean government acted in accordance with the popular trend of turning to stakeholders outside the public sector for help. The result of the match-up with Skanska turned out to be successful, allowing the nationwide issue of more accessible transportation to be alleviated through the government’s rural road projects, similar to the sentiments Timmerman & Krusemann (2009).

The efficiency and resources of the private sector came together with the responsibility for the country and its population that drove the Chilean road projects. Another aspect to note in the case of Chile is the rather unusual policies that Skanska had to conform to in order to do business. The double-currency usage, and the bank financing being secured only after the contract with the government was signed, enforces the notions found in institutional theory.
that firms must conform to the ruling system of beliefs and norms that are active there. Institutional isomorphism, as such, is here seen as necessary for success as was stated in the works of Scott (1995), Dacin (1997), Deephouse (1996), and Suchman (1995).

**Fig 1:** Towards a new model of analysis for MNEs PPP engagement in emerging markets

The impact the firms had for the society of the country also varied as a result of the different MNE views on the PPP-projects. In Tetra Pak’s case, it was all about milk being made introduced and made available to a larger percentage of the population, which was what school milk programs were about. The positive effects of sufficient nutrition is obvious, and it was shown that malnourishment in Thailand in particular had gone down when milk was introduced in the 1980s. There were also positive spill over effects of other kinds with the birth of the milk sector creating around 250,000 new jobs there. For ABB, the social effects were likewise clear. Shopkeepers could keep their shops open past nightfall, and students could keep studying after sundown. On the micro-economic level, there was even a small local industry forming around the maintenance of the solar panels. Skanska’s toll roads provided gains that are a bit harder to quantify. The ability to move around the country more
freely and efficiently could indirectly influence a larger number of economic benefits, such as the chance for people living in the country side to make their way into larger town and cities for business purposes. The social aspect of public-private partnerships in emerging countries shall therefore not be understated.

5.7 Reputational gains and commercial gains – The missing pieces for a new model for MNEs PPP engagement in emerging markets

We argue that our suggested model proves sufficient in explaining the core aspects of a public-private partnership from inception to completion, mainly from the MNE’s perspective. Below the model’s different steps are compared to the empirical results.

Step 1

Social agendas:
Social agendas were found behind the creation of the public-private partnerships in all three cases of studied MNEs. In the example of Skanska, the Chilean government needed funds to build the additions to the highway grid in order to boost economic growth in the country. The situation was similar in Poland, where the government also wanted to conserve funds in the construction of highways. In India, ABB’s partner WWF wanted to improve the quality of life for the poor, rural population and for Tetra Pak projects, the underlying notion was that as many school children were able to have access milk in schools.

Business agendas:
Business agendas were also present, with ABB considering their Access to Electricity-projects as of a CSR-nature, where the firm’s participation was meant to showcase the ethical values of ABB, and as an attempt to initiate a long-term process of maturing a new market. Skanska wanted to enter new PPP-markets with all the business benefits thereof. Tetra Pak wanted to increase the demand for their products by boosting the availability and demand of those goods the firm’s products depended on.

Resource / Knowledge deficiency:
Both the Polish and the Chilean governments, for different reasons, did not have the necessary funds to spend in order to build the highways themselves. For the dairy farmers in Bangladesh, there was a distinct lack of a management structure to tap into the unused potential of the small, scattered dairy farmers.
Step 2

Partners:
ABB in the end did not partner with other for-profit companies, instead ending up collaborating with WWF. TetraPak worked with dairy farmers and Skanska with the governments as well as their support cadre of companies (investors, banks, toll management etc)

Step 3

Resources & Capabilities:
In terms of what the firms brought with them to play with, ABB used their technical know-how to oversee the installation and teach the locals, through WWF, of operating and maintaining the equipment. Skanska took this further by implementing their firm knowledge of construction projects, and taking care of all surrounding aspects as well, maintenance, toll collection, road clearing etc. TetraPak created the system with dairy hubs, using their management expertise to access untapped business potential found in the small-scale dairy farmers.

Core Values & Policies:
Strong signs of core values was mainly seen in the cases of ABB and TetraPak where the former showed a strong ethical driving force in their firm values, believing it very important to have a visible ethical standpoint. TetraPak focused more on their pro-business values where every firm action in some way is supposed to benefit their business operations.

Relationships:
ABB, not having worked in the regions or in similar conditions before, needed the credibility and experience of someone who had, hence they partnered with WWF. TetraPak worked closely with their clients mainly, while Skanska worked with governments, as well as the close network of specialist firms (investors, banks, toll collection etc)
5.8 A need for an amended version of the new model for analysis of MNEs PPP engagement in emerging markets

Based on what has been revealed in the analysis, we consider it suitable to add a fourth and final step to the model. The perspective of the final step is solely centered on the outcome of the project, which is divided into commercial- and reputational gains. Commercial gains refer to any sort of positive financial benefit that makes it easier for the MNE to do its business. Raw financial returns, additional projects given as a result of the old project’s completion, expanded firm knowledge pool etc. Reputational gains are considered here to mean boosted public opinion, industry reputation or a general improved view of the firm that in turn may impact future business.

Commercial gains:
Skanska’s organization as a whole benefitted greatly from the experience of having done the road constructions, being now much more ready to tackle future, and more complicated, projects of this kind. The legitimacy and credibility gained also allowed them to be awarded further projects by the Chilean government. TetraPak, boosted milk availability and by that, demand, which led to higher demand for packaging. ABB, did not receive any particular commercial gains.

Reputational gains:
Skanska gained legitimacy with the governments, as well as recognition from the industry at large for successfully entering such large, complex partnerships. ABB saw mainly CSR-gains, having played a role in drawing awareness to the problem of a large part of the world’s population not having access to electricity, as well as having started projects aimed at alleviating this. TetraPak was seen as being a part of staving off malnutrition and letting more school children have milk in schools, in short, CSR-aspects of an ethical company.
Fig 2: Towards a new model of analysis for MNEs PPP engagement in emerging markets – A amended suggestion for a new theoretical tool for analysing MNEs PPP engagement in emerging markets
5.8 Conclusions

This study has followed three Swedish MNEs who entered into Public-Private Partnerships in emerging countries. Our findings reveal that the MNEs' motives for doing so were different, just like the methods, and experienced different results of the engagement. From an institutional network perspective, a few important trends could be derived from the findings. TetraPak and Skanska, both having longer experience of PPP engagements, made clear commercial gains, while ABB, having been active with PPPs the shortest time, mainly reaped reputational gains. Furthermore, several points supporting the view of emerging markets from an institutional perspective expressed were found. The efficiency-based rationale of the international business strategy was seen as the most important for the MNEs, supporting the view of emerging markets put forward by researchers such as Jansson (2007) and Jansson & Hilmersson (2008).

The reasons for engagement in PPPs in this study were found to be directly connected to the type of business context that the PPP project was set in – a notion we interpreted as a supporting factor in the emerging market setting. The partnerships tied to the PPP arrangement enable firms to directly approach important institutions such as governments and key NGOs, and secure relationships and alliances with them which also pave the way for the development of networks. As opposed to joint ventures and other entry modes, Public-Private Partnerships come with a number of long-term commitments where an MNE and the other involved parties in essence are left to work together in a sustainable way usually for a long period of time. In emerging markets where relationships play such a key role, this is of vital importance.

The way the firms of this study chose to implement their PPP-projects mirrored their outlook on the markets. This is connected with how the firms dealt with risk where all firms accepted a different degree of risk burden. This implies the room for interpretation and gives a hint on the way MNEs view the different actors in the market. The difference in terms of willingness to assume risk could be interpreted as a sign that the MNEs had made different strategic interpretations of the risk and returns involved in a PPP engagement in an emerging market would require and the level of perceived confidence for the involved actors.

The study established that the three MNEs stated that achieving legitimacy and credibility was the biggest advantage with their PPP-engagements. Skanska was able to gain these by
demonstrating their proficiency in Poland and Chile, ABB saw additional credibility and legitimacy in their CSR-strategy and internal values, and TetraPak displayed these two with their operations resulting in strong client value coupled with societal improvement. With the Institutional Network Approach highlighting the importance of respecting the institutional environment and reality that the MNE faces in emerging markets, it can be seen that TetraPak and Skanska did, and were successful. ABB was a different story with their striving for legitimacy and credibility being aimed at being showcased in markets outside the ones the PPP-projects were active in.

Public-Private Partnerships as a market expansion tool or MNEs into emerging market?
So are PPPs a viable strategy for MNEs who wish to expand their presence in emerging markets? Our findings suggest that PPP engagement is an initiative which is highly situational. It appears to have clear advantages over other entry modes in certain situations. However, vast resources and human capital are needed for the usually large projects involving national governments and MNEs. As evident from the results of Tetra Pak, a PPP veteran, and ABB, who recently started its PPP engagement, prior experience also appears to be an important factor for success. Great care must also be taken in how the PPP is approached, with wildly varying market conditions and institutional pressures. However, handled well, with a fit between firm capabilities, host partner needs, as well as the firm view on gains desired from the project, our findings suggest that is possible for MNEs to reach a stronger market position through PPPs as a successful PPP facilitates the creation and deepening of relationships and network creation in emerging markets. The method of collaboration can facilitate expansion into the emerging market in the sense that the creation of important relationships is integral. Assuming there is a local partner involved (like a local government), legitimacy can be obtained, and the effects of classical firm entry ailments such as the liability of foreignness and liability of newness could be alleviated.

With the increased importance of emerging markets, particularly the bottom of the pyramid, it is only to be expected that the value of experience in doing business in emerging markets will become more and more valuable. Having been involved in Public-Private Partnerships can thus help give firms a competitive edge, not only through the learning gained through the projects, but also from the increased network. In a time where CSR efforts are diminishing in value, the legitimacy gains from a Public-Private Partnership may bring a number of more intangible benefits for the firm.
To conclude, there is a particular trinity of benefits to potentially be reaped from engagement in Public-Private Partnerships, if the firm has the sufficient affinity for the project, legitimacy and credibility, networks, and experience of a business sector that is expected to nothing but to increase in importance.

5.9 Suggestions for further research

While the concept of PPPs have been explored by theorists from various fields, our knowledge on how MNEs engage in MNEs, still highly limited. Our findings suggests that MNEs might reap significant benefits from PPP engagement, but further attention is needed to this matter in order to test the generality of our findings. We argue that it therefore would be interesting to follow a MNC in a PPP engagement over time in order to gain more in-depth insight into the MNEs motives, means and perceived outcomes from the PPP engagement over time in order to learn more about how the MNC view PPP as a means for markets expansion. Such a longitudinal study would most certainly give valuable insight into what we, based on our results, would believe to be an iterative process where the MNEs motives and means but also experienced outcomes of the process, changes as the project proceeds.

Furthermore we argue that it would be interesting to investigate the issue of the difficulties but also facilitators of ‘successful’ MNC engagement in PPPs in emerging markets. If PPPs can be a successful strategy for market expansion, then what are really the key features for such a success in an emerging market? And do these factors differ compared to engagement in PPPs in developed markets? If so why?

Another area of interest which could be explored involves the types of MNC engagement in PPPs in emerging markets. Our study clearly indicates that the MNEs motives behind the PPP engagement and its trust towards the other involved parties and the degree of risk the MNC is prepared to assume to make the project work, differs. We therefore argue that it would be interesting to invest this, perhaps through the use of a quantitative study in order to see if there are any patterns that could be seen based on the choice of market to enter, prior experiences or industry for example.
6. References


7. Appendices

7.1 Appendix I: Interviewee information


Katarina Eriksson, Senior Project and Partnership Development Manager, TetraPak Laval, interview conducted April 1st, 2014, Stockholm, Sweden.

Marcus Ekelund, Commercial Director, Skanska Infrastructure Development, telephone interview May 5th, 2014.

Waldermar Olbryk, Senior Vice President, Skanska Infrastructure Development, Business Development Poland. telephone interview, May 06, 2014

Linda M. Andersson, Partner, Advisory Services & Infrastructure, Ernst & Young Sweden, interview conducted February 2, 2014, Stockholm, Sweden.

Michail Pagounis, Global SCM Material Compliance Manager, ABB Management Services Ltd, interview conducted March 19, 2014, Västerås, Sweden

Namita Asnani, Assistant Vice President, ABB Limited India, telephone interview conducted March 26, 2014

Thomas Baumgartner, Head of Supply Chain Sustainability, ABB Management Services Ltd, Västerås, Sweden, interview conducted March 14, 2014

Tinnberg, Morgan, Project Development Manager, Delaval, Västerås, Sweden, telephone interview conducted May 2, 2014
7.2 Appendix II: Interview guide

Interview guide

I. Motivations

- Why was PPP selected as modus operandi?

- Please describe how the company perceives the market where the PPP-project was undertaken.

- Please elaborate about the commercial perspective behind the project.

- How is the project fitting into the firm’s long-term business strategy for the market in question?

- Please describe the planning stage, timeframe, motives, general thoughts etc.

- What was the duration of the planning phase and why?

- Please describe the implementation phase, time frame, important considerations, etc.

II. Means

- Describe the project’s situation today.

- Why did you choose to proceed with project in the chosen fashion?

- Who was involved from the firm and from external sources?

- Are the projects profitable today?

- What difficulties were encountered? From where did these stem, local authorities, NGOs etc?

- How was the firm initially perceived locally in the project’s infancy?

- How is the operation of the project progressing today?

III. Perceived outcomes
• Have you performed any kind of evaluations? If yes, what was the result and what measures were used? Why were these chosen?

• How has the relationship with the local authorities, population, and political representation been affected by your participation in the projects?

• What social development can be credited to the projects? Has this development been evaluated?

• Was there ever an idea to enter these markets without partners?

• Do you have any other PPP-projects scheduled?

• Does the firm have other parallel PPP-projects in operation in the same country and market? If no, is this something to consider for the future? Has any difference been noted in how the firm is perceived locally with new projects after completed previous ones?

• What are the perceived learning outcomes of your projects? Have this information proved useful in other situations? Give examples if so.

• How likely is it that future projects will be implemented the same way? Why?

• How do other stakeholders (investors, clients, media, governments etc.) view your projects?

• Will the firm re-enter regions where previously completed projects were implemented? Or is the idea to move on?

• What is the firm’s view on public-private partnerships today, in retrospect?

• Is there anything else we should know about the firm’s participation in PPPs?