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Deprivation of control: A driving force to gain influence during the internationalization process of MNC

(a case study: a Norwegian multinational corporation)

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Acknowledgements

My decision to write a business PhD developed gradually. During almost 20 years in business, I thought that my academic ambitions had been “parked”, despite my experience as a researcher in philosophy and literature sciences from Russia, and my PhD, “The Platonic traditions in Russian and English literature”. But is it possible to be free from a lust to analyze what you have seen, experienced and learned in order to explore, understand and create new knowledge?

I have been a part of a fantastic journey: the development of a state-owned Norwegian company into a global corporation. As part of my work tasks, I gave many presentations about the company. I always enjoyed these and used many narratives during the presentations. The more I did it, the stronger was my wish to analyze both the stories I was telling and the processes I was describing. My wish was supported by the management of the company, which needed to look carefully at some important processes that started to be central for the further development of the activities of a company as a multinational corporation. I got the opportunity to write the PhD, and I thank the company greatly for that. I approached the Business School of Nord University, knowing that this institution has a reputation of being one the strongest in Norway and Scandinavia in the field of management control in an international context, a field I wanted to be a part of as a researcher. PhD studies in Bodø gave me an opportunity to look at many of the processes I have experienced in company “T”, with the perspective of distance. As one of the prominent researchers in Norway said: “You have to decide what hat you have on – are you a researcher or an employee?” I had to start to think as a researcher, who worked as a practitioner; I had to “dive into new knowledge”, into new definitions, a new language of writing and communication. And I very much wanted to write a good story; at the same time, I had to look at this story as a researcher. It was a dilemma. I remember how a famous writer and professional philosopher, Iris Murdoch, whom I wrote about in my first PhD, said, when I asked her how it is possible to combine science and fiction: “Philosophy (as a science – red. author) has to clarify, literature has to mystify”. I took these words as a clue and started a wonderful journey in writing the PhD, being part of the fantastic research community of Nord University and its networking areas in Norway, Scandinavia, Russia, Ukraine, Australia and other countries.

I understood that the academic world is a world of sharing and collaboration. Throughout my PhD process, I have been surrounded by people who have shared with me deep thoughts, new and interesting ideas, and who have helped and supported me. I want to take this opportunity to thank those colleagues and friends, who shared with me, and in doing so, have contributed to this PhD thesis.

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I would like to thank the administration of the Fond of the Social Adaptation in Ukraine for the opportunity to be a lecturer for the participants of the project “Ukraine – Norway” in several Ukrainian universities. Teaching in Ukraine opened the new side in my professional life. Thanks to my Ukrainian students, who inspired me to pay more attention on the stories from the real life which I tried to explain with the theories from the academic world. I have had so many interesting conversations with a wide variety people!

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Oslo, April 2019

Abstract

Globalization of the world economy brought to attention the issue of the process of internationalization and influence over investments abroad in a multicultural context and forced the need to establish new, adequate systems of influence and control over subsidiaries (Huemer, Boström, Felzenstein. 2009; Sheytt, Soin and Metz, 2010). Norwegian multinational corporations (MNCs) invest actively in countries whose business cultures and traditions differ from those of Scandinavia. The link between influence and control mechanisms in MNCs has become increasing interest to scholars over recent decades, and at the same time, is leading to focus on the lack of knowledge related to the topic of interplay between the HQ and subsidiaries, based on the latest findings, especially from case studies (Chenhall, 2003; Moilanen, 2007; Malmi and Brown, 2008; Bourmistrov and Mellemvik, 2013; Bourmistrov and Kaarbøe, 2013). How do MNCs deal with the issue of doing business in an intercultural context? What kind of challenges can MNCs expect in this connection, and do MNCs have influence over the subsidiaries abroad? The scholar literature has paid attention to the possible tensions between the HQ and subsidiaries, and it has been suggested that greater understanding of how MNCs approach different management control mechanisms is needed (Bourmistrov and Kaarbøe, 2013), as well as an examination of the interaction between different parts in the control package (Malmi and Brown, 2008), in order to achieve influence and control in subsidiaries. The management control systems (MCS) literature has long recognized the importance of the issue of phenomenon of HQ's influence over subsidiaries in the process of internationalization of MNCs. However, there is still not enough knowledge about the kind of mechanisms that enhance headquarters' (HQ) influence over subsidiaries in the process of internationalization; how the interplay of these mechanisms occurs; and the way in which these mechanisms trigger the development of the process of internationalization; and more research is needed in this research field.

The empirical story of this study shows that MNC "T" has faced dramatic changes during last decades after the internationalization process started in 1993 that necessitated establishment but also substantial revisions over time of several control mechanisms aiming to influence from HQ over its subsidiaries abroad. This purpose of the current research is to examine how HQ of company "T" has exercised influence and control over its subsidiaries, in the process of internationalization of the MNC, how the top managers in the HQ of the MNC have perceived the outcome of the control process, and how those perceptions have influenced changes in the design of HQs control mechanism over subsidiaries. The study is guided by following three exploratory research questions: 1) How has the internationalization

of “T” happened? 2) What control mechanisms were in place during different phases of internationalization? 3) How have managers perceived the effects of controls established in the process of internationalization?

These three research questions have been addressed, using a qualitative framework, in which a case study has been carried out. To address the mentioned above issues, an explorative case study of a Norwegian MNC, “T” was conducted of both its HQ and some of its subsidiaries abroad. Empirical evidence has been collected from 34 face-to-face interviews and 21 conversations, the documentary analysis, and from longitudinal observations from the field.

The findings of the current study suggest that, first, the process of internationalization was a search for compromises between opportunities in international markets but also heavy constraints when it comes to financial resources, lack of knowledge, experience, impossibility of changing local legislation and local cultures. Second, a large part of the internationalization process was linked to the HQ’s search for influence and control over its subsidiaries. It was happening through use of and interplay between several control mechanisms such as, the ownership structure, the composition of the Board of Directors in the subsidiaries, the role of expatriates, establishment of the common corporate rules, and the role of the CEO of HQ. The study considers that the process of changes of the configuration of such controls (packages) was a dynamic development and happened by “*tuning”* and reconfiguring different packages in different phases of “T”’s internationalization aiming to achieve the high level of influence from HQ towards subsidiaries. Finally, this research discovers that the process of reconfiguring the control packages was guided by the dissatisfactions (Van de Ven and Poole, 1995; Poole et al., 2000) in achieved influence over subsidiaries leading to “deprivation of control” - a recognition that “T” was not getting what was considered necessary. In this sense, the deprivation of control was both the outcome of the chains of change processes and the driving force for the change processes.

The study makes three major contributions. Firstly, the study contributes to literature on control mechanisms in internationalization settings by describing use of mentioned above controls mechanisms related to ownership (Chalos and O’Connor, 2004; Al Farooque et.at, 2010); related to the role of BoD : (Bisbe and Otley, 2004; Bijman, Hendrikse, van Oijen, Aswin, 2012; related to the role expatriates: (Delios and Bjorkman, 2000; Chalos and O’Conner, 2004); related to the corporate rules: (Kurucz et al. 2008; Chow, Shileds and Wu, 2010) and the role of CEO of HQ: Watson S., Weaver G. R. 2003; Collings, Morley and Gunnigle, 2008), and reveals that these controls are interplaying with each other as the configuration of control packages. Secondly, the study shows how the configurations of controls as packages have been changed by tuning during the process of the internationalization aiming to achieve the high level of influence in subsidiaries. Thirdly, this research contributes to a renewal of the existing management control literature by examining how the development of a control system as the configuration of control packages is a result of top managers' perceptions of the outcome of control activities (Dermer & Lucas, 1986; Koeing et al., 1992; Bourmistrov and Kaarbøe, 2013; Seal & Mattimoe, 2014) , by discovering and presenting the phenomenon of "deprivation of control" as a driving force in the changes of the organization.

The study contributes to practitioners by providing a better understanding of the process of internationalization and to the renewal of knowledge about the activities of the MNC during international expansion, in relation to strategy development, development of the control systems and organizational changes in order to achieve influence from HQ towards subsidiaries.

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Preface

How did the idea of writing about "T"'s influence under the process of internationalization come to me?

On 15th November 2014, the Norwegian newspaper, Klassekampen, published an article with the intriguing title "The payments were hidden in this way" ("Slik ble utbetalingene skjult") (Klassekampen, 15.01.2014). The article presented materials, which, according to the journalists, could document the fact of corruption in the company, VCom (a private company registered in Bermuda, with its HQ in Amsterdam). With 43% of the shares in VCom, the Norwegian MNC "T" (54% Norwegian state ownership) is the substantial minority shareholder.

From 15th November 2014, a large number of articles were published in both Klassekampen and other newspapers, accusing "T"'s subsidiary, VCom, of corruption in relation to business activities in Uzbekistan and the process for purchasing the mobile operation license in the country. The publications triggered a debate involving politicians, businessmen and journalists, asking questions about "T"'s activities abroad. Almost all the main players in the Norwegian media and the media abroad scrutinized the case.

In the period from 2014 to 2016, the Chairman of the Board of Directors of "T", the former CEO and several top managers involved in the handling of the VCom case had to leave "T". The former CEO of VCom, a Norwegian by nationality, has been under investigation by the Norwegian authorities (he had been an employee of "T" before being appointed to the position of CEO in VCom, at the beginning of the 2000s, and moved first to Moscow and then to the Netherlands).

On 17th February 2016, VCom admitted the fact of the corruption and agreed to pay a penalty of almost 7 billion NOK. The new CEO of "T" engaged the consulting company, "D", to investigate the internal processes in "T", in relation to the VCom scandal, which resulted in strong criticism of "T". It was confirmed that "T"'s internal financial controllers had informed the company's top management about the suspicious payments in VCom, but "T"'s top management had ignored the information, with a message stating that it was VCom's case and VCom's management should deal with it, not "T". In September 2016, it was decided that "T" would sell its shares in VCom.

During the period 2014-2016, "T"'s managers confirmed several times that "T" did not have enough ***influence and control*** *in VCom. VCom's case woke an interest in me as a researcher and followed me to the scientific field of the phenomenon of influence, in the context of an MNC engaged in the process of internationalization.*

Reflecting on VCom's case, I started to think about the historical retrospective of when and how "T"'s internationalization started. As a relatively unexperienced and small company from a small country in the early 1990s, when the company began its process of internationalization, was "T" prepared for the potential risks and dangers of the global business world? Did "T" have an international strategy before starting its internationalization? Did "T" have knowledge about how to be an investor in those countries that are placed at the bottom of the list of Transparency International, as the most corrupt regimes in the world? Did "T" have experienced international managers that could support its international strategy? What did "T" do wrong in its internationalization, if VCom's scandal could occur? Could internationalization have happened too fast? What should "T" have changed in its internationalization strategy and process, in order to avoid the above-mentioned challenges and retain its good image as an experienced and responsible investor?

At the same time, it is important to mention that the "T"–VCom case is linked to another big issue, which was also discussed in the media – does the main stakeholder of "T" (the Norwegian state) have control of its portfolio? How can the state be an active and not sleeping owner that manages to control and influence an important portfolio?

Understanding that all my questions are actually related to one big question – how to achieve and retain influence – and wishing to find the answers to my questions, I started an interesting retrospective journey in "T"'s history of internationalization, aiming to explore the phenomenon of influence.

Chapter 1: Introducing the background and purpose of the research

1.1. Motivation for the research: Internationalization process of “T” – how to use opportunities and deal with the dilemmas? Did “T” always have influence and control?

Globalization is forcing companies to look towards international expansion, which creates a demand to develop mechanisms of influence and control over subsidiaries (Huemer, Boström, Felzensztein, 2009; Scheytt, Soin and Metz, 2010). The link between influence and control mechanisms in multinational companies has become increasing interest to scholars over recent decades.

Focusing on multinational corporations[1], the relationship between headquarters[2] and subsidiaries in markets with different cultures (Mozley, 1996) has gained interest in the research literature. Management, strategic and management control literature have paid much more attention to the phenomenon of the HQ’s influence over its subsidiaries. The rapid processes of globalization and internationalization have had an impact on the development of the MNC in the global world, leading to an interest in the lack of knowledge related to the topic of interplay between the HQ and subsidiaries, based on the latest findings, especially from case studies (Chenhall, 2003; Moilanen, 2007; Malmi and Brown, 2008; Bourmistrov and Mellemvik, 2013; Bourmistrov and Kaarbøe, 2013). Attention has been paid to the possible tensions between the HQ and subsidiaries, and it has been suggested that greater understanding of how MNCs approach different management control mechanisms is needed (Bourmistrov and Kaarbøe, 2013), as well as an examination of the interaction between different mechanisms as a package (Malmi and Brown, 2008), in order to achieve influence and control in subsidiaries. Greater attention should be paid to designing an adequate system of influence and control (Malmi and Brown, 2008), in order to minimize tensions between HQ and subsidiaries (Ahren and Mollona, 2007).

What mechanisms should be developed in HQ, to achieve influence and control during the different stages of the process of internationalization in an MNC; how can – and why should – these mechanisms be embedded in the organizational practice in subsidiaries?

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[1] Multinational corporations – hereafter in the text, it will be used MNC
[2] Headquarter – hereafter in the text, it will be used HQ

Despite the increasing interest of researchers in the issue of the *phenomenon of the HQ's influence over subsidiaries and joint-ventures*[3] *in the process of the internationalization of MNCs*, it is necessary to mention that this topic is still in its infancy in the management control research domain, and more research is needed in this research field.

At the same time, it is noteworthy that, as a practitioner, and having started to be interested in the academic research, I have realized that, during recent decades, academic researchers' interest in the practical issues of management control has waned (Baldvinsdottir, Mitcell and Nørreklli, 2010). Realizing this fact, I have been extra motivated to use the findings from academic research in the practitioners' world, and vice versa. "The academic research will be poorer for the exclusion of practitioners' judgments as practitioners are an intelligent audience with the capacity to provide the correction and guideline" (ibid., p. 81). I hope that, as a result of this study, the academic world will benefit from the practical learning presented and analyzed by a practitioner such as myself and, at the same time, the world of business and practical experience will be richer when the research findings from the theoretical world are applied for the benefit of the practice and better understanding of the aspects of management control in the context of the process of internationalization. Such an approach calls for the interaction between practical experience from theories and "its interdisciplinary links [...] that has been missing from much of the management control research agenda" (ibid.).

1.2. Brief history of the Norwegian MNC "T" – from a small company to an MNC.

In order to better understand the background of this research and the context for internationalization, a brief history of "T" will be presented. "T" Group provides tele, data and media services in the Nordics, Central and Eastern Europe, and Asia. The company's revenues (2015: NOK 128 billion – annual report) come from the mobile operations in 13 markets, with an additional 14 markets through VCom[4], making "T" one of the world's major mobile operators with 208 million mobile subscriptions worldwide. With 36,000 employees worldwide, "T" Group is able to offer a wide range of telecom-related services to consumers and enterprises. The 160-year history of "T" is closely connected to the development of the telegraph and telephone across the world.

[3] Joint Venture – hereafter in the text, will be used JV
[4] VCom - a JV in "T" s portfolio

How the story of "T" began

After 1844, when Samuel Morse became the first person in the world to construct a telegraph using only one wire, when he built a telegraph line in the USA. Telegraphy came to Europe when, in 1849, The Telegraph Company (now: B[5]) established its first telegraphy line. Early on, Norway started to build a telegraphy network. In 1855, Den Norske Statstelegraf (Norwegian Telegraph Administration – now "T") was founded. The first Norwegian telegraph line (between Oslo and Drammen) was opened the same year.

Twelve years later – in 1867 – the first international telegraph line came into operation between Norway and Denmark; the telegraph connection between Norway and Great Britain was opened in 1869, and, from 1870, Norway was one of the first European countries with nationwide telegraphy coverage.

In 1901, the Telegraph Act was passed, giving the Norwegian state exclusive rights to run telephone services in Norway. The expanding Norwegian fishing industry was a driving force for the telephone companies in their fast development of telegraphy coverage and services. Telephone technology came to Europe in 1877, when the first public demonstration of the Bell telephone took place in a limited number of countries like Great Britain, Germany, France, Sweden and Norway, and the first Norwegian telephones were offered in the capital, Oslo, in 1878. A large number of private telephone companies were established in the following years, and, in the 1890s, Norway was one of the countries in the world with the highest density of telephones per inhabitant.

In 1906, one of the first radio wave connections between different islands was established in the Lofoten area in Northern Norway. From then on, fishermen were offered the opportunity to connect with their sales organizations on the mainland when they came in from their fishing grounds, enabling the sales people to start selling the fish, while it was being transported on the last leg of its journey from the island to the mainland.

Tlg[6] (now: "T" Group) acquired the last private telephone company in 1973 but *never decided to establish fixed line operations abroad*, as happened with mobile telephony in the process of internationalization from the late 1990s, when "T" experienced the transformation from a state-owned enterprise to a state-owned company.

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[5] B. – a company from UK

[6] In 1969 Tlg changes the name to Tlv, and later in 1995 to "T"

The story of how "T" succeeded to be a company at the beginning of the 1990s.

In one of the commentaries in the middle of the 1990s about a new "T"'s President and Chief Executive Officer [7] (he was on this position from earlier 90s to 2001), he was described as one of the most powerful people – or even the most powerful person – in Norway (NTB, 30.2.1994). This mostly caused a political debate around the changes in the organizational structure of "T". The CEO's first years in his new position resulted in him managing to change the attitude, among the political and bureaucratic elite in Norway, to the restructuring of "T" from an SOE[8] to a PLE[9]. The Minister of Transport and Communications, many representatives of the Norwegian Parliament – the Storting – members of the Labor party, which was in government in the 1990s, and the Trade Unions were skeptical about the changes and wanted to retain "T" in its existing form. It is interesting to note that the CEO himself underwent a change in his own understanding of the necessity for changing the management and organizational structure in "T". When he was appointed the chief of "T" in 1991, he was not sure that "T" should be transformed into a private limited enterprise. He acknowledged later that, prior to his position in "T", he supported the idea that both "T" and an energy company, SKFT, should be public management companies or SOE. However, after a short time in his position, he understood "T"'s future challenges in connection with the coming liberalization of the telecommunication market, globalization and the need for international expansion. In order to meet the new situation in the world economy, it was necessary to transform "T" into an ordinary PLE (Interview, 2014). The CEO used his political contacts both internal in Labor party and the Trade Unions, in order to gain approval for the changes in "T". At the same time, he managed to build a broad alliance within the expert assessment in the Ministry of Transport and Communications. The State Secretary, the Secretary General in the Ministry of Transport and Communication, the Office of the Prime Minister, and the LO[10] Union for Civil Service workers supported the CEO's efforts (Lars Thue, Nye forbindesler. From Norsk telekommunikasjonshistorie, 3, Gylendal 2005). The Norwegian parliament, Storting, had to take the decision regarding the changes in "T"'s structure in 1992, and before the discussion with the telecommunication Minister, who insisted on the SOE organizational structure or "T" and has prepared the White Paper for the Storting, there were several important factors that influenced the process of change in "T". The CEO needed power of attorney from the minister, in order to meet the new competition in the market and the rapid development of telecommunication services in the world, in relation to the production of equipment, IT services and consultancy. The

[7] Hereafter in the text, it will be used CEO
[8] State Owned Enterprise, hereafter in the text, it will be used SOE
[9] Public Limited Enterprise, hereafter in the text, it will be used PLE
[10] LO – Norwegian Trade Unions

power of attorney extended “T”’s PLE activities, even though the company was organized as an SOE. Based on the power of attorney, the CEO began the organizational changes in “T”.

When the White Paper was discussed in the Storting, public opinion had already started to change to the CEO’s point of view. At the same time, substantial changes were happening in the telecommunication market and regulation. In 1993, the EU announced plans to open up the European telecommunication market to full competition across borders from 1st January 1998. In 1994, 24 countries in the Organization for Economic Co-operation and Development (OECD) decided to organize their national operators as incumbents; that led to organizational changes in the companies and, principle different competition situation – the operators were organized as business companies that could obtain access to different financial mechanisms, fresh capital and, at the same time, have a high level of freedom in business decisions. The governmental report about “T” (“Rapport fra statssekretærutvalvget som har vurdert tilknytningsform for Tlv, Postverket og Norges Statsbanen”, februar 1994) stated that the liberalization of the telecommunication market in Europe had happened much quicker than indicated and would lead to substantial challenges for “T”, if it were to remain a form of SOE.

The mobile phone era is connected with the internationalization of “T”

As in other countries, the first mobile phones in Norway (so-called land-based mobile services) were established from the late 1950s. Mobile phones were large and heavy; they were scarcely portable, and most were built into cars. Typical use was in closed networks, in which the office could communicate with the company’s cars, and the cars could be connected to each other.

In 1966, a research project was established between Tlg (later on Tlv, and now: “T”), the Norwegian Defense Research Establishment and a private company (Simonsen Radio), and the first so-called radio telephone was launched the same year. The main target group for this service was companies needing communication between fixed line services and cars, and vice versa. Some private individuals acquired such sets, but prices were very high – more than 30,000 NOK for a set. In 1969, Tlg changed the name of the service to mobile phone, and the usage was extended – mostly to boats and cottages, homes, etc. – as the sets became more portable. In the same year, the Nordic telecom companies gathered in Northern Norway and decided to establish Nordic Mobile Technology (NMT), with the goal of developing a commo n standard for more advanced mobile technology – now known as first-generation mobile services (1G). NMT was widely launched from the early 1980s, but the price of the telephone sets was still too high for most private individuals.

Tlv (now: “T”) also became a driving force in the development of the next mobile generation – GSM (Groupe Spécial Mobile or Global System for Mobile Communication), which was formally standardized in 1989, with Norway being one of the first countries to commercially launch GSM in 1993.

At the same time, Tlv *decided to extend its operations to other countries,* launching its process of internationalization. *Minor operations* started with local partners in northwestern Russia, and, in 1994, “T” became a part-owner in a Hungarian operator. The exciting mobile journey started bringing “T” to operations in 13 countries, with nearly 200 million subscribers 20 years later.

“T”’s business, as 2015[11]

According to “T”’s website (2016), “T”’s main revenues come from its mobile operations and are concentrated in three geographic regions: the Nordics, Central and Eastern Europe, and Asia.

In the Nordics, “T” developed operations in Norway, Sweden, Denmark, where it is a leading provider of mobile and fixed services, as well as having a strong position in the rapidly growing Scandinavian broadband market. 4G services have been launched in Norway and Sweden. “T” Group’s core business in the region includes “T” Broadcast, which is among the leading providers of television and satellite broadcasting services in the region and operates the national terrestrial broadcast network in Norway.

In Central and Eastern Europe, “T” has activities in Hungary, Serbia, Montenegro and Bulgaria, where it has a strong position as a provider of mobile services.

At the same time, “T” has an economic interest of 33% in VCom[12] Ltd., offering mobile services in an additional 14 markets (VCom Ltd. offers mobile services in Russia, Ukraine, Kazakhstan, Uzbekistan, Tajikistan, Armenia, Georgia, Kyrgyzstan, Laos, Algeria, Bangladesh, Pakistan, Zimbabwe and Italy)[13]. In Asia, “T” has activities in Thailand, Malaysia, Bangladesh, Pakistan, India and Myanmar.

According to “T”’s website, the company explains its rapid success in internationalization as follows: “Our success is built on combining our global telecoms expertise with regional knowledge transfer and

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[11] This research is focusing on the period of “T”’s activities from 1992-2015

[12] JV in Russia

[13] The sale process of VCom was announced in 2017, and was continuing in 2018 and 2019.

local market insight to create value for different segments. We have achieved significant and rapid subscriber growth in all markets" ("T" website, 2016).

Describing the company's strategy, "T" stated that it positions itself as "the most efficient operator" ("T" website, 2016). Thus, "T" writes: "With diminishing growth in telco revenue and increased competition in services from internet players, 'T' needs to operate smarter and more efficiently. We will accelerate technology efficiency, pursue process simplification and *deploy new operating models*, to significantly reduce costs. We have established a global transformation program to drive the implementation of the strategy" (ibid.).

1.3. Purpose, research questions and contribution of the research

Against the background, the purpose of the current research is to examine how HQ of company "T" has exercised influence and control over its subsidiaries, in the process of internationalization of the MNC, how the top managers in the HQ of the MNC have perceived the outcome of the control process, and how those perceptions have influenced changes in the design of HQs control mechanism over subsidiaries. The focus of the study is on how the top managers in the HQ of the MNC, during different phases of internationalization process, have perceived the outcome of the control process, defined as a degree of HQ's influence over international subsidiaries, and how those perceptions have influenced changes in the design of HQs control mechanism over subsidiaries. Internationalization is an interesting research context because state of globalization is forcing companies experiencing international expansion to develop appropriate mechanisms of control that secure substantial influence over the subsidiaries that often operate in different regulatory and cultural environment then HQs (Scheytt et.al., 2010).

To address the above issues, three exploratory research questions are raised designing the framework of this study's theoretical lens, the methods applied, and the analysis of empirical data. It will be conducted an explorative case study of a Norwegian MNC to answer research questions set out on this study.

The empirical narrative of this research is focusing on 23 years a retrospective review of a Norwegian MNC company "T"' internationalization, presented as a story about four phases in the internationalization process from 1992 to 2015. The study demonstrates a dynamic interrelation between the internationalization behavior of the MNC, the changes of the internationalization strategy influenced by antecedent conditions (Van de Ven and Poole, 1995; Poole et al., 2000), implemented mechanisms of controls and top managers' perception of the outcome of the internationalization process in terms of HQ achieving of influence over its subsidiaries abroad. The following research question is therefore posed:

1) How has the internationalization of "T" happened?

Whereas previous research both in management control and management literature on internationalization has been dominated by case studies explored both the emerging markets and mature markets , with the spreading from Asia to Africa, Eastern Europe, Australia, USA, Canada and Europe (accounting literature: Abernethy and Brownell, 1997; Child and Yan, 1999; Chalos and O' Connor, 2004; Wickramasinghe and Hopper, 2005; Carney and Gedajlovic, 2006; Alvesson and Kärreman, 2004; Ahrens and Mollona, 2007; Adler and Chen, 2011; management literature: Butler and Anchor, 2000; Tahir and Larimo, 2004; Hitt, Ahlstrom, Dacin, Levitas, and Svobodina, 2004; Karhunen, Kosonen, and Leivonen, 2004), however, it can be seen that there are not so many cases studying the same phenomenon in Norwegian context and in different multinational settings.

By describing the process of the internationalization of the *Norwegian MNC "T" as a context* for this research, the current study provides the insight and better understanding about the process of internationalization in MNC by including both the Norwegian context and the cases from different markets in the *comparative perspective*, and contributes by introducing the new knowledge in the research domain about the internationalization both for the management control literature and management and strategy literature.

The study explores further how a particular internationalization strategy is formulated and carried out, and that this process produces effects for the organization and managers, in terms of issues around the HQ's influence using different control mechanisms over the subsidiaries in different phases of "T" ¨s internationalization. The findings of the current study suggest that the process of internationalization is happening as the "tuning" the of controls, and that the outcomes of these processes have the further impact on the whole internationalization. Hence, it will be investigated the changes of controls in the international settings.

The second research question is as follows:

2) What control mechanisms were in place during different phases of internationalization?

The management control literature has long recognized the importance of use of mechanism of control in the international settings that allows achieving influence from HQ towards the subsidiaries. The role of different control mechanism, in MNCs has been in the management research domain in several decades. Thus, the scholars analyzed how the following control mechanisms secure substantial influence over the subsidiaries: related to ownership (Mutinelli and Piscitello, 1998; Barbosa, and Louri, 2002; Álvarez, 2003; Desaia, et.al., 2004; Chalos and O'Connor, 2004; Al Farooque et.at, 2010); related to the role of BoD[14]: (Mizruchi,1983; Geringer and He´bert, 1989; Bisbe and Otley, 2004; Chalos and O'Connor, 2004; Bijman, Hendrikse, van Oijen, Aswin, 2012; related to the role expatriates: (Martinez and Jarillo, 1989; Delios and Bjorkman, 2000; Chalos and O'Conner, 2004); related to the corporate rules: (Bartlett and Ghoshal, 1989; Birkinshaw and Fry, 1998; Watson S., Weaver G. R., 2000; Kim, 2001; Geppert, 2005; Harzing and Feely; 2007; Kurucz et al. 2008; Chow, Shileds and Wu, 2010) and the role of CEO of HQ: Smircich, 1983; Watson S., Weaver G. R. 2003; Collings, Morley and Gunnigle, 2008). However, it was not payed enough attention on the issue of interplay between the different control mechanism. This research draws upon the work published about the control mechanism in the process of the internationalization and seeks to contribute to the literature on accounting and management control by offering new knowledge by presenting *configuration of control packages as mechanisms of influence from HQ towards subsidiaries*. At the same time, the literature in research domain payed relatively little attention on issues of some management control mechanisms, as, for instance, *the role of CEO and the corporate rules* in influencing subsidiaries abroad. In this term, this study will contribute by including the broader perspective of understanding of which managerial tools can give the impact in achieving influence in the process of internationalization.

Whereas the management and strategy literature studied also the process of internationalization focusing mostly on management processes related to ownership, governance and business practice (Merchant, 1981; Yan and Gray, 1994; Hu and Chen, 1996; Mjoen and Tallman, 1997; Lee et al., 1998; Kumar and Seth, 1998; Ramasway et al., 1998; Banai et al., 1999; Child and Yan, 1999; Luo, 2001; Beamish and Jiang, 2002; Gong et al., 2007; Harzing, 2001; Legewie, 2002; Beamish and Jiang, 2002; Quattrone and Hopper, 2005; Brouthers and Bamossy, 2006; Karhunen et al., 2008; Lymbersky,

[14] BoD – Board of Directors

2010; Beamish, 2013; Killing, 2013), this study extend the existing knowledge to this research domain in suggesting several mechanisms using by managers in influencing subsidiaries.

This study discovered that during the process of "T"'s internationalization the established management *control mechanisms have been changed* in different phases of the internationalization.

The management accounting and control literature has long recognized the importance of exploring the issue of changes in management control systems (Burns and Scapens, 2000; e.g. Otley, 2016), and contributed to understanding of how internal and external factors and different institutional processes trigger changes in management control systems and further in organizations. This research builds upon these studies and the idea, supported by the empirical findings, about the readjustments of the important processes in organizations. However, despite of that, there is not enough studies which describe why and how the control mechanisms have been changed in the process of internationalization. Thus, while the management control literature has analyzed, for instance, the issue of influence through the establishment of different controls in the organization (e.g. Desaia, et.al., 2004; Chalos and O'Connor, 2004; Bisbe and Otley, 2004; Delios and Bjorkman, 2000; Geppert, 2005; Harzing and Feely; 2007; Kurucz et al. 2008; Chow, Shileds and Wu, 201; Collings, Morley and Gunnigle, 2008), less interest has been shown in exploring of the dynamic changes in the context of internationalization, and there is the tendency to present the controls mechanisms as a *static phenomenon.* This study differs from the previous studies about the role of the control mechanisms and how these mechanisms act and contributes by offering new knowledge to the research domain by showing the *dynamism* in readjustments of the mechanisms of control and the process of changes *as "tuning"* in the context of internationalization process. This study presents *the process of "tuning" the configuration of control packages* as one of the important processes in internationalization of "T" and contributes by that to the research domain in management control.

In addressing the question about the managers' role in the process of the changes of control system, this study as well contributes to management accounting and control and control change literature by examining how the changes of control system is a result of top managers' perceptions of the outcome of control activities.

The third research question is therefor as follows:

3) How have managers perceived the effects of controls established in the process of internationalization?

Recently, there is an increasing attention towards extending the management control literature by examining the role of individual agency in producing institutional change in management control systems (e.g. Covaleski et al., 2013). At the same time, those studies have not examined the role of managerial perceptions of the control outcomes for making changes in the control mechanisms.

There are previous studies that focus on how managerial perceptions of controls influence changes in the design of the control system (Bourmistrov & Kaarbøe, 2013; Seal & Mattimoe, 2014; Koeing et al., 1992; Dermer & Lucas, 1986), that gives opportunities provided by psychological research in understanding management accounting and control system change (Hall, 2016).

This research has focus also on how the managers in the HQ of the MNC, during different phases of internationalization process, have perceived the outcome of the control process, defined as a degree of HQ's influence over international subsidiaries, and how those perceptions have influenced changes in the design of HQs control mechanism over subsidiaries. In its turn, a perceived control situation can influence the choices made by managers at HQ, in respect of setting different configurations or packages of the mechanisms of control. This study discovers that the changes were driven by a particular top managerial perception that we call "deprivation of control". "Deprivation of control", i.e. a phenomenon that describes the state of affairs, the management situation that is characterized by the inability of HQ to obtain what is considered a necessity: such as, in this study, a high level of influence over its subsidiaries. The process of "tuning" the configuration of control packages during the process of internationalization triggered by the "dissatisfactions" (Van de Ven and Poole, 1995) can be then understood as a top managerial quest to get rid of experienced "*deprivation of control*". Understanding of managerial perceptions of controls are, thus, important because those perceptions influence the managerial judgment and beliefs about how the control system affects the relationship between the organizational behavior and its outcomes. For managers, those effects can also be formulated in respect of perceived control situations that can be reflected in terms of changing their mindset and behavior in relation to internationalization that further influence the strategy process and the process of designing the influence and control mechanisms. By describing this, the current study contributes by offering new knowledge about the changes of control mechanism to the research domain of the management control accounting and control.

1.3 The theoretical framework

This study draws upon the literature published in research in progress theory (Van de Ven and Poole, 1995; Poole et al., 2000; Mähring and Keil, 2008), specifically teleological framework, which enables that the progression in organizations happens as a development towards a goal that is socially constructed and cognitively shared as a common goal or end state, and considers the progress as "a repetitive sequence of goal formulation, implementation, evaluation and modification of goals based on what was learned or intended by the entity" (ibid., p. 156). By studying the changes in company "T" as an organization, experienced dramatic changes in the process of internationalization during last decades, the current research seeks to contribute to the literature on process theory. This is achieved by the extension of the teleological model (Van de Ven and Poole, 1995; Poole et al., 2000) that presents a more complex picture of the process of changes in organization during its internationalization and defend that the motivation of changes are triggered by the "dissatisfactions" (Van de Ven and Poole, 1995), and the driving force of the changes s "tuning" is a "deprivation of control".

1.4. Methodological framework

The study is based on a case study design in order to investigate the three research questions mentioned above. The company forming the case study is a Norwegian MNC "T" that experienced its internationalization from early 90-es. Thus, the study has investigated a period of 23 years of "T"'s internationalization process; empirical data has been collected through interviews, from the documentary analysis, and longitudinal observations from the field. The analysis of data has been conducted by a qualitative approach for collecting and analyzing of empirical data.

1.5. Structure of the dissertation

In the following chapter, the theoretical framework of the study will be outlined. The chapter will present a literature review, in which the main concepts of the research, such as influence versus control, perceived behavior in an organization as a psychological aspect of influence and control, influence and control in the process of internationalization, will be highlighted. Chapter Two will close with a presentation of the model's assumptions – regarding the evolution of influence and control under the internationalization process – and create an analytical framework of the research.

Chapter Three provides an overview of the research methodologies on which the study has been built. The philosophical paradigm of this research will be discussed from the ontological, epistemological and methodological perspectives. Further, the research design will be presented; discussions are drawn in line with the research methods applied in the study. This chapter will end with remarks presenting the reliability, validity, and ethical considerations of the research process and the study's findings.

As this research is based on a case study of a Norwegian MNC, "T", by describing the four phases on the process of internationalization will be introduced in Chapters Four, Five, Six and Seven. These chapters present the four phases of the process of internationalization of "T", according to the model's assumptions; these include a description of the antecedent conditions that had an impact on the process of internationalization; the internationalization strategy developed in "T"; a presentation of influence and control mechanisms; and an overview of the perceived influence. Chapters Four to Seven introduce phases one to four, respectively. All phases present descriptive narratives about the process of internationalization and the changes of mechanisms of influence and control.

Chapter Eight presents an analysis of the empirical findings related to the issue of influence and control in the process of internationalization of "T", by discussing the choice of influence and control mechanisms as different configurations or "packages". The chapter introduces "tuning" of the "packages" as a way the changes are happening and illustrates *the dissatisfactions* in the process of changes (Van de Ven and Poole's, 1995) as a trigger for "tuning" the design of the "package". It will be presented the phenomenon of *deprivation of control* as a driving force of the changes in the process of internationalization in order to achieve influence from HQ towards subsidiaries when the perceived challenges of influence lead to HQ ending up in situations in subsidiaries abroad without having control.

The final chapter will present the concluding remarks on the research and suggest areas for further research. In addition, the practical implications for managers will be introduced.

Chapter 2: Literature review and theoretical model

In this chapter, I will present previous research on the *phenomenon of influence* under the process of internationalization, particularly the topic of the influence of the headquarters (HQ) of multinational corporations (MNC) on their subsidiaries and joint ventures (JV) abroad? The aim of the literature review is: to *outline the knowledge gap* to clarify the framework of my projects; to *present findings and scholarly debates* that will be used in the analysis and discussions; and to *highlight certain scientific areas in previous and existing research where the findings point to the possibility for this thesis' contribution*. At the same time, the literature review introduces an in-depth analysis of scientific articles that cover *the research phenomenon*; presents the argumentation, applied methods and theoretical frameworks applied in the research context of this study; and presents the findings.

2.1. Choice of concepts: influence, influence versus control, the aspect of perception

The review starts with the presentation of definitions of the phenomenon of influence in both the management control and management research domains and then follows with a description of the variables related to *the HQ of an MNC's influence on foreign subsidiaries and JVs*; this is finalized by the analysis of the presented materials.

Definitions of the phenomenon of influence in research literature

In this part of the literature review, I will clarify the issue of the definition of the phenomenon of influence.

In spite of the fact that there are many studies dedicated to the phenomenon of influence, there is still a debate that follows earlier discussions on the definition of the phenomenon of influence, when scholars are arguing about both the issues of definition of the phenomenon of influence and its role in organizational impact (Dunlap, 1934; Coch and French, 1948; Hovland and Mandell, 1952; Mills, 1956; Gilman, 1962; Cartwright, 1965; Kadushin, 1968; Knight, 1970; Laumann, Verbrugge and Pappi, 1974; Taylor, 1977; Berger, Fisek, Norman, and Zelditch, 1977; Markovsky, Willer and Patton, 1988; Raven, 1992; Zelditch, 1992; Lawler, Ridgeway and Markovsky, 1993; Huemer, Lovaglia and Houser, 1996; Willer, Lovaglia, and Markovsky, 1997; Martin and Beaumont, 1999; Pfeffer and Fong, 2005; Elias, 2008; Boström, 2009; Felzensztein, 2009; Ciabuschi, Martín and Ståhl, 2010; Lucas and Baxter, 2012; Kynighou, 2014).

Despite the extensive attention paid by researchers to the issue of influence, I have noticed a misbalance in the covering of this topic in different research literature: literature from the psychology, management, human research, strategy, international management and scientific fields has paid much greater attention to the phenomenon of influence than has the accounting literature.

Definitions

Definition 1:

Influence can be defined as the ability to get someone to do something which that person would not otherwise do (Knight, 1970).

Definition 2:

Baxter and Lucas (2012, p. 49) describe *influence* as "compelling behavior change without threat of punishment or promise of reward—results largely from the respect and esteem in which one is held by others".

Both of these definitions will be used in this study, as they are, in my opinion, complementary to each other and, at the same time, give a more nuanced picture of the *phenomenon of influence* in organizations.

Investigating the phenomenon of influence in organizations, Cartwright (1965) focused on the influence as an arrangement of interdependent parts of a whole, in which behavior is controlled and relatively predictable, and in which individual actions combine to lead to organizational accomplishments. Cartwright underlines that one of the main characteristics of an organization is its state of being organized. The context of this study leads to the hypothesis about the important role of influence in MNCs and relationship between the HQ and its subsidiaries and JVs in other countries – how HQs "organize" operations abroad and influence the organizations and employees, in order to achieve their goals. At the same time, Gilman (1962) paid attention to the linkage between the state of being organized and the exertion of some form of influence, which follows the discussion on the topic of possible tensions between the HQ and subsidiaries and JVs, and brought into focus the subject of how to achieve influence, working in a multinational context, when the issue of different values, norms and traditions is on the agenda. In this connection, the topic of influence in an organization is closely connected with the theme of social influence, that pays attention to how to affect attitudes and opinions and describes the ways in which actors modify their own opinions by the influencing of others (Friedkin, 1999).

Social influence

The concept of social influence attracts the attention of many scientists. In the context of this research, it could be interesting to look at the phenomenon of *social influence*, so long it describes influence via values and norms from in organization, and in our context as influence from the HQ towards subsidiaries and JVs. Thus, Kahan (1997) defines social influence as how individuals' perceptions of each other's values, beliefs and behavior affect their actions. Social influence processes may be highly influential in general and can play out in different ways in different social groups (Rice et al., 1990). In the context of this study, the term "social group" can be understood to mean the different groups of employees, both in HQ and in the subsidiaries and JVs. Stogdill (1950, p. 1) wrote that "An organization is a group in which members are differentiated as to responsibility for tasks leading to a common goal" and underlined that "Leadership in organizations is a phenomenon of organizations, not groups as such, and the organization defines and delimits the scope of the leadership. Leadership must be viewed from the standpoint of influence on organizational activity, rather than on group members" (ibid.).

At the same time, Bernard (1938) connected social influence with leadership and wrote that social influence emanates from individuals with leadership, and not necessarily because of the position they occupy. This view is in contrast to the position of Rice and Aydin (1991), who underlined that the role of an individual in an organization and its influence underlying that social influence is highly dependent on one's position in a framework of a social structure, as position shapes exposure to influence attempts and their effects. In this connection, the topic of social influence is closely connected with the topic of *influence and power*.

Despite the different opinions describing the relationship between influence and leadership in scholarly literature, it is agreed that the phenomenon of influence in organizations links influence with the phenomenon of power (Yukl, 1989; Yukl and Falbe, 1990; Elias and MacDonald, 2006; Vecchio, 2007). Aiming to achieve effectiveness in organizations, managers "must be able to influence their subordinates, peers, superiors, stakeholders and many other individuals both affiliated and unaffiliated with their organizations" (Elias, 2008, p. 267) and use power. Hence, this ability to influence is typically brought about, in a large part, through the use of social power (Wilensky, 1967). The importance of understanding power in the workplace is in focus in the research literature (Dubin, 1951; Lee, 1997; Kouzes and Posner, 2002; Farmer and Aguinis, 2005). In order to give a more precise definition and understanding of the *phenomenon of influence*, many researchers look more closely into the relationship between *influence and power.*

Influence and power

As Willer, Lovaglia and Markovsky (1997, p. 574) presented, the "conceptions of power and social influence are fundamental in understanding the society" and organizations (March 1955; Cartwright, 1965). According to March (1955), social *influence and power* occur when one's emotions, opinions, or behaviors are affected by others (March 1955). Hence, J. March (1981, 1986, 1991) linked influence that exerts power and decision-making to different important processes in an organization – the relationship between individuals, groups, organizations, companies and society. He explored factors affecting influence and the decision-making process, such as leadership, interests by stakeholders, political environment, the impact of organizational and individual learning and the challenges of balancing exploration and exploitation in organizations (March,1991); these components of the phenomenon of influence will be investigated further in the research process in the context of this project.

According to Friedkin (1993), social influence network theory includes French's (1956) formal theory of power. French and Raven (1959) focused on the notion that *power and influence* sometimes can be seen as two parts of the same process – power as a capacity to change behavior, and influence as the practice of using power to effect behavior change. That can be understood by the fact that there is a special link between *power and influence* when the actors in a power position can choose not to use influence, declining to use their power. Thus, Lawrence et al. (2005) recognized that both the supervisors and the subordinates – both those in the position of power and those without power – have the ability and tendency to influence one another.

Lucas and Baxter (2012) continue the discussion about concepts of power, status, and influence, developing this concept in order to describe the matter of diversity in organizations. They define power as "the ability to impose one's will even against resistance from others" (Lucas and Baxter, 2012, p. 50), underlying the strong matter of pursuing in the concept of influence. Power is the ability to get what one wants, even in the face of resistance (Weber, 1978; Markovsky, Willer, and Patton, 1987), but influence is the ability to get what one wants, even in the absence of fear of punishment or promise of reward (Rashotte and Webster, 2005).

Investigating the interplay between *influence and power*, some of the researchers describe that the terms can be used as interchangeable (Yang et al., 1998; Yang and Cervero, 2001), but some scholars (Mechanic, 1962; Wrong, 1979) suggest that power and influence are used synonymously.

Other scholars (Tannenbaum, 1968; Salancik and Pfeffer, 1977) have defined power and influence as synonyms and state that they are used interchangeably. Nevertheless, most researchers look at *influence and power* as two concepts, which stand close to each other, with power being the potential influence, and influence being the actual use of power. Thus, according to some researchers (Kotter, 1985; Bass, 1990), the effectiveness of managers depends on their success in influencing others. Dahl (1957) suggests that, when power is used to get people to do things, power is often defined as influence.

Following the discussions related to the interplay between *power and influence*, Dahl (1957) recognized that power is principally the result of a position in an organization (Emerson, 1972). Those with higher status in groups have more influence over group decisions than do those with lower status (Sell et al., 2004). Lo, Ramayah and Wang (2015) argue with that; investigating the process of the interplay of influence and social power in modern multifunctional organizations, they state that leadership is the ability of an individual to influence, motivate and make others contribute towards the effectiveness and success of their organizations investigating the process of the interplay of influence and social power in modern multifunctional organizations, they state that leadership is the ability of an individual to influence, motivate and make others contribute towards the effectiveness and success of their organizations. The modern multifunctional organizations are contrary to the traditional organizations that are based on the corporate hierarchy, "moving along a horizontal structure where it is vital to fully understand employees' perceptions of supervisors' power" (Lo, Ramayah and Wang, 2015, p. 3200), and subordinates have "considerable autonomy to set goals and evaluate output" (ibid.).

On this occasion, the decision-making has been pushed onto lower-level management and, in order to have influence, the managers have established the new culture of sharing power with subordinates, and the issues of perceptions are important for the development of power. According to Ragins and Sundstrom (1989), power is a matter of perception of someone's position, and perceptions can influence relationships in an organization.

These discussions are important in the framework of the context of this research, focusing on MNCs that are operating in the international arena, with many different social structures, and need to influence subsidiaries and JVs, in order to achieve common business targets. To sum up the discussion about *influence and power*, several scholars link them together with *control.*

Influence and control

In order to support and widen the definition of influence, scholars look at the link between *influence and control.*

Håkansson and Ford (2002) described the connection between *influence and control* when different controls can play an important role for an actor when one person is being influenced by another person. In the context of this research, which relates to HQ's influence on subsidiaries and JVs and focuses on the link between *influences and control*, it is important to introduce the notion that HQ exercises greater *control and influence* over the local unit in an explicit attempt to protect its investment (Martin and Beaumont, 1999).

Aiming to achieve a deeper understanding of the *phenomenon of influence*, it will be important to investigate how the linkage between *influence, power and control* is drawn in the management control research domain.

Several scholars consider *influence, power and control* as synonymous (Mechanic, 1962) or draw the synonymy just between *influence and control* (Scheytt, Soin and Metz, 2010). "Control…takes place in everyday situations. The media, the state, the employer, the family exert control over one. Media presentation is able to *influence and control* the stance on different topics" (ibid., p. 526). At the same time, other researchers (e.g. Tannenbaum, 1968; Salancik and Pfeffer, 1977) connect *influence, power and control* to each other and suggest that these concepts cannot be used synonymously, that, in the interplay between *influence and power*, the concept of control is the important element which can be exercised through formal authority, in terms of using control mechanisms in order to achieve *influence and power*. In this connection, control can be described as the ability to exercise restrictions or direction over someone, or to be in a situation under the regulation or command of another (ibid.). Bennis (1959) described the linkage between concepts of influence, power and control as leadership that consists of *power, a leader, and influence*, when power is the perceived ability to control appropriate rewards; a leader is an agent who in fact wields these rewards or punishments; and influence is an agent's control over the subordinates' satisfaction of needs (cf. Håkansson and Ford, 2002).

Scheytt et al. (2010) introduce the concept that control "was seen to be quite empowering at different levels and, broadly speaking, as the power to influence others and one's self,…control gives…the power to make decisions, influence others and outcomes" (ibid., 529). Huemer, Boström, Felzensztein (2009) underline that a close link between *influence and control* is explicit, and that control mechanisms are actions deployed to influence what others do. Control in organizations in general, and in the context of this study in MNCs, can be achieved via important tools, as through formal means, such as monitoring, surveillance and contractual arrangements and can influence organizational behavior (Huemer, Boström and Felzensztein, 2009). Scholars have focused on the multiple roles of control, in terms of restricting, guiding, monitoring and supporting, linking it to influence (with the interplay between influencing and being influenced) (Huemer, Boström and Felzensztein, 2009).

Sippola and Smale (2007) state that corporate influence over subsidiaries and JVs decreases, even though some control mechanisms, such as auditing and reporting, still prevail, in order to ensure that subsidiaries and JVs continue to perform at the required level.

At the same time, many of the researchers extend the impact of control mechanisms and suggest that a certain type of control influences in a certain way, in order to achieve the different targets. Hence, Yilmaz and Kabadayi (2006) point out that monitoring is a matter of perception that can be seen and interpreted as a sign of distrust, but, at the same time, a sign of attention to a relationship.

Sewell and Barker (2006) introduced the notion that control often represents a discourse of coercion, but, at the same time, controls can also be interpreted as care, which may be introduced as liberty and not only as coercion. Taking into consideration the classical theory, Ouchi (1979), suggested that behavior-related controls lead more to compliance than to enthusiasm and initiatives and underlined that control as a result of the process of internalization of values may lead to higher commitment. Elias (2008) introduces different forms of control and links them to influence, in terms of *restrictive control* (refers to situations when a manager relies on an organization's power structure in order to influence subordinates) and *promotive control* (refers to situations when a manager attends to subordinates' opinions and provides them with the opportunity to have input during decision-making processes), and suggests that different forms of influence can be implemented through the use of one or more controls.

In the framework of this research, control will not be studied as a phenomenon but as tools used in the context of the *phenomenon of influence,* supporting its utilization. Hence, the more detailed overview of the interplay between influence and control as an interplay between the phenomenon and tools supporting the investigation of the studied *phenomenon of influence* will be presented in the sector related to the research streams. That will give the correct balance in introducing the *phenomenon of influence* and the mechanisms for the realization of influence in the management control and management research domains dedicated to the processes of internationalization and influence from the HQ towards subsidiaries and JVs.

To conclude, the presented definitions of the *phenomenon of influence* in the contemporary management control and management research domains are related to the research context, describing influence in organizations in terms of the relationship between HQs and subsidiaries and JVs in MNCs. In recent years, the research literature has shown an increasing interest in the *phenomenon of influence*. For the purpose of this research, 27 articles were selected that gave definitions of the concept of influence from different angles, depending on the field of the research literature.

Here are the main findings:
1). In order to describe *the phenomenon of influence* from the HQ towards subsidiaries and JVs in MNCs, two definitions were selected, in which influence is defined as the ability to get someone to do something which that person would not otherwise do (Knight, 1970) and as "compelling behavior change without threat of punishment or promise of reward" (Baxter and Lucas, 2012, p. 49). These definitions are complementary and introduce the *phenomenon of influence*, both on the level of the relationship of individuals and on the organizational level as the relationship between HQ and the subsidiaries and JVs.

The concept of *social influence*, defined as how individuals' perceptions of each other's values, beliefs and behavior affect their actions (Kahan, 1997) is also important for this study, as it brings the perspective of influence via values and norms in the organization and – in our context – influence from HQ towards subsidiaries and JVs.

2). The topic of the interplay between the *phenomena of influence and power* is the focus of several research articles. *Influence and power* can be seen as two parts of the same process –power as a capacity to change behavior, and influence as the practice of using power to effect behavior change (French and Raven, 1959). Differences between influence and power are connected to the issue of pursuing in the concept of influence and imposing one's will, even against resistance from others (Weber, 1978; Markovsky, Willer, and Patton, 1987; Rashotte and Webster, 2005; Lucas and Baxter, 2012). Several scholars even suggest that *influence and power* can be used *interchangeably* (Yang et al., 1998; Yang and Cervero, 2001); some scholars (Mechanic, 1962; Wrong, 1979) argue that *influence and power* are used *synonymously*. Nevertheless, the majority of scholars regard *influence and power* as two concepts, with the concepts of *influence and power* being close to each other: power is the potential influence, and influence is the actual use of power. The interplay between *influence and power* is important for both the modern multifunctional organization, where leadership is the ability of an individual to influence the success of the organization, and traditional organizations that are based on a corporate hierarchy and supervisors' power (Lo, Ramayah and Wang, 2015).

3). Connections between *influence and control* are introduced in many scientific publications that provide knowledge about the interplay between *influence and control* in the context of the relationship between HQs and their subsidiaries and JVs. The review shows that HQ exercises *influence and control* over subsidiaries and JVs, in order to protect the investments (Martin and Beaumont, 1999). Some of the scholars draw a *synonymy* between *influence and control* (Scheytt, Soin and Metz, 2010). Several scholars consider not only *influence and control* but *influence, power and control* as synonymous (Mechanic, 1962). Some researchers, describing the link between *influence, power and control*, argue that these concepts are connected to each other and suggest that concepts cannot be used *synonymously,* but control mechanisms can be exercised as tools, in order to achieve *influence and power* (Salancik and Pfeffer, 1977). The scholars considered the multiple roles of control linking to influence (Huemer, Boström and Felzensztein, 2009).

The majority of the articles related to the subject of the definitions of the *phenomenon of influence* demonstrated that the *phenomenon of influence* is closely connected to both the concepts of *power and control* – whether *interchangeably or synonymously* or both – and that it has a strong impact on the variable processes in an organization, particularly in MNCs, in the establishing of relationships between HQ and the subsidiaries and JVs in different cultural contexts.

The context of this study led to the choice to research the concept of control, not as a phenomenon but as tools or mechanisms that will support the phenomenon of influence from HQ towards subsidiaries and JVs. This means that this study will investigate what kind of control tools or mechanism are needed, in order for HQ to influence the subsidiaries, in the process of internationalization.

2.2. Influence and control under internationalization.

Presentation of the research streams of the phenomenon of influence from HQ towards its subsidiaries and JVs, in the process of internationalization of MNCs.

Stream 1. Influence via ownership structure – control mechanisms

The basic assumptions of this stream of research are related to the questions: 1) What kind of ownership structure gives the most effective influence, and why? 2) What kind of control tools are needed, in order to secure influence through ownership from HQ towards its subsidiaries and JVs? 3) How does the interplay between influence and ownership affect the relationship between HQ and its subsidiaries and JVs?

Influence and ownership structure

In many discussions, the issue of influence via ownership is connected to the *different forms* of ownership and the forms of organization, such as equity-based enterprises and non-equity-based enterprises. "Within equity-based the choice is between wholly owned operations and equity joint ventures, while within non-equity-based modes, the choice is between contractual agreements and export" (Pan and Tse, 2000, p. 535). Groot and Merchant (2000) argue that, despite the fact that the equity principle is the best for international subsidiaries, there are many non-equity JVs with different contractual agreements in the world because of the processes of internalization and globalization.

Noting the variety of ownership forms connected to investments abroad, this research will focus on the forms of ownership that are most relevant for MNCs: wholly-owned subsidiary (WOS) and joint venture (JV). In order to better understand the discussions in the management control research domain related to the topic of the kind of ownership control the HQ uses to influence its subsidiaries, the above-mentioned definitions will be further elaborated.

A subsidiary or subsidiary company is a company that is owned or controlled by another company, which is called the parent company. A subsidiary company has 50% or more of its voting shares controlled by another company. It is defined as a *WOS* when all the common shares are owned by the parent company. In contrast, a regular subsidiary is 51 to 99% owned by the parent company. The parent company is typically a larger business enterprise that often has control over several subsidiaries. The amount of control the parent company chooses to exercise usually depends on the level of managing control the parent company provides in the subsidiary. A *JV* is formed by an agreement between two or more entities or partners for a specific business purpose, in order to develop a business activity, a new entity. Being the partners in the JV, the shareholders can have different degrees of ownership – minority, majority or equal ownership. The various forms of ownership and different degrees of shareholding reflect the level of influence and control in the subsidiary and the joint venture.

The major differences between a JV and a subsidiary are related to the question of how each business is established and how it maintains control over the enterprises. The subsidiaries exist as separate business entities from the parent company, but the parent company maintains partial or full control of its subsidiaries. The level of control that the parent company has over its subsidiaries depends on whether the parent company owns all or just part of the subsidiary companies. In a joint venture, partners have an ownership interest in shares and in management responsibilities. The parent company of a subsidiary controls the decision-making, such as the selection of the board of directors and managers, to the extent of its ownership interest in the subsidiary. Despite the management responsibilities of a JV being shared between the co-owners, the JV may be organized in such a way that gives some of the partners the possibility of having dominant control over the business unit, in relation to other joint venture participants. The main factors explaining the link between ownership and influence in the context of HQ and subsidiaries will be further presented.

The size of the company invested in abroad and previous international experience are important paradigms in choosing the form of ownership, in order to achieve influence over subsidiaries and JVs.

The evidence from the research literature indicates that the WOS is the more common form of ownership than the JV in influencing the subsidiaries (Mutinelli and Piscitello, 1998; Barbosa and Louri, 2002; Álvarez, 2003; Desaia, et al., 2004). These discussions are related to the followings factors that influence choosing WOS: 1) The parent company's size positively influences the setting up of a WOS rather than a JV (Kogut and Singh, 1988; Agarwal and Ramaswami, 1992; Mutinelli and Piscitello, 1998; Makino and Neupert, 2000; Pan and Tse, 2000; Brouthers and Brouthers, 2001). 2) The parent company's coordination of integrated production activities across different markets, transfer technology, benefit from worldwide tax planning (Kogut and Singh, 1988; Padmanabhan and Cho, 1999; Asiedu and Esfahani, 2001; Desaia, et al., 2004). 3) The parent company's substantial experience in a specific geographical area, knowledge of the country's market and environment (Hennart and Larimo, 1998; Mutinelli, and Piscitello, 1998; Brouthers and Brouthers, 2001).

Enterprises with large size, large international experience, large industrial experience, and low cultural distance between home and the country being invested in, are interested in large markets and can benefit the high level of economic growth from investments, choosing the WOSs, in order to increase their *influence* on the operations abroad (Tahir and Larimo, 2004). In addition, the factors of *high competence*, *innovation*, *high level of research and development* process among the enterprises reaching the foreign market and *low levels of risks* in the target country increase the probability of choosing WOS (ibid.). Thus, *large firm size*, *low cultural distance*, *large size of the target market*, and *high level of economic welfare* also increase the probability of choosing WOSs and achieving *greater influence in subsidiaries.*

In the context of this research, it will be interesting to investigate how the owners achieve influence in the framework of JVs organized during the process of internationalization. The scholars explained the reasons why some companies may prefer to invest through a JV and not a WOS in particular situations: 1) when the entity needs to share risks (Gatignon and Anderson, 1988; Agarwal and Ramaswami, 1992; Kim and Hwang, 1992; Mutinelli and Piscitello, 1998; Pan and Tse, 2000); 2) when the entity needs additional resources to invest abroad and to be provided with knowledge by a partner, and when there is a lack of adequate experience of working abroad (Aghion and Tirole, 1994; Álvarez, 2003); and 3) when the market to be invested in is far from the socio-cultural paradigm of the parent company and there is a need for close co-operation with local partners (Mutinelli and Piscitello, 1998; Pla, 1999; Brouthers and Brouthers, 2001; Asiedu and Esfahani, 2001; Barbosa and Louri, 2002).

When discussing the *influence and control mechanisms* in JVs, attention should be paid to the possible tensions that can appear in these organizations. In this connection, the issue of *co-operation with partners* is important, based on knowledge that no one party has total control and that accountants, in particular, must have “an array of specialized knowledge and skills to function well” in JV situations (Morris, 1998: p. xiii). Morris (1998) concluded that influence and control of JVs is complex and multidimensional, underlining that one of the most important issues is that *behaviors of the JV’s partners* and the partners' employees must be agreed in choosing the set of controls to use. Groot and Merchant (2000) underlined a significant factor for JV success: the *common multiple control-system* which has similarities as a *formal JV agreement*, all *partners monitoring* overall JV results and *governance* through a board of directors, in order to achieve influence. At the same time, the factor of at what s*tage* of its establishment in the market abroad the investor is can be an important additional factor, affecting the matter of form of ownership, influence and control. Thus, being at an earlier stage of the establishment of subsidiaries and JVs abroad, the use of specific control mechanisms can be of more relevance to JV partners, in order to achieve *influence*, than overall equity control (Geringer, 1986; Schaan, 1983).

Influence via ownership in order to achieve control

Ownership structure and the issue of influence link to the question of how to achieve control in an organization (Cubbin and Leech, 1983; Abernethy et al., 1995; Agrawal and Knoeber, 1996; Groot and Merchant, 2000; Chalos and O'Connor, 2004; Dessai et al., 2004; Ben-Amar and André, 2006; Al Farooque et al., 2010; Dekker, 2008; Chenhall, 2008). With the growth in large corporations abroad and the dispersion of their stakeholders (Ben-Amar, 2006), in order to achieve influence, the question of the *separation of ownership from operational control* and *concentration on strategic control* became important. The usage of WOSs and JVs links to the possibility of various types of control mechanisms. These controls include expatriate staffing, socialization practices, delegated decision-making responsibilities, parent company communications and manager performance incentives (Al Farooque et al., 2010) that, in common, will increase the influence from HQ towards subsidiaries and JVs.

Some authors support the assumption that the *degree of ownership increases the level of influence and control* (Chalos and O'Connor, 2004), especially *strategic control*, which is connected to the processes in the organization and control of the *development and implementation of strategic plans* (Reufli and Sarrazin, 1981). Other researchers argue that other forms of ownership can also affect the issue of influence and control. Thus, Groot and Merchant (2000) describe unequal ownership, which may have significant effects on the decision-making process and control mechanisms and, in this way, affect the influence in the subsidiaries and JVs. At the same time, Mjoen and Tallman (1997) found no linkage between equity of ownership and strategic controls, or between equity of ownership and operational controls that can give influence.

Influence via ownership structure in order to increase control and company performance

The relationship between *ownership concentration* and *influence on company performance* is another important issue discussed among scholars. Ownership concentration and firm performance simultaneously impact each other (Al Farooque et al., 2010). André and Schiehall (2004) found a similar relationship between the *ownership shares of the dominant shareholder and the firm's performance.* Other discussed factors that have a positive impact on value creation and an influence on company performance under internationalization are linked to the *right governance mechanisms* and the question of *separation of ownership and control* (Ben-Amar, 2006; Andre et al., 2004). *Separation of ownership and control,* according to Ben-Amar (2006) and André et al. (2004), does not have a negative impact on performance. In this connection, the discussions about *corporate governance* (Shleifer and Vishny, 1997) are central. Some publications link influence, ownership and control issues to governance of MNCs (Dekker, 2008). These articles focus on how firms can handle with control and influence challenges that arise in MNCs by selecting a 'good' partner, and by designing an appropriate governance structure (Dekker, 2004), in order to increase the HQ's influence on its subsidiaries and JVs. At the same time, *influence and control mechanisms* that are linked to company performance and the active or passive role of shareholders (van den Bogaard, Speklé, 2003; Thornburg, 2012) are connected, further, to shareholders' high incidences of control contests, and can lead to poor financial performance and high turnover among managers and directors.

Models for ownership in JVs abroad

Karhunen, Löfgren and Kosonen (2008) used their concepts of degree of ownership and degree of foreign control in order to research four types of international business operations in transition economies; they suggest four types of relationship between the above-mentioned parameters. Despite the fact that the authors did not include the topic of influence in their article and in their models, I have chosen to present these models, based on the logic from the section about the definition of the phenomenon of influence, where influence, power and control are linked to each other. The models focus on the issue of control in operations abroad that can be interpreted as influence and will be used further in this research in discussions, in order to analyze and compare the empirical findings of my research and the results presented by Karhunen et al. (2008).

Type 1: the "arm's-length contractor" represents low levels of foreign ownership and low level of control (contractual partnerships, such as licensing, subcontracting or contracted manufacturing). Using technically simple manufactured products, the investor can give a local partner the opportunity to be an independent subcontractor organizing the process and the control exerted by the foreign partner (limited by control of quality of the end product).

Type 2: the "hands-on contractor" represents a low level of foreign ownership and a high level of control, when operations are often technologically simple (consumer goods manufacture, and the subcontractor follows the product to the final stage). In this connection, quality control is a more important factor than in the previous model. "However, while arm's length companies often supply components and parts for heavy industry, ventures in this category are often 'footloose' – easily to be transferred from one geographical location to another as companies constantly seek lower production costs. The difference between this and the previous type, however, is that the foreign partner exercises more control over the quality of production and hence the production process" (Karhunen, 2008, p. 83).

Type 3: the "brand protector" represents high levels of foreign ownership and control. Such operations display the expected interaction between ownership and control (Karhunen, 2008, p. 83). The contributions of financial resources at the entry phase (acquiring a 100% share) and of managerial resources, in order to establish control over the operations, are high, and brand image is one of the key assets of the company that prefers the standardization of management procedures across countries. This type of company is motivated by expansion into the market. The implementation of standardized operations requires a high level of financial and managerial resources from foreign entities. While the ownership share of the foreign partner may be close to 100%, at the same time, the local employees or co-partner are granted freedom over management of the operations.

Type 4: the "market share maximizer" represents a high level of foreign ownership and a low level of control when the ratio of resource commitment to ownership is high, because the foreign partner is willing to maintain operations in the local market for the longer term (ibid.).

It is to be noted that, in practice, some investors do not take on the active managerial role of the JV, preferring the role of a so-called "sleeping partner": that is, a partner in a company who does not take an active part in its management, especially one who provides the company with capital (Karhunen, 2008; Child and Yan, 2002). Additionally, in this connection, foreign investors can make the choice to delegate the administration to the local management due to its tacit knowledge of the local business environment and contacts with governmental actors (Karhunen, 2008, p. 81).

To conclude, the literature review demonstrated that:

1). There is a link between the *influence and ownership* structure, in relation to the context of this study, in the relationship between HQ and subsidiaries in multinational settings within the MNC framework. In many discussions, the issue of influence via ownership is connected with the different forms of ownership and of organizing, such as equity-based enterprises and non-equity-based enterprises. The context of this research is limited to the framework of the MNC in the process of internationalization and, consequently, to equity-based enterprises. Many scholars point out the tendency among MNCs to prefer WOSs rather than JV (Mutinelli and Piscitello, 1998; Barbosa and Louri, 2002; Álvarez 2003; Desaia, et al., 2004), explaining this by the fact that JV ownership is generally suboptimal because of the sharing of residual control rights, and that WOSs mean greater influence and control but also require a major commitment in terms of resources and imply both greater risk and less flexibility (Desaia, et al., 2004).

2). Scholars suggest that the degree of ownership increases influence and control (Chalos and O'Connor, 2004), especially strategic control. At the same time, usage of WOSs and JVs is linked to the utilization of various types of control mechanisms that include expatriate staffing, socialization practices, delegated decision-making responsibilities, parent company communications and manager performance incentives (Al Farooque et al., 2010), which increase the HQ's influence over subsidiaries and JVs.

3). The interplay between influence and ownership has an impact on value creation and influences company performance (Ben-Amar, 2006; Andre et al., 2004). In this connection, discussions on corporate governance are central (Shleifer and Vishny, 1997), in order to increase the HQ's influence over subsidiaries and JVs. It has been discussed that the relationship in JVs can lead to tensions between the partners, and it is important to design an appropriate governance structure.

Stream 2. Influence via board of directors – control mechanisms

In the research literature, important factors for control mechanisms and influence in equity WOSs and JVs are connected with the *role* of the board of directors. The issues that are in focus in the scholarly literature (Mizruchi, 1983; Geringer and He´bert, 1989; Yan and Gray, 1994; Chalos and O'Connor, 2004; Bisbe and Otley, 2004; Stein, 2008; Krivogorsky and Burton, 2012) are connected to the following topics: 1). *What is the role of the board of directors?* 2). *What kind of control does the board of directors exercise in order to influence subsidiaries? 3). What is the link between the equity ownership and influence that the board of directors exercises in subsidiaries?*

Board members play an important role in the influence and control in the company, as the board approves the venture's business plan, profit distribution, major investments and other important financial decisions. In addition, board members can influence appointments to key executive positions in the JV and will sometimes insist on approving them (Geringer and He´bert, 1989). According to Mizruchi (1983), the board of directors (BoD) is the ultimate center of control. This control, which may vary, depending on the relative performance of the firm, as well as on other factors, is exercised frequently through the ability to hire and fire the chief executive officer, here called "bottom-line control".

Bisbe and Otley (2004) argue that other important issues connected to the board's activities are linked to the processes used by *organizations for measuring*, *controlling and managing their performance*, for *implementing strategies* and for achieving their framework, in relation to the process of setting *performance targets* and *exercising strategic control.* Thus*,* Yan and Gray (1994) define *control as board votes* and point out that the board exercises *strategic control and also influences operational control* through its appointments of key executive positions. Geringer and He´bert (1989) argue that the BoD can have an *indirect effect on operational control* through the appointment of top managers. *The board can gain influence* over the subsidiaries through the *rewards systems that are the important control factors in organizations,* influencing by achievement or failures, in order to meet performance targets (Bisbe and Otley, 2004). Chalos and O'Connor (2004) link the factor of gaining *higher equity ownership* to guarantees of *greater control* and higher *influence over the composition of the board of directors.*

To conclude, the board of directors exercises both *strategic control* (Mizruchi, 1983; Bisbe and Otley, 2004) and *indirect* operational control (Geringer and He´bert, 1989). Chalos and O'Connor (2004) link higher equity ownership to greater influence in subsidiaries via the composition of the board of directors.

Stream 3. Influence via staffing of expatriates – control mechanisms

The definition of expatriates

The expatriate (Delios and Bjorkman, 2000) is a manager deputed from the multinational headquarters to the firm's overseas JVs. Expatriates are expected to steer the JV through the liabilities of newness (Bruderl and Schussler, 1990) and foreignness (Zaheer and Mosakowski, 1997), provide stability to the new organization through the effective deployment of the multinational enterprise's (MNE) capability and expertise, and ensure that the JV achieves the requisite level of performance (Richards, 2001).

MNCs usually send high quality staff from HQ (expatriates) to manage the subsidiaries and JVs abroad and to train the local staff. It is expected that local employees will take over the responsibility in subsidiaries and JVs within the medium or long term. The researchers described "ethnocentrism staffing policy" (Banai, 1992; Banai and Sama, 2000; Van Merrewijk, 2011), which presents two different groups of executives within MNCs: the "in-group" expatriates, who represent the core corporate knowledge trusted by HQ, and the "out-group" expatriates, who usually lack corporate knowledge and need to be trained. One of the central elements of ethnocentric staffing policies is the fact that expatriates receive greater benefits and salary than host-country nationals do, leading to locals' inconformity regarding the amount and quality of input in comparison to compensation (Toh and DeNisi, 2005).

The issue of HQ's influence over subsidiaries and JVs abroad strongly links to the role of expatriates in subsidiaries and JVs, their influence on local staff, control mechanisms performed by expatriates and the staffing of expatriates in key managerial positions, in order to increase their influence on operational control and performance (Groot and Merchant, 2000; Harzing, 2001; Legewie, 2002; Charlos and O'Conner, 2004).

Attention was paid to the increasing role of expatriates sent from HQ and appointed to the key positions in the companies abroad, and their strong support of operational control functions and practice in subsidiaries and JVs. In WOSs, expatriates are strongly involved in decision-making processes and in providing the HQ's strategy in subsidiaries and JVs. At the same time, expatriates represent the formal practice of feedback and reporting to HQ. Charlos and O'Conner (2004) focus on the following issues related to the topic of expatriates: expatriate staffing, socialization practices, delegated decision responsibilities, parent company common actions and incentives. It was found that the high level of operational control and influence from HQ is connected to the role that expatriates play in subsidiaries and JVs and their practice in replicating the control mechanisms from HQ towards subsidiaries and JVs (Charlos and O'Conner, 2004).

Charlos and O'Conner (2004) focused on the fact that that, being in the position of key managers, expatriates can influence the organizations abroad on behavioral, cultural and social levels of communication. Delios and Bjorkman (2000) underline that expatriates are conceptualized as performing two primary functions – *influence and control* – and transfer the knowledge from the parent company/HQ. Two types of parent-company knowledge can be operationalized: marketing and technological knowledge. Everything else being equal, it can be expected that MNCs with a high level of marketing or technological capability will be likely to use expatriates to transfer this knowledge to the foreign subsidiary.

The studies have tended to emphasize how expatriates have been utilized by the HQ to exert influence and management control over the JV (Bartlett and Ghoshal, 1994; Delios and Bjorkman, 2000; Martinez and Jarillo, 1989; O'Donnell, 2000). Yan and Gray (2004) found that partners' equity ownership influenced expatriate staffing but none of the other control mechanisms. Relative to partner knowledge, dependence and specific asset investments, bargaining dominance conferred by majority equity ownership appeared to offer little explanation of JV control mechanisms. At the same time, Peterson et al. (2000) found that the expatriation strategy in MNCs presents the following characteristics, providing the position of influence and control: 1. expatriate staffing is primarily driven by the HQ in order to increase influence; 2. assignments are matched based on a careful assessment of the chosen manager's technical and managerial skills and expertise; and 3. control decisions in subsidiaries and JVs are highly centralized.

Dutta and Beamish (2013) stated that MNC management teams, as well as the managers' or expatriates' culturally determined sense-making, have important roles to play in affecting organizational outcomes (Brannen and Salk, 2000; Salk and Brannen, 2000; Chung et al., 2006) and increasing influence.

To conclude, expatriates influence the WOS and JV's strategy in achieving goals in performance by strengthening revenues and reducing costs (Dutta and Beamish, 2013). At the same time, expatriates are important in providing influence and the transfer of organizational knowledge, including tacit knowledge and the assimilation of HQ practice, to subsidiaries and JVs. However, "While deploying expats provides benefits, there is a diminishing return effect that sets in, especially depending on the local context and conditions associated with the local partner" (ibid., p. 160).

Stream 4. Influence via the establishment, implementation and practice of common corporate rules and norms – control mechanisms

The issue of influence via the establishment and practice of corporate rules is very much connected to the process of creating common global corporate values and culture (Chow, Shileds and Wu, 2010) and implementing company rules in both HQ and the overseas subsidiaries and JVs.

Establishing corporate rules and norms in order to increase the HQ's influence on the subsidiaries' and JVs' operations is linked to stakeholder interests, when seeking win-win outcomes through synergistic common value creation (ibid.) across the whole MNC. For the MNC, it is important to create "pluralistic definitions of corporate global values" (Kurucz et al., 2008, p. 91), based on the idea of building a "strong" organizational culture, and implementing them in both HQ and the subsidiaries and JVs. In this sense, leading scholars in the research on MNCs stress the unifying influence of the multinational organization through the building of a shared vision and individual commitment (Bartlett and Ghoshal, 1989). Similarly, Nohria and Ghoshal (1997) stress that the "dispersed nodes" of the network organization must be integrated normatively through the development of organic solidarity and shared values. At the same time, several cross-national organizational studies, such as research into national business systems (Lane, 1989; Whitley, 1999, 2001) or societal effects (Maurice, 2000; Sorge, 1995; Sorge, 2000), are rather skeptical about the emergence of "strong" integrative global cultures and an increasing similarity of international structures in internationally operating firms. Studies have shown that certain national institutions, such as the system of industrial relations and the educational, legal or financial systems, may significantly influence the learning processes in MNCs' HQ, rather than effecting influence from HQ.

Aiming to achieve influence over subsidiaries and JVs, MNCs create and extend a common global control system, including in it culture-based preferences appealing to local employees (Chow, Shileds and Wu, 2010) and corporate rules reflecting the cross-cultural context of their global presence (Tayeb, 1998). As a result, MNCs started the process of converging organizational design and management systems that support the business activities in multinational settings and strengthen the influence from HQ. In this connection, mention was made of how the interplay between HQ and the subsidiaries and JVs happens and reflects 'push' and 'pull' practice (Meardi and Toth, 2006). The argumentation for 'pull' practice has traditionally seen it as adaptation of HQ routines to local practices; the 'pull' activities could be planned by HQ and implemented further in the subsidiaries and JVs by powerful and influential actors (ibid.).

At the same time, Gomes-Casseres et al. (2006) argue that relational problems growing from HQ-subsidiaries and JVs are not visible. Possible tensions are smaller when HQ-subsidiaries[15] and JV relationship ties establish a shared corporate culture, a similar corporate perspective, and common management control systems from the HQ, support from HQ in terms of resources, and fear of censure and restrictions in the case when one subsidiary tries to inappropriately capture inordinate rents from another.

The issue of global corporate rules is linked to the establishment of common corporate ethics that will shape the corporate culture and behavior and function as an important element in HQ's social influence on the subsidiaries and JVs. In this connection, Watson and Weaver (2003) suggested that internationalization influences corporate ethics and affects both formal structures in the MNC and

[15] Relationships between HQ and subsidiaries

informal management behavior, as well as the role of ethics in both formal structures and informal managerial behavior in corporations.

Following the discussions from the section dedicated to the definitions of influence, in which the phenomenon of influence was described as being closely linked, among other factors, to the phenomenon of control, it can be considered that the goal of establishing corporate ethics programs can contribute to maintaining a basic level of business practice and commitment, in order to strengthen influence that can lead to the elimination of the need for more direct and elaborated forms of control and monitoring (ibid.). An effective ethics control structure influences the general trustworthiness of organization members (Scott and Meyer, 1991) and can reduce the risks from employee decision-making autonomy by introducing a "shared conception of objectives" (ibid., p. 311). As a result of this process, the uncertainties about self-serving behavior that lead to the creation of a relatively uniform value framework within the MNC, influencing the establishment and practice of common corporate culture and norms, can be reduced. This leads to a balanced use of formal control systems, influencing the values and norms in the MNC, that involve monitoring, disciplining and rewarding employee behavior with the general ethical rules and norms (Weaver and Treviño, 1999). In this case, the practice of corporate rules and norms reduces the formal control and influence based on the detailed description and monitoring of performance, specific tasks and roles (ibid.) but increases the ethical control and influence that strengthen relationships between HQ and subsidiaries and JVs. Ahrens and Mollona (2007) conclude that "the interrelationships between diverse formal and informal, practical and conceptual, human and non-human elements of control" are an important framework for business practice.

The processes lead to the establishment of global diffusion of "best practices" (Meyer, 2000), spreading global best practices in MNCs, which are called "global organizational effects", and will override national institutions and cultures (Mueller, 1994). At the same time, it is necessary to take into consideration the fact that HQ's managers "draw upon" (Meardi and Toth, 2006, p. 159) local knowledge and public discourse to shape the balanced view of the subsidiary (ibid.). Hence, the issue of influencing via best practice in MNCs has been investigated by Martin and Beaumont (1998), who observed that diffusion has to be taken into account in the issue of the relationship between the local cultural and institutional context and HQ, when the focus on the ability and incentive of local managers and HQ managers to implement best practice is important.

Influence via corporate rules and norms in a cross-cultural context

Due to the process of internationalization, the issue of cross-cultural business context and cross-cultural management could be taken into consideration, in order to better understand the process of influence from HQ towards subsidiaries and JVs. The phenomenon of influence in MNCs is linked to the cross-cultural context and stimulates the development of new organizational forms that enable knowledge-sharing and competency-development across national borders. Cross-cultural management studies in accounting literature explore the differences in the levels of influence in the framework of cross-cultural issues, linking the national contexts from different markets abroad to corporate practice established in HQ (Bates, Amundson, Schroder and Morris, 1995; Lachman et al., 1994). Yazdifar, Zaman, Tsamenyi, and Askarany (2008) discovered that the operations of the "subsidiary company are influenced by inter-related forces, both inside and outside the organization encompassing issues of power, politics and culture" and (p. 404) that it leads to the process when "The existing institutions in subsidiaries and JV are influenced, sustained, and changed by the socio-economic context in which the subsidiary is located" (ibid.).

Several studies have explored the interplay between the cultural paradigm and the phenomenon of influence and control in MNCs (Macintosh, 1994; Covaleski, Dirsmith and Samuels, 1996; Bhimani, 1999; Chow, Shield and Wu, 1999; Scheytt, Soin and Metz, 2010). At the same time, it is necessary to notice that the topic of cross-cultural control mechanisms, which is linked to the phenomenon of influence, is still in its infancy (Harrison and McKinnon, 1999) and more research is required in this field.

Influence via knowledge transferring

The issue of competence, learning and knowledge transfer is important in the relationship between HQ and the subsidiaries and JVs (Birkinshaw and Fry, 1998; Birkinshaw and Hood, 1998; Birkinshaw, 2000; Geppert, 2005), when MNCs create worldwide learning and knowledge sharing across functional and national borders, and the establishment of a strong company-specific culture is the focus of contemporary research related to MNCs.

The importance of knowledge transfer in organizations and how these processes influence the relationship between HQ and the subsidiaries and JVs has been acknowledged by many scholars (Conner and Prahalad, 1996; Davenport, 1998; Drucker, 1992; Grant, 1996; Kogut and Zander, 1993; Nonaka and Takeuchi, 1995; Tsoukas and Vladimirou, 1996). There has also been a focus on how to facilitate intra-organizational knowledge transfers in MNCs in general (Kogut and Zander, 1993;

Gupta and Govindarajan, 2000; Becerra-Fernandez and Sabherwal, 2001; Gold et al., 2001), and research into the central elements of knowledge transferring (Szulanski, 1995; Simonin, 1999;) in international settings in an MNC framework.

At the same time, it is necessary to admit that knowledge transformation goes both ways, not just from HQ towards the subsidiaries and JVs but also from the subsidiaries and JVs to HQ. In this connection, the topic of how firms can best "learn at the periphery", i.e. benefit from subsidiaries' and JVs' knowledge (Doz and Santos, 1997) is still fragmented. Following this issue, Gnyawalịa, Singal and Muc (2009) researched the factors that influence the likelihood of inter-subsidiary tie formation within a multinational corporation and how various contextual factors influence the effectiveness of knowledge flow between the HQ and subsidiaries and JVs. The researchers suggest that focusing on voluntary ties should be made "a clear distinction between tie formation and tie effectiveness" (ibid., p. 397), which leads to the conclusion that not all ties can be effective in the creation and transfer of knowledge.

Ciabuschi, Martín, Ståhl (2010) investigated knowledge transfer in MNCs and saw that HQ's entrepreneurial function can be a matter of substantial influence. "This influence can be exerted through a variety of mechanisms as local resource slack, local autonomy in decision-making, normative integration, and internal density of communication with managers at headquarters and other subsidiaries and JV as the most important in influencing subsidiaries and JV's ability to carry out innovation tasks" (p. 474).

The question of HQ's methods of influencing subsidiaries and JVs in knowledge transferring incorporates multiple drivers of voluntary efforts between HQ and subsidiaries and JVs, in order to collaborate with each other, and specifies conditions in which voluntary ties are important for making the ties effective (ibid.). The discussion further leads to the description of the phenomenon of "knowledge networking capability" (ibid., p. 397), which addresses the importance for the subsidiaries and JVs in MNCs of developing their own knowledge networking capability: "the ability of a subsidiary to channel its own knowledge and experiences, aiming to identify, acquire, access, and create valuable knowledge and influence, becoming a strategic player in the MNC" (ibid.), as well towards HQ.

Forsgren and Holm (2010) focused on the processes of specific knowledge initiated by HQ that can be crucial for the innovation process and produce the value-creating influence of HQ. In this connection, "HQ cannot exert control from a distance, only exert influence by its own participation in the innovation process" (p. 428), influencing behavior.

Harzing and Feely (2007) investigate the role of one corporate language in MNCs as an important element of HQ's influence over the subsidiary. It is found that the employment of a majority language – that subsidiaries are often forced to use – can be utilized as a tool of power and influence (Kim, 2001) in the power-authority balance. This may even happen if the language in use is a third language (such as English), in which subsidiary managers have a greater facility than HQ managers (Lincoln, 1995).

To conclude, the establishment of corporate rules and norms and their implementation in subsidiaries play an important role in the relationship between HQ and the subsidiaries in terms of influence (Chow, Shileds and Wu, 2010). The important elements in the relationship between HQ and the subsidiaries are connected to the cross-cultural paradigm and cross-cultural control mechanisms that are linked to the process of influence in the multicultural context (Bhimani, 1999; Scheytt, Soin and Metz, 2010). The process of knowledge transfer, the development of corporate competence, worldwide learning and knowledge-sharing across borders strengthen HQ's influence over the subsidiaries (Birkshaw, 2000; Geppert, 2005).

Stream 5. Influence via CEO of MNC and top management from HQ

The research literature connects the issue of influence through the CEO and top management in the MNC to the topic of hegemonic influence and the significance of hierarchy. Executives of multinational firms recognize the ethical complexities presented by the internationalization of business (Watson & Weaver, 2003, p. 76) and their own responsibility.

Abernethy, Bouwens and van Lent (2010) found that leadership style influences the use of planning and control systems, as predicted. Those with power are able to influence the course of organizational development through control over valued resources and through the use of symbols, by which organization members mediate their experience (Smircich, 1983, p. 161). Doz and Prahalad (1984) examined the patterns of strategic control in MNCs and the role executives play in a global organization, when the increasing influence of HQ executives over international operations is "sufficient and affect strategic control effectively" (p. 67). Compared with the old economy from the 1970s, "While top managers could delegate the selection process to intermediate levels in many cases, they were nonetheless able to intervene selectively…and senior executives saw this as the major channel through which they exercised influence" (p. 69), it is underlined that, in the modern global environment, senior managers play a critical role in the successful implementation of – and influence – organizational strategies, structures and processes, the establishment of the subsidiary and its influence on the staffing composition in the subsidiary (Collings, Morley and Gunnigle, 2008).

At the same time, Dörrenbächer and Gammelgaard (2006) provided evidence from case studies that shows that the MNC's subsidiary managers are able to influence HQ decisions regarding the implementation of decentralized management systems in ways that go beyond the immediate interests of corporate headquarters and are counterintuitive to the traditional view of organizational power and hierarchy.

Analyzing literature in the management control and accounting research domain and management and strategic research domain.

The literature review demonstrates that previous research publications provide knowledge about the *phenomenon of influence from HQ towards subsidiaries and JVs in the process of internationalization of MNCs.* In spite of the increasing interest of researchers in this topic, it is necessary to mention that the issue of the HQ's influence over subsidiaries and JVs, in the process of internationalization of MNCs, is still in its infancy in the accounting research domain, and more research into this field is needed. Despite the fact that management and strategic literature have paid much more attention to the phenomenon of influence from HQ towards subsidiaries, the rapid process of globalization and internationalization has an impact on the development of MNCs in the global world that leads to a lack of knowledge related to the topic of the interplay between HQ and subsidiaries, based on the latest findings, especially from case studies.

The review shows that the selected articles have investigated issues related to 1) Influence via ownership structure; 2) Influence via board of directors; 3). Influence via expatriate staffing; 4). Influence via the establishment, implementation and practice of corporate rules and norms. The articles focusing on management control mechanisms and MCS[16] design are dominant among the publications in accounting literature (Cubbin and Leech, 1983; Agrawal and Knoeber, 1996; Groot and Merchant 2000; Chanhall et al., 2003; Chalos and O'Connor, 2004; Dessai et al., 2004; Ben-Amar and Andre, 2006; Al Farooque et al., 2010; Dekker, 2008).

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[16] MCS – management control system

In a framework of the interest of this research, the articles related to the ownership configuration (Mutinelli and Piscitello, 1998; Pan and Tse, 2000; Groot and Merchant, 2000; Barbosa and Louri, 2002; Álvarez, 2003; Desaia, et al., 2004), the role of the board (Mizruchi, 1983; Geringer and He´bert, 1989; Yan and Gray, 1994; Chalos and O'Connor, 2004; Bisbe and Otley, 2004; Stein, 2008; Krivogorsky and Burton, 2012), expatriate staffing (Groot and Merchant, 2000; Harzing, 2001; Legewie, 2002; Charlos and O'Conner, 2004) and the establishment of a common corporate system of rules and norms, taking the cross-cultural context into consideration, are most relevant and indirectly reflect on the topic of how to achieve influence in the process of internationalization (Macintosh, 1994; Covaleski, Dirsmith and Samuels, 1996; Bhimani, 1999; Chow, Shield and Wu, 1999; Scheytt, Soin and Metz, 2010).

The forms of both the WOS and the JV with equity ownership are explored in the literature of the management control research domains. In articles investigating WOSs, the focus of the researchers was concentrated on the factors influencing MNCs to choose the WOS structure (Makino and Neupert, 2000; Pan and Tse, 2000; Brouthers and Brouthers, 2001; Asiedu and Esfahani, 2001; Desaia, et al., 2004). In the publications exploring JVs, the focus of the researchers is captured by the question of control and partnership within the JV and equality of the relationship between partners and the influence mechanisms (Geringer and Hebert, 1989; Mutinelli and Piscitello, 1998; Pan and Tse, 2000; Groot and Merchant, 2000; Álvarez, 2003). In this connection, the publications linking the cross-cultural approach to JV ownership dominate (Morris, 1998; Groot and Merchant, 2000; Chalos and O'Connor, 2004), *despite the fact that the accounting literature still underestimates the influence of cultural matters in management control*. Thus, there are several authors, who have underlined the importance of involving the cultural, political, societal paradigms in accounting research (Wickramasinghe and Hopper, 2003; Ahren and Mollona, 2004; Bhimani, 1999).

The issue of strategic management and control is related to the questions of *ownership* (van Bogaard et al., 2003; Chenhall et al., 2003). In this connection, the focus of the researchers is mostly connected to the contingency theory and separation between shareholders and managers. Most of the researchers argue that the separation between owners and managers can improve performance. Despite the interest in ownership issues in the review literature, there is not enough research in this field. One topic that is not represented but remains a sphere of interest in this study is *the process of influence in the course of internationalization* and control mechanisms of state-owned enterprises.

The issue of company performance is a central one in accounting literature related to internationalization. The publications appoint the factors that influence performance and connect these issues to the choice of strategy. The questions about performance are closely connected to the studies on governance and operational control in a framework of the BoD and ownership questions (Ben-Amar and André, 2006; Al Farooque, et al., 2010; Chalos and O'Connor, 2004).

Publications investigating the staffing of expatriates and the function of expatriates working in overseas operations are few (Delios and Bjorkman, 2000; Charlos and O'Conor, 2004); this area of research obviously needs to be developed further. Focusing mostly on the expatriates' role and control mechanisms, the articles underestimate other aspects related to the role of expatriates in subsidiaries and JVs abroad i.e. as cross-cultural approach. The majority of the research links the role of expatriates to the control functions and the decision-making function in relation to the approach from the owner in the strategy to strengthen operational control. The management literature (Yan and Gray, 2004) indicated, based on the empirical evidence, that the partner in equity ownership in JV structures influenced expatriate staffing but none of the other control mechanisms. The issues focusing on the use of expatriates in WOSs need more research, especially in the context of the interplay between HQ and the overseas subsidiaries and JVs, and how the role of expatriates can be included in the paradigm of influence in MNCs. There is a need for further exploration of the diversity of the expatriate's role and its influence on the relationship between HQ and subsidiaries and JVs.

It could be a useful contribution to the accounting field research, if the issue of internationalization and intercultural management could be further explored; that could substantially extend the research field and provide new inputs to the research process.

Methods

The majority of the previous studies are based on quantitative methods (*accounting literature*: Barsky and Hussein, 1999; Chenhall, 2003; Chalos and O'Connor, 2004; Adler and Chen, 2011; Bedford, 2015; *management literature:* Abernethy and Stoelwinder, 1995; Brouthers and Bamossy,1997; Abernethy and Brownell, 1997); therefore, there is a need for more research using qualitative methods, including the wide spectrum of the qualitative tools in data collection (*accounting literature:* Alvesson and Ka¨rreman, 2004; Ahrens and Mollona, 2007; *management literature:* Child and Yan, 1999; Karhunen, Kosonen, 2003). At the same time, scholars have used several case studies from a cross-cultural context (accounting literature: Bhimani, 1999). There are not so many comparative studies describing the same processes in different countries. Among the studied articles, few studies are based on field research (*accounting literature*: Chalos and O'Connor, 2004; Ahrens and Mollona, 2007) and few of these take a longitudinal perspective (*management literature:* Beamish and Jing, 2002). We used samples, questionnaires, interviewees, investigation of secondary data, such as annual reports and websites.

Most of the studies in the management control research domain in the context of this research are dedicated to the topic of control mechanisms in MNCs. The issue related to the processes of internationalization and questions of what influences the relationship between HQ and subsidiaries are not answered. In management and strategic literature, the process of internationalization and the role of the MNC in the global world have received much attention. But, at the same time, the processes related to the mechanisms of influence and control from HQ towards subsidiaries and JVs are not covered enough, especially based on case analysis. In this connection, there is a need to answer the question of *how, in the process of internationalization, the HQ achieves influence over subsidiaries,* with a particular focus on several important dimensions of the interplay between HQ and subsidiaries, such as ownership structure, role of board of directors, role of expatriates, role of the corporate CEO in the relationship between HQ and the subsidiaries, and how the common rules and norms created in HQ can influence the realization of a corporate strategy directed towards subsidiaries and JVs.

Empirical settings

There are very few publications conducting cross-field research, but, at the same time, there are several works suggesting the greater use of this kind of approach. First, these articles are related to the field of cross-cultural science, political science and social science with the purpose of supporting the accounting research in a broader perspective.

The literature review shows that many of the cases that were explored are related to the emerging markets, with the spreading from Asia to Africa and Eastern Europe (*accounting literature:* Child and Yan, 1999; Chalos and O' Connor, 2004; Wickramasinghe and Hopper, 2005; Carney and Gedajlovic, 2006; *management literature:* Tahir and Larimo, 2004; Hitt, Ahlstrom, Dacin, Levitas, and Svobodina, 2004; Karhunen, Kosonen, and Leivonen, 2004). At the same time, cases have been studied from the mature markets of Australia, USA, Canada and Europe (*accounting literature*: Abernethy and Brownell, 1997; Alvesson and Kärreman, 2004; Ahrens and Mollona, 2007; Adler and Chen, 2011; *management literature*: Christmann, Day and Yip, 1999; Butler and Anchor, 2000). However, it can be seen that there are not so many comparative cases studying the same phenomenon in different multinational settings.

In order to present a wide picture of the research issue about the phenomenon of influence, in the process of internationalization, from HQ towards subsidiaries and JV, a choice was made to include articles from the management and strategy research domain in this literature review.

Management and strategy literature

The management and strategy literature has mostly focused on the management processes related to ownership, governance and business practice (Merchant, 1981; Yan and Gray, 1994; Hu and Chen, 1996; Mjoen and Tallman, 1997; Lee et al., 1998; Kumar and Seth, 1998; Ramasway et al., 1998; Banai et al., 1999; Child and Yan, 1999; Luo, 2001; Beamish and Jiang, 2002; Gong et al., 2007; Harzing, 2001; Legewie, 2002; Beamish and Jiang, 2002; Quattrone and Hopper, 2005; Brouthers and Bamossy, 2006; Karhunen et al., 2008; Lymbersky, 2010; Beamish, 2013; Killing, 2013).

In the background of my study, it is interesting to look carefully at the introduced models, as the relationship between degree of ownership and degree of foreign control is closer to my research issue of how to achieve influence in the process of internationalization. It is necessary to pay attention to the fact that the models and scenarios presented by Karhunen et al. (2008) have their limitations, due to the parameters of the data collection that were chosen. At the same time, Karhunen et.al. (2008) carried out his research based on empirical evidence, mostly from small and medium size enterprices[17]. However, a big benefit of the presented research is that Karhunen et al. offered the analysis of a different case, representing industrial diversity.

2.3. Psychological aspects of the mechanisms of influence and control

During the last decade, several scholars have called for more psychology theory in management accounting and management control research (March 1996; Adler and Borys, 1996; Wouters and Wilderom, 2008; Hall, 2008; Chapman and Kihn, 2009; Tessier and Otley, 2012; Bourmistrov and Kaarbøe, 2013; Hall, 2015; Otley, 2016; Arend et al., 2017).

Previous studies have shown how changes in MCS may be related to changes in decision-maker mindset and behavior (Bjørnenak and Kaarbøe, 2011; Jensen, 2003; Seijts and Lathem, 2005; Tanlu, 2009; Burdett, 1994; McCarthy and Lane, 2009; Howcroft, 2006; Gunn, 1995; Giraud et al., 2008; Blenko et al., 2010; Marginson and Ogden, 2005a,b; Burchell et al., 1980).

[17] Hereafter in the text, it will be used SME.

According to Adler and Borys (1996), it is important to focus on the enabling as a form of performance in the organization, in order to increase the "attitudinal" impact (p. 66) on the managers' decisions and positive performance. Hall (2008) connects managerial performance with psychological empowerment and calls for a focus on the mechanism that influences managers in their decisions, motivation and actions. Tessier and Otler (2012) suggest looking carefully at the design of control systems and argue that "The design of control systems and the way they are presented do influence how controls are perceived" (p. 181).

Otley (2016) also examines the issue of the decision-making process in organizations being influenced by the findings and discussions in psychological literature. Several scholars suggest that it is important to examine how managers make decisions about the design and use of management control systems, based on their interpretation of their work and decision situations (Bourmistrov and Kaarbøe, 2013).

One of the streams in the research domain in accounting and management control literature suggests examining how managerial perceptions of controls influence managerial judgment and beliefs about how the control system affects the relationship between organizational behavior and its outcomes. Bourmistrov and Kaarbøe (2013) examined how managers, experiencing a state of mental "discomfort" with the control outcomes, have introduced changes in the control system configuration, so that new behavior and a new state of a mental "stretch" were possible. The organizational sociology and psychology literature use concepts like "comfort" and "discomfort" zones to describe different individual perceptions. The interpretations are dependent upon a correspondence or lack of correspondence between the mindset of the decision-maker and actual behavior at work. The mindset is usually characterized as individual attitudes and assumptions about how the world around the decision-maker works, including individual work identities (Ibid). Behavior is represented by actions that are done or should be done in a concrete work situation. In a "comfort" zone, managers positively appraise the work situation characterized by an anxiety-neutral mindset because there is a match between behavior and mindset (Kahn, 1990; White, 2009). On the contrary, a "discomfort" zone is a state of control situation appraisal characterized by a higher level of anxiety because of a misalignment between established mindset and behavior (Kira and Korpelainen, 2012). As Bourmistrov and Kaarbøe (2013) show, the manager's perception of "discomfort" can lead to a substantial redesign of the management control system.

Another piece of research shows that managers can develop a perception that actually prevents changes from happening because they overestimate the degree of the control system's contribution to the achievement of the organizational outcomes (Dermer and Lucas, 1986). The illusion of managerial control or – as it is often presented – the "illusion of control" (Dermer and Lucas, 1986; Seal and Mattimoe, 2014) is a managerial perceptual failure to recognize that conventional controls used by an organization do not control the actual behavior, meaning that actual behavior and the actual control outcome are the subjects of other processes in the organizations, rather than conventional controls. "Illusion of control" is also widely discussed in the psychology literature, e.g. that individuals facing a random sequence of successes and failures can perceive that they are more responsible for successes but blame external factors for failures (Koeing et al., 1992). Perceptions of managers can also affect their judgment of contingencies in accessing the cause-outcome relationships, because the potential cause is an uncontrollable external event.

To conclude, although there is an increasing interest in research literature about the psychological aspects related to the design of management control mechanisms in order to achieve influence, we are aware of no studies that have addressed how internationalization processes have influenced perceived work situations of managers involved in the processes (i.e. in terms of changes in mindset and behavior) and, subsequently, influenced changes in MCS. Thus, the issues of how the perceived influence and control can form out of the internationalization strategies and how those strategies interact with management control processes have not been paid enough attention in the research domain.

2.4. The theoretical framework: the guidelines from the process theory

In order to structure and analyze the empirical data related to the motivation at the individual level in organization and to describe the triggers and driving force of the changes of the mechanisms of influence in the process of internationalization, it is suggested to draw on the main concepts of process theory (Van de Ven and Poole, 1995; Poole et al., 2000; Mähring and Keil, 2008). At the same time, this theory can be applied at a micro level, explaining the social-psychological processes, focusing on behavior. This is the reason why this theory will be used in the analysis of the role of expatriates in the process of internationalization in "T".

As it will be presented in this study, the theoretical understanding of the process of change in organizations has its roots in Van de Ven and Poole's (1995) description of four ideal-type process theories and motors of change. The process theory consists of "four basic theories that may serve as building blocks for explaining processes of change in organizations: life cycle, teleology, dialectics, and evolution" (Van deVen and Poole, 1995, p. 510). These four theories represent different sequences of change events that are driven by different conceptual motors and operate at different organizational levels (Van de Ven and Poole, 1995) and introduce different explanations of change and development processes in organizations. Each process theory triggers different motors of change, which can be mapped as a distinct action cycle. However, change and development processes in organizations are often more complex than any one of these theories can offer, triggering interplay among several change motors or generating mechanisms.

I will not go into a detailed analysis of all the motors' processes, as the main purpose of this study is to examine the mechanisms of control in the process of internationalization, with the aim of achieving influence. In this respect, after a short presentation of three of the existing motors of changes in organizations, the focus will be on the teleological motor – the motor of "the purposiveness" – that will be used as the theoretical lens for this study.

Life-cycle theory and its motors of change

Van de Ven and Poole (1995) propose that, according to *life-cycle theory*, changes happen as "unitary sequences that follow a single sequences of stages or phases" (ibid., p. 515), and that the sequences are of both a cumulative character, when the motors "acquired in earlier stages are retained in later stages" (ibid., p. 515), and a conjunctive character, when "the stages are related such that they derive from a common underlying process" (ibid., p. 515). Van de Ven emphasizes the importance of considering that the "trajectory to the final end state is prefigured and requires a specific historical sequence of events. Each of these events contributes a piece to the final product…each piece sets the stage for the next" (ibid., p. 515). At the same time, it is stressed that each stage of the progression is seen as "a necessary precursor of succeeding stages" (ibid., p. 515), that each successive phase is evolved from a previous stage. Thus, *the life-cycle theory* will "rely on logical or natural sequences" (ibid., p. 515) in the development of the organization. In *life-cycle theory*, the process of change is built upon the progression of change events and is governed by the following motors: "progression through a necessary sequence of stages" (ibid., p. 520).

Dialectical theory and its motors

"In a dialectical process theory, stability and change are explained by reference to the balance of power between opposing entities. Struggles and accommodations that maintain the status quo between the oppositions produce stability. Change occurs when these opposing values, forces or events gain sufficient power to confront and engage the status quo. The relative power of an antithesis may mobilize an organizational entity to a sufficient degree to challenge the current thesis or state of affairs and set the stage for producing the synthesis" (Van de Ven and Poole,1995, p. 517). Nevertheless, it is pointed out that the synthesis departs from both thesis and antithesis, starting the new process of change when the synthesis becomes the new thesis in a new dialectical process. Having said that, the management literature describing the conflicts and negotiations in the organization (Neal and Northcraft, 1991) suggests that the status quo can be replaced, as long as an opposition group "mobilizes sufficient power to simply overthrow" it (Van de Ven and Poole,1995, p. 517). In this connection, suppressing and preventing mobilization of the opposition group by "the desired creative synthesis" (ibid. p. 517) can lead to win-win solutions. It is underlined that, in terms of the organizational changes, "The maintenance of the status quo represents stability, but its replacement with either antithesis or the synthesis represents a change, for the better or worse" (ibid., p. 517). Thus, in this theory, the motors of change are conflicts and confrontations between units when opposing thesis and antithesis generate the dialectical cycle.

Evolutionary theory and its motors

According to Van de Ven and Poole (1995), "Evolution is something equated with change" (ibid., p. 517). Organizations often use evolutionary theory in order to explain the strategical processes and strategy-making, focusing on the change process through a "continuous cycle of variation, selection and retention" (ibid., p. 518). If the variations in organizations are often happen through random chance, selection "occurs principally through the competition" (ibid., p. 518), and retention engages forces "that perpetuate and maintain certain organizational forms" (ibid., p. 518). Taking into consideration that variations stimulate the selection of new forms, while retention "maintains previous forms and practices" (ibid., p. 518) (see Weick (1979) and Pfeffer (1982)), evolutionary theory can explain changes and development in organizations as "a recurrent, cumulative, and probabilistic progression of variation, selection, and retention of organizational entities" (ibid., p. 518). Despite the fact that evolutionary theory in organizational applications is often used in explaining global changes, this theory can be applied at a micro level, focusing on and explaining the social-psychological processes. This is the reason why this theory will be used in the analysis of the role of expatriates in the process of internationalization in "T". In this theory, the motors of change are the repetitive sequences of variation, selection, and retention events and mechanisms of organizational entities.

Teleological theory and its motors of change – the theoretical lens of the study

According to teleological theory, the progression in organizations happens as a development towards a goal that is socially constructed and cognitively shared as a common goal or end state. "It is assumed that the entity is purposeful and adaptive; by itself or in interaction with others, the entity constructs an envisioned end state, takes actions to reach it, and monitors the progress" (ibid., p. 156). Thus, this theory considers the progress as "a repetitive sequence of goal formulation, implementation, evaluation and modification of goals based on what was learned or intended by the entity" (ibid., p. 156).

As Van de Ven and Poole (1995) pointed out, in this theory "Once on entity attains its goal, this does not mean it stays in permanent equilibrium" (ibid., p. 516) because the goals are "socially reconstructed and enacted based on the past actions" (Weick, 1979 from Van de Ven and Poole, 1995, p. 516) as sense or decision-making with clearly identifiable goals. Factors from the external environment or inside the organization "may create instabilities that push it towards a new developmental path" (ibid., p. 516), which confirms that, in this theory, "there is no prefigured rule, logically necessary direction" (ibid., p. 516), but there is a focus on attaining the goal and the accomplished functions that should be fulfilled. The teleological theory considers "the purposiveness" (Van de Ven and Poole, 1995) of the organization as the change motor.

I rely on the guidelines from the teleological motor in process theory to identify a sequence of events in a historical retrospective, in order to define and distinguish the elements that can explain how the changes in an organization happened in the process of internationalization.

Model 2.1. Process Theories of Organizational Development and Change

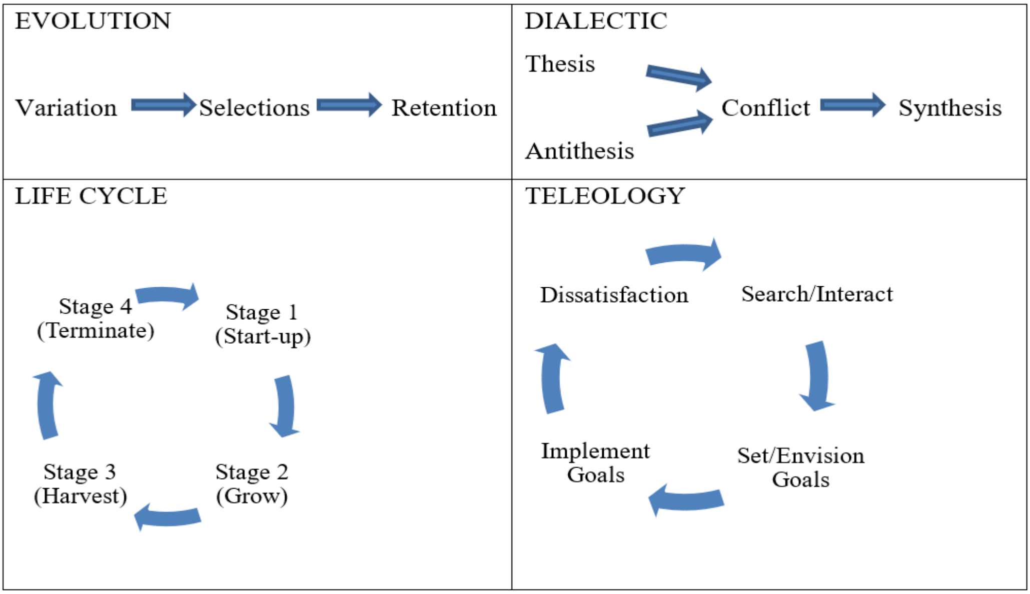

Figure 2.1. (Van de Ven and Poole, 1995)

Antecedent conditions in a process of changes in organization process theory

I rely on the guidelines from process theory (Van de Ven and Poole, 1995; Poole et al., 2000; Mähring and Keil, 2008) to identify a sequence of events in a historical retrospective to define and distinguish conditions for the changes in an organization. Van de Ven and Poole (1995) identified such conditions as determining *antecedent conditions* in advance of sequences of events that influence the process of changes in an organization. In this study, there will be factors from the macro and micro worlds that enforce the need to create an adequate system of controls, aiming to achieve HQ's influence over subsidiaries.

2.5. Theoretical Model 2.2.

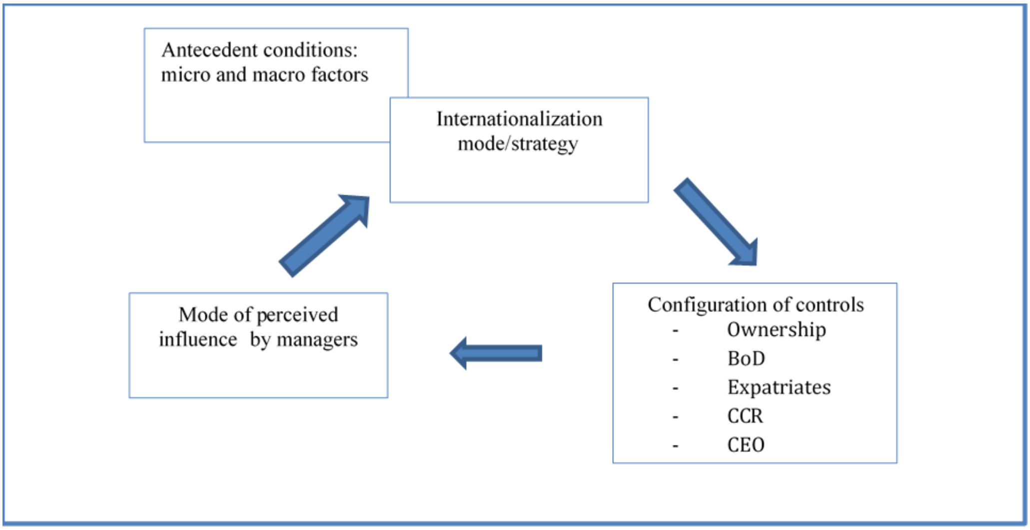

Figure 2.2. summarizes the theoretical model for this study.

I assume that, when a particular internationalization strategy is formulated and carried out, it produces effects for the organization and managers, in terms of issues around HQ's influence and control over subsidiaries. For individual managers, those effects can also be captured in terms of perceived work situation that can be reflected by changing their mindset and behavior in relation to internationalization. In its turn, the perceived work situation can influence the choices made by managers in HQs, in respect of setting different configurations of the institution of expatriates. In their turn, the changes in the institution of expatriates can facilitate changes in the internationalization strategy.

I, therefore, have formulated the following research question: *How have control mechanisms evolved during the internationalization process, and why?* At the same time, I want to underline the importance of the internationalization process and the issues of HQ's influence and control over subsidiaries, as a context for the study. In order to clarify how the context can affect: the changing of mindset; the behavior of managers in HQ in designing the strategy of internationalization that had an impact on the design of the influence and control mechanisms; and the perceived control situation that can influence the choices made by managers in HQs, in terms of setting different configurations or packages of the mechanisms of control, three sub research questions are formulated as follows: *1). How has the* *internationalization of "T" happened? 2.) What control mechanisms were in place during different phases of internationalization? 3). How have managers perceived the effects of those controls?*

Chapter 3: Methodology and methods

3.1. Scientific position. Research setting and methods

"Methodology should reflect an overall research strategy" (Mason, 1996, p. 19). The methodological perspectives will be analyzed from the theoretical paradigms and their practical implementation during the research process, supporting explanations of "why things are" and "the way they are" (Hempel, 1965; Nagel, 1961).

This study has been carried out in a framework of qualitative research with the aim to extend the understanding of the mechanisms of influence from HQ towards subsidiaries in the process of internationalization. Empirical evidence has been collected from the documentary analysis, interviews and longitudinal observations from the field. This research is the first academic study, whose intention has been to analyze the internationalization process of "T", the package of control mechanisms in "T" and the concept of TW[18]; it can contribute to the management control literature through a better understanding of the processes of internationalization in MNCs in the multinational context, using the case studies from a Norwegian company. Despite the increasing attention on cross-cultural studies related to MNCs, little research on this topic has been performed, both in a concrete business environment and specifically related to Norwegian companies as case studies.

The relevant research literature was found by searching in the following scientific databases: Science Direct, Oria, Saga, Emerald and JSTOR, and by carefully examining the reference lists of relevant articles. In the data collection process, the search was limited by including two principal factors: context of the research and date of publication. The research context in the publications was limited to a focus on issues concerning the influence of MNC's HQ over subsidiaries abroad. Regarding date of publication, the view was limited by including publications in the period from 2000 to 2015, in order to map the latest scholarly debate related to the topic of the research. The journals were selected, based on existing journal rankings: levels 4, 3 and 2 from *Academic Journal Guide 2015*, published by the Chartered Association of Business Schools, which supported this study with its list of the most influential journals.

[18] T Way – a concept of the behavior platform in T. Hereafter in the text, it will be use as TW.

As there was insufficient attention paid to the processes of internationalization and the phenomenon of influence in the previous management control and accounting research domain, for the literature review, it has been prioritized publications in scientific journals covering the disciplines of accounting. The following journals were selected: *Accounting, Organizations and Society*; *Accounting and Business Research*; *Accounting Horizons*; *Accounting Research Journal*; *The Accounting Review*; *Accounting, Auditing and Accountability Journal*; *Behavioral Research in Accounting*; *British Accounting Review*; *Critical Perspectives on Accounting*; *European Accounting Review*; *International Journal of Accounting*; *Journal of Accounting and Economics*; *Journal of Accounting Research*; *Journal of Accounting, Audit and Finance*; *Journal of Business Finance and Accounting*; *Journal of Financial Economics*; *Journal of International Accounting Research*; *Management Accounting Research*; *Review of Accounting and Finance*; *Review of Accounting Studies*.

At the same time, the search process in the research domain of management led me to articles published in scientific journals –from the disciplines of international management, human resource management, strategic management and psychological science – that cover the topic of this study. Using the search parameters in the scientific databases as presented above, the focus has been on key words, such as "influence from HQ towards subsidiaries in MNC", and the search process led to the following journals: *Asia Pacific Business Review*; *Journal of Management History*; *Strategic Management Journal*; *International Business Review*; *Journal of International Management*; *Academy of Management Journal*; *Journal of East-West Business*; *Scandinavian Journal of Management*; *Critical Perspectives on International Business*; *The International Journal of Human Resource Management*; *Management International Review*; *Journal of World Business*; *Journal of Management Studies*.

The reason why the decision was taken to investigate the publications in the above-named journals was to present selected contributions from the above-named scientific fields, with the aim of presenting a broader view on the phenomenon of influence in contemporary research. Scholarly literature in the academic field of management and strategy has made substantial contributions regarding the processes of internationalization and the mechanisms of influence. The literature from this field will support the findings from the accounting scientific field, in order to highlight the phenomenon of the HQ's influence over subsidiaries abroad, during the process of internationalization in MNCs.

The question of the HQ's influence on subsidiaries, in the process of internationalization of MNCs, is a matter of several studies. As previously mentioned, scientific streams will be presented, based on the research process in both accounting and non-accounting journals. Of the 84 articles selected, 34 articles were taken from accounting journals and 50 from management, strategy, human resource management studies, presenting different types of influence from HQ towards subsidiaries, highlighting the forces which shape these variations in different geographic contexts: the USA, Europe and Asia. In just the first section, describing the research stream related to the issue of control, the findings from the accounting literature and non-accounting literature will be presented separately, due to the importunacy of the topic.

This is a case study of a Norwegian MNC, “T”: of both its HQ and some of its subsidiaries abroad.

Exploratory qualitative research

It is known that, due to the purpose, the research can be exploratory, descriptive, and causal. These categories are not mutually exclusive; they are a matter of emphasis (Zikmund, 2003). The object of exploratory research is to gather preliminary information in order to define problems and suggest hypotheses, and identify key issues and key variables (Kotler and Armstrong, 2006), contrary to the object of descriptive research (to provide an accurate description of observations of a phenomenon; and causal research (to test hypotheses about cause-and-effect relationships) (ibid.). In order to answer the research questions, it was beneficial to utilize exploratory research, which gained familiarity with the phenomenon of influence and control, provide significant insight into processes connected with “T”’s internationalization, leading to the formulation of the more precise problem of how people get along in the settings of “T”’s internationalization, what meanings they give to their actions, what are the issues concerning them, when the situations involving them occur, and why.

According to the data collection methods, research can be classified into qualitative and quantitative. As defined by Hakim (1987, p.19), qualitative research provides the individuals own accounts of their attitudes, motivations and behavior; reports of individuals’ perceptions, beliefs, feelings, the meanings and interpretations given to events and things. It is also about their behavior, displaying how these are put together, more or less coherently and consciously, into frameworks, which make sense of their experiences. It illuminates the motivations which connect attitudes and behavior, the discontinuities, or even contradictions between attitudes and behavior, or how conflicting attitudes and motivations are resolved, and choices made. This research benefits from the use of qualitative methods, focusing on analysis processes connected with “T”’s internationalization and collecting all relevant data that will support the main purpose of the study.

Depending on the time dimension, the research can be cross-sectional and longitudinal. Cross-sectional studies are those in which data is gathered once, during a period of days, weeks or months: that will be suitable for collecting information in subsidiaries abroad. Research carried out *longitudinally involves data collection* at multiple points in time and will be used to collect information from a *field study in "T"'s HQ in Norway*. According to the research setting, the study can be conducted either in contrived or non-contrived settings. A non-contrived setting is the natural environment in which events normally occur. Both field research and case studies are examples of non-contrived settings and benefit this project, as they are carried out in the natural environment with minimal interference from the researcher. Following the goal of this exploratory qualitative research – to learn "what is going on?" (Schutt, 2011) and to investigate the social phenomenon of influence and control – it was beneficial to utilize the flexibility of exploration methodology in addressing research questions of all types in a framework such as a case study. Case studies have been defined by Yin (1989) as "an empirical inquiry that investigates a contemporary phenomenon within its real life context when the boundaries between the phenomenon and its context are unclear, and where multiple sources of evidence are used" (cited in Brownell, 1985) and "a phenomenon of some sort occurring in a bounded context" (Mile and Huberman, 1994).

3.2. Methodological choice and the philosophy of the study. Data collection

Methodological choice and the philosophical assumptions

Performing qualitative studies in management is not a question of method but of methodology, understood as a general approach to the study of research topics (Silverman, 1993). Silverman (2005) defines methods as techniques, which take on a specific meaning, according to the methodology in which they are used. There is no right or wrong method, but the method must be appropriate for the research purposes and the chosen research model (Remenyi, 1998); this means that, in this research, methodological choices should be consequential to the researcher's philosophical stance and will support the research phenomenon to be investigated. The choice of the philosophy of the research is determined among other factors by: the assumptions of the researcher, precedents set by earlier research, and the selection made in terms of different research methods and the methodology applied (Easterby-Smith et al., 2002).

The research paradigm identifies a framework of assumptions about the nature of the social world (i.e. ontology), and what we know about the nature of social knowledge (i.e epistemology), and the applied research design and methods for extending knowledge (i.e methodology) (Khun, 1970; Chua, 1986).

The mentioned above approaches and worldviews have the impact on the ideas and reflections about ontological, epistemological and methodological standpoints shared by the researches in a particular research community, i.e using in the literature two main philosophical paradigms as positivism and phenomenology (Saunders et.al, 2000) demonstrates different world outlook that affect the researcher's understanding about the social world and nature related to the scientific research.

Positivism believes that the nature of social the reality is considered to be objective, i.e the social world exists as an objective reality. Thus, positivistic approach in science assumes that existing independently of human beings an objective reality should be measured by the objective methods within established knowledge based on the observation of this reality (Easterby-Smith et al., 2002).

Phenomenology, in contrast to positivism, assumes that the reality is not objective and external (Easterby-Smith et al., 2002), but socially constructed. The purpose of the phenomenological scientific research is to understand the phenomena's inter-subject existence (Gilje and Grimen, 1993) constructed by actor's perceptions In this connection, the social reality can be understood by investigating the perceptions of the actors when the knowledge are capturing by interplaying between the researcher and the phenomena which are being researched (Easterby-Smith et al., 2002). This results by the process of interpretation from actor's viewpoint and cognition (Ibid).

In relation to the philosophy of this research, it was supported by a main philosophical approach: the phenomenological/interpretive approach. The current research is built up on the interpretivist paradigm which reflected throughout the research process, in the research questions and the methodology and design of this research. i.e to investigate the phenomenon of influence in the process of internationalization and how have managers perceived the effects of controls established in the process of internationalization.

The phenomenological paradigm as well reflected in the theoretical approach of the current research as it builds on the process theory providing with the perceptions of the changes in the organizations as a reality (Van de Ven and Poole, 1995; Poole et al., 2000; Mähring and Keil, 2008; Kraus and Strömsten, 2016) in which actors (i.e managers) and their behavior and actions are involved.

The methods applied in this research support the interpretive approach. Thus, the process of data collecting (techniques and procedures) is built on the collecting of opinions, views and stories about the phenomenon investigated through interviews with the respondents. Such approach gave me the possibility to apprehend the personal perceptions and interpretations, understand how meanings about the concrete actions and situations are constructed (Czarniawska, 2004).

Ontology

The phenomenological/interpretivist approach in research presumes that the ontological nature of the phenomena is regarded to exist in the consciousness of actors, and that the reality of the phenomena is constructed by the actor's cognition, presenting the reality by the subjective opinions and meanings (Lincoln and Cuba, 1985). The current research presents ontological perceptions in the describing and meditation of knowledge and judgments about the empirical world, created by the process of the internationalization and the situations, actors and phenomena involved in it.

Epistemology

The epistemological approach to present and describe phenomena is considered to occur from the meninges and standpoints of the subjective interpretations and perceptions. Thus, while the ontological assumptions describe the nature of the phenomenon of influence in the process of the internationalization as the reality, the epistemological contemplations raise the question of how the phenomenon of influence can be described, what are the interaction between the researcher and what can be explored about the phenomenon of influence in the process of internationalization – reality. In this connection the following assumption is important that the knowledge about the studied phenomena (i.e the phenomenon of influence in the process of internationalization of a Norwegian MNC) is considered to be a result of the researcher's and the actors/respondent's interaction. Usually, the researchers' interpretation about the subjective standpoints and opinions provided by respondents, has the interaction with the researchers own pre-conceptual viewpoints. The researchers' new comprehension of the phenomenon and the understanding of the reality through the respondent's perceptions, have the impact on the researcher's interpretation of the phenomenon in the theoretical context.

Methodology

The ontological and epistemological approaches in the phenomenological/interpretivist paradigm have the strong impact on the research methodology. So long the reality of the described phenomena is socially constructed, comprehension about the studied phenomena can only be understood from the actor's perceptions and viewpoints. That requires the awareness about the methods applied to the research, as careful understanding of the insight to interpretation and standpoints presented by actors (Lincoln and Cuba, 1985). Thus, the research has to have a role as a participant in the actor's reality, trying to interact it in order to interpret the reflections of cognitions about the phenomena/ phenomenon studied. At the same time, such interaction cannot impose bias in researcher's interpretation (Lincoln and Cuba, 1985). Hence, actors are receiving an influential position in constructing both the knowledge in the research, the research design and the theories applied in the research. Relevant for this study, the key elements of this philosophical paradigm are presented, and there is a certain awareness of both its strengths and weaknesses, coincident with possibilities which focus on (adapted from Remenyi, 1998; Easterby-Smith et al., 2002; see also in Warner-Søderholm, 2010) evidence collection method and close contact between researcher and subjects. At the same time, data has been collected from small samples from the employees in "T", the information was deliberately selected based on non-random selection, and evidence is rich and extensive. The insider's point of view (emic) and descriptive write-up were preferred. The strengths of the phenomenological/interpretive approach, such as the ability to follow the change process in the process of the internationalization related to the phenomenon of influence over time and the opportunity to understand people's opinions about what they have experiences both in HQ and in the subsidiaries abroad, contributed to the evolution of new theories (Ibid). At the same time, it is necessary to observe that the possible weaknesses of the above-named approach can be reflected in data collection, which can be time-consuming and resource-demanding, and the analysis and interpretation of data may be difficult. Using the phenomenological/interpretive approach, it was harder to control the pace and completion of a study, and research results may be given lower creditability, due to the issue of subjectivity. In order to avoid it the researcher needs to interact and be part of the reality of the respondents (Lincoln and Cuba, 1987).

Data collection

This is *a case study* of a Norwegian MNC, "T": of both its HQ and some of its subsidiaries abroad. The main source of empirical data was interviews: *34 face-to-face interviews and 21 conversations were held with "T"'s employees. Interviews, both structured and unstructured, were the main and most useful method of data collection,* as they allowed me to go deeper into the research problem: *in-depth, face-to-face interviews* (personal interviews with the respondent informants inside the focus groups they belonged to) (Breweer, 2000). *Most of the interviews were tape-recorded and later transcribed, which contributed to the collection of unimpaired notes but with all the information available later for full analysis.* Since the interviews were exploratory in nature, special attention was focused on not steering *the conversation* towards the author's personal viewpoints. At the same time, it is important to mention that many of the interviewees were new to the interview settings. In order to arrange the interview-process as comfortable as possible for the respondents, in some interviews the tape recorder was not used. Instead, it was made notes while the interviews have been conducted. The notes from each interview were transcribed after the interview was over. It was used the open-ended interviews as well (Kraus, et.al, 2016) that made the interview adaptive to each respondent, and created the conversational atmosphere, comfortable for the interviewee.

The average time taken per interview was 1.5 hours, while the average time taken per conversation was 30 minutes. All respondents had a role in the process of "T"'s internationalization.

In addition to that, 6 interviews and 3 conversations were conducted with managers from another companies than "T" aiming to get more background information about influence and control in the process of internationalization among the Norwegian enterprises.

The collected empirical material guided the research, and lead to the additional interviews, some of them were performed as telephone interviews, or telephone conversations. These interviews lasted in average 1 hours, and conversations between 25-35 minutes (average around 30 minutes).

The focus in the interview was on the following central questions: 1). How has the internationalization of "T" happened? 2.) What control mechanisms were in place during the different phases of internationalization? 3). How have managers perceived the effects of those controls? The questions that were asked had the purpose of getting the respondents to explain the practices in HQ and subsidiaries. *Three languages were used for data collection (English, Norwegian and Russian).*

Among the respondents were *two former CEOs, former members of the executive board, former board members, present executives in "T"*. "Access to elite groups is generally quite restricted" (Roberts et al., 2006 – see in Kraus and Strömsten, 2016) and the information collected required "discretion because the information was considered to be sensitive" (Kraus and Strömsten, 2016, p. 64). In this connection, *the majority of data was collected in the period from 2011 to 2018,* and the *topics of many interviews were linked to historical aspects, describing the process of internationalization from 1991. The author of this paper is also an employee of "T" and therefore had direct access to internal company documents and reports and "T"'s employees*. Based on the agreements with "T", the researchers used only information that could be published. This access made it possible for the author to have communication with "*T"'s employees informally, providing the opportunity to complement the information provided by face-to-face interviews*. *Dialogues, discussions, conversations on the most* *discussed topics related to the research questions were provided; informal meetings were helpful in the early stage of the research process,* to clarify the details around the key issues.

In order to present the insights into how the process of internationalization was developed, and what control mechanisms were used in order to achieve influence, the narrative stories told by some employees are presented and analyzed. In addition, *secondary sources, such as annual reports and information from the website,* have been used, in order to support the primary sources and verify the information from interviews.

3.3. Issues of quality: Reliability, validity, and ethical considerations

While the discussion on the case study and qualitative research is in progress, it is necessary to mention some important issues relevant for the study, as the case study has been criticized for exhibiting a tendency for poor validation and questionable generalizability, due to the lack of statistical techniques (Näslund, 2008). According to Alvesson (1996, p. 456), "Much qualitative research is as superficial as questionnaire studies". Qualitative methods can have the tendency to be subjective in interpretation; the methods of data collection, which are characterized by low-inference description, also have difficulties in distinguishing between raw data and analyzed data (Seale, 1999). In order to secure quality in research based on a case study, there has been a focus on the criteria of sound methodology (McNeill, 1990 in Riley et al., 2000), such as: validity, reliability and generalizability.

Validity concerns how accurately collected data represents the social phenomena to which it refers (Hammersley, 1990 in Silverman, 2005). The researcher should be critical regarding whether the study clearly gains access to the experiences of those in the research setting (construct validity) (Fielding, 1986). Thus, it is important to obtain access to data from experts on several levels working with the internationalization issues and with the TW implementation. Dialogues with experts from academic circles, representatives from the board of directors and shareholders were helpful to secure the quality of the information related to the research questions. Construct validity was secured by linking interview questions to the defined theoretical frames of reference.

Reliability refers to the degree of consistency with which instances are assigned to the same category by different observers or by the same observer on different occasions. The focus groups included employees at several levels in HQ and the subsidiaries; "bottom-up" were used for primary data collection, starting from ordinary employees and moving up to top management. To secure reliability, after interviewing and processing the results, the following method has been implemented - to deliver texts with interview summaries back to the interviewees, who asked about it for their approval in order to make any corrections or additions to the text.

Bearing in mind that a concept of implementation of TW and its implementation in a multinational context is a global concept, and is international in its nature, generalizability here may be reached only in the sense of acquiring a fundamental understanding of the phenomenon studied (Gummesson, 2000); knowing that statistical generalization is hardly achieved in case studies: they rely on analytical generalization, e.g. knowledge acquired in one case may be applied to another (Stuart et al., 2002).

Ethical issues of the research

For scientific research, ethical issues always have the aspect of complexity: each research case will involve people and touch on possibly sensitive issues. Research ethics and the researcher's behavior should be appropriate in relation to the rights of those who will become the subject of the researcher's work, or might be affected by it (Saunders et al., 2003). To achieve ethical integrity with the parties involved, ethical issues must be the focus at all stages of the study. A process of formulation and clarification of the research questions must satisfy the interests and requirements of at least three parties: the researcher, academic supervisors and employees in "T". As "T" is fully financing this PhD project, it was made the company interested in contributing to the overall goal's research. At the same time, it is necessary to be cautious about my role as an independent researcher. To find a constructive compromise in the formal and academic requirements of the university, the expectations of "T" and the personal abilities of the researcher will be satisfied. This compromise and the corresponding adjustments of the research topic and perspectives of the study are achieved through continuous communication with all interested parties.

Since much of the empirical data have been obtained from face-to-face interviews with managers and employees involved in the process of internationalization, it was fully respecting the rights of these people and their organizations. While obtaining access to the interviewees, interviewing, analyzing the data, and disseminating the research results, important issues, such as the privacy of the participants, the voluntary nature of participation and the right to withdraw, confidentiality and anonymity, objectivity, and the avoidance of harm, have been addressed (Saunders et al., 2003). The participants were approached by informing them of the possible benefits of participation in interviews, instead of putting pressure on them.

The HQ and subsidiaries were opened in sharing their experience, supporting the research and receiving the benefits from better understanding the named processes, by providing access to the information and sharing the documentation and information. Any issue of disclosure of the research results were handled carefully, if it is directly dependent on the depth of data received from the interviewees. The author was aware of this topic and did her best to make the publication of research findings harmless to the parties involved: the interviewees were given the right of anonymity and, in the case of resistance from the interviewees regarding the use of the tape-recorder, it was explained that it is used to ensure data safety and to increase the accuracy of further data interpretation and analysis; if this does not help, a tape-recorder was not used. There is no universal ethics code applicable in all cases (Dalton, 1964 in Saunders et al., 2003); one must operate as a thinking and reflective researcher, repeatedly sorting and re-evaluating one's own values and obligations during the research process (ibid.).

Validity

It is important to underline the role of one of the authors employed in "T", in connection with the research process. Being an employee of "T" for 20 years gives unique possibilities in respect of access to information, sources and informal contact with the employees, which provides informal interaction with "T"'s employees, who can be described as the sources of information and colleagues. At the same time, during a long career in "T", this person has been an active participant in many processes that are now being described and analyzed.

Since much of the empirical data has been obtained from face-to-face interviews with managers and employees involved in the process in "T", whom the author knows well personally, any issue of disclosure of the research results will be handled carefully.

Exploration of literature and data related to the described processes provided good sources for understanding the reasons of the process of internationalization and development and the implementation of different mechanisms of influence.

Chapter 4: Phase 1 in the internationalization of "T" (1992-1996): "The battle to be a company"

The story of the internationalization of a Norwegian MNC, "T": how "T"'s HQ's mechanisms of influence over the subsidiaries abroad have changed during international expansion.

In order to describe the internationalization process of the Norwegian state-owned incumbent "T", it is necessary to answer a second question: how was the international strategy of "T" formed and developed? and what were the main triggers for the evolution of "T"'s international strategy?

Based on the empirical evidence collected during this study, the internationalization of "T" can be described as a process divided into four phases: 1992-1995: "Small company – small international steps"; 1996-2001: "Planting the flags – Viking strategy"; 2002-2004/2005: "Up or out"; 2005/06-15: "Different companies – one group".

Chapters Four, Five, Six and Seven draw the picture of how "T" enhanced its HQ's influence on subsidiaries, based on the empirical data collected in the period from 2013 to 2017.

The chapters are structured as follows: each chapter starts by providing the antecedent conditions, based on the macro and/or micro factors for why a Norwegian MNC, "T", started its international expansion; then it presents the internationalization mode, describing "T"'s internationalization strategy; it then goes on to describe the configuration of the different control mechanisms "T" prepared, in order to have influence and control in the subsidiaries; finally, the mode of the perceived influence from HQ towards the subsidiaries will be illustrated, by describing the factors that prevented "T"'s managers from having the full influence.

During this period, company "T" changed its ownership form from that of a state-owned enterprise (SOE), a part of the telecommunication directorate, to an ordinary joint-stock company (JSC), starting with small steps on its journey towards internationalization.

4.1. Antecedent conditions: The macro factors that influenced the strategic decisions related to the process of internationalization

In this part, it will be highlighted the antecedent conditions – macro (external) factors – that influenced the building up and shaping of "T"'s international strategy.

Factor 1: Liberalization of the European market in the telecommunication sector that forced European operators - incumbents to change their domestic and international strategies.

Starting from the 1980s, the EU[19] commission initiated the research report, RACE (Research and Development in Advanced Communications Technologies in Europe), on the development of the telecommunication sector, targeting the establishment of the more effective common European market and innovative international competitive companies that could compete with the USA's and Japan's ICT and telecommunication industries (OECD, 1968; Servan-Schreiber, 1968; Dan Nguen et al., 1992). Already, by 1985, the EU had launched the idea of the common European market, regulated by the same laws, and, from January 1st, 1993, the ideas started to become a reality.

In this period, the EU worked in parallel with the "green paper" – an action plan, presented in 1987, concerning the common European market for telecommunication services and telecommunication equipment. The complete liberalization of the European market was finalized for 1st January 1998 (COM, 1987). The EU directives were aimed at increasing the competition among the established European companies and implementing the ideology of market orientation that was supposed to lead to lower prices for the communication services and better quality that, overall, should support the processes of social and economic optimizing (COM, 87), meaning that the access to modern mobile telephony can generate publicity, to increase the awareness of new products and services and lead to social development in society. At the same time, modern technology and the improvement in high-quality telecommunication services can be one of the most important factors in the rapid economic development of the economy and society.

In this period, substantial changes occurred in the regulation of the telecommunication market. In 1993, the EU announced plans to change the dominance of the national monopolies in telecommunication and to open up the European telecommunication market to full competition. In 1994, 24 countries in

[19] European Union, hereafter in the text, it will be used EU.

the Organization for Economic Co-operation and Development (OECD) decided to reorganize the national operators as incumbents (an incumbent telecommunications company is a former monopoly that still has a dominant market share, often state-owned - brodynt.com), leading to organizational changes in the companies and increased competition. Most of the operators were organized as the agencies or parts of the telecommunication ministries and were now reorganized as business companies that could provide access to different financial mechanisms and fresh capital, while, at the same time, having a high level of freedom in business decisions.

The governmental report on the situation in the telecommunication sector in Europe and Norway ("Rapport fra statssekretærutvalvget som har vurdert tilknytningsform for Tlv[20], Postverket og Norges Statsbanen, februar 1994) concluded that the liberalization of the telecommunication market in Europe had happened much quicker than expected. This would have an impact on the further development of the Norwegian incumbent company "T", which, in 1994 had been reorganized as JSC "T". The full liberation of the European market in telecom across borders happened from 1st January 1998.

In practice, the consequences of the EU's new liberal politics for the big European telecommunication incumbents – companies led to the end of the monopoly situation for the national telecommunication operators. The upcoming high level of competition between the newly appeared domestic companies and the different European actors and the possible profits reduction followed. Hence, the need to protect the national telecommunication operators, while, at the same time, giving them possibilities to look at the new opportunities in competing in other European and international markets, changed national competition politics, and national legislation was needed (Stortingsmelding, 1986-1987).

In Norway, as in many European countries (Norway is not an EU member country but a member of the EEA (European Economic Area), the above-described processes took place in the late 1980s and early 1990s, leading to further big changes for the Norwegian state-owned company, "T".

Factor 2: The opening of the markets in Eastern Europe

The atmosphere of "Glasnost'" and the major changes that occurred in Eastern Europe at the end of the 1980s opened up opportunities for Western authorities and private companies, as well as for

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[20] Tlv -Televerket - the name of "T" up to 1995.

Western industries, to look at the countries of the former Eastern bloc as an interesting market, with good potential for investments and further growth.

The main characteristics of these countries at that time were an underdeveloped, old and worn-down telecommunication infrastructure, and the lack of investments and access to capital. The traditional telecommunication and managerial channels were not effective. This situation opened up the possibilities for finding business opportunities in these countries by using personal contacts inside the political circles that company "T", as the main telecommunication company in Norway, could use, in order to establish new business (Teledirektoratet, 1990).

Liberalization of the telecommunication market in Europe forced the national operators, who were experiencing the threat of the open competition in domestic markets, to look at the new opportunities in the new promising markets. Eastern Europe was an attractive geographic area because of the perceived low-cost entrance to the markets and the highly supportive authorities in the local governments, emphasizing the processes of privatization, liberalization and modernization.

The Eastern European countries needed both investment and modern technologies. During the 1990s, the big European companies invested in Eastern Europe. Here are some examples of the strong expansion towards the Eastern European countries from Western companies: Deutsche Telecom (investments in Russia); Telia (investments in Lithuania, Estonia, Latvia, Russia); Sonera from Finland (investments in Russia); "T" mobile (investments in Hungary; Czech republic); Tele 2 (investments in Croatia), France Telecom (investments in Poland, Romania); Vodafone (investments in Czech Republic), etc.

Many of the European companies opened country offices in Eastern Europe, in order to do lobby government and to closely follow the investment climate in those markets.

Factor 3: The new technology opened up new possibilities

The strong growth and rapid international expansion in the 1990s, on both the European and other big markets, are also connected with the blooming of the era of mobile telephony.

Mobile telephony was not a new phenomenon. The first mobile phones in Norway, as in other countries (so-called land-based mobile services), had already been established in the late 1950s, but the mobile phones were large and heavy – scarcely portable – and most were built into cars. Typical use was in closed networks where the office could communicate with the company's cars, and the cars could be connected with each other.

The first international co-operation related to the development of mobile technology took place in 1969. A mobile phone company from Norway and other Nordic telecom companies gathered in Northern Norway and decided to establish Nordic Mobile Technology (NMT). The goal was to develop a common standard for more advanced mobile technology –now known as first-generation mobile services (1G); the usage was extended – mostly to boats and cottages, homes, etc. – as the sets became more portable.

The project also became a driving force in the development of the next mobile generation – GSM (Groupe Spécial Mobile or Global System for Mobile Communication), which was formally standardized in 1989 and launched commercially in many European countries at the beginning of the 1990s. The Nordic countries (Norway, Denmark, Sweden and Finland) were the first to launch GSM in 1993. At the same time, many of the European countries started to develop the GSM more actively, like the Nordic countries, as long as they did not have another technology as the Nordic countries.

The revolutionary project, NMT[21], started to compete with the new technology, GSM. This new standard was underestimated during its early. Thus, in Norway, the use of the NMT phone was recommended, but in the marketing advertisement related to GSM, it was explained that GSM phones were mostly for those traveling to Western Europe (Telecom Revy, 1998). The chief of Tele Mobile in Norway strongly believed that NMT technology would survive long after 2000, as long as NMT was built up with good coverage in the mountains and along the coast, and with good signals in the sea, used by hunters and fishermen (in reality, it was closed in 1998, due to GSM's rapid development) (DN, 1991).

At the same, GSM systems were actively rolled out in Europe, when customers discovered the real benefits from the technology. Due to the active competition in Europe, the prices on GSM phones

[21] Nordic Mobile Telephone System, hereafter in the text, will be used NMT.

started to fall. In Norway, during the autumn of 1993, the cost for GSM communication had already reduced by 27%.

During the period of 1996-1997, the operators in Norway and in many other European countries established a broad distribution network and delivered good coverage. The prices for services came to the level that even private customers could afford; during the campaign period, the price of a phone could even be 1 NOK.

GSM started to be the main standard in Europe, which gave an advantage in the implementation of this, the most developed telecommunication technology, in in the markets that did not have full standardization, as in the countries of Western Europe, and used several systems (such as the CDMA[22] technological standard for mobile telephony in Asia, and the AMPS standard in the USA). Using the technological advantage of being an experienced operator in GSM systems and using the close co-operation with the European vendors that supported GSM systems, like Nokia, Ericsson and Alcatel, many of the European countries used this knowledge in their internationalization strategy, especially towards East European markets that chose the European GSM standard, instead of that of the USA or Asia.

At the same time, the further technological improvements in GSM systems gave an opportunity for the European investors to also be attractive in the Asian region.

As the incumbent operator in Norway, “T” took all the advantages of the modern technological development in telecommunication and built up solid competence, based on GSM and NMT standards, and tested both standards in Norway’s challenging landscape.

Factor 4: Opportunities in big Asian markets

The globalization of the world economy opened opportunities to look at markets that lie far from neighboring borders. The Asian region, being deeply integrated in a global economy, started to become a region for growth and big possibilities for investors from the Western countries. The world order seemed to be in a great transition, shifting the place of power and influence from the West to the East (Yeo Lay Hee, 2002).

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[22] CDMA Code-Division Multiple Access. Hereafter in the text, it will be used CDMA.

The main trends of political liberalization and democracy and economic reforms made the region of Southeast Asia especially attractive for the investor. Using the examples of Indonesia, which became a member of G20, the political opening in Myanmar, and improved investor climate, despite some political tensions in countries like Thailand and the Philippines, can illustrate the positive attractiveness of the Asian markets for investors. This is in spite of the fact that Asian countries faced challenges in establishing strong governance and the order of law, and the struggle against corruption and political patronage (ibid.). The Asian financial crisis in 1997-1998 forced serious reforms that initiated closer co-operation between countries in the region and global investors. Hence, the following main external triggers behind internationalization in Asia made the region a targeted market for Western business: the region's large population, low-cost entry and improved predictability of investor climate.

To summarize, from the middle of the 1990s there were several important drivers, influencing the development of the European telecommunication market, that supported the European telecommunication operators in their active internationalization process. Among the main factors that helped the process of internationalization are: 1) the liberalization of the European market in the telecommunication sector, forcing European incumbents to change their domestic and international strategies; 2) the opening of the emerging markets in Eastern Europe; 3) the new mobile technology that opened up new possibilities for investment abroad; and 4) the great opportunities in the large emerging Asian markets, which started to be attractive for the European companies.

4.2. Internationalization strategy of "T" in Phase 1

This section introduces the main steps in the internationalization strategy of "T" during Phase 1 of its internationalization.

1. The necessity for the organizational changes ahead of the challenges, in line with the liberalization of the telecommunication market coming from the EU: the process of transformation of "T" from state-owned enterprise (SOE) to an ordinary joint-stock company (JSC).

On 1st January 1995, the Norwegian state-owned enterprise, Tlv, became "T". This fact was closely connected to the processes of organizational change that began in 1991, when a new CEO has been appointed. The new CEO did not have much experience in the internationalization process. His focus was on the domestic market, ownership issues and the reorganization of the company. Despite this, a short time after being appointed as CEO of "T", he understood the necessity for organizational changes ahead of the challenges, in line with the liberalization of the telecommunication market coming from the EU and increasing globalization. In this connection, there was a need to start "T"'s international expansion. In order to meet the new situation, where "T" could take is own business decisions and obtain access to capital through the world financial mechanisms, it was necessary to transform "T" from a state-owned enterprise (SOE) to an ordinary joint-stock company (JSC). In addition, one of the important reasons for the changes was that the regulation in Norway was supposed to be harmonized according to the EU's demands for liberalization of the telecommunication market. Following that, "T" had initiated with the owners (the Ministry of Communication) the process of transforming "T" from an SOE to a JSC and, further, to a public *listed company*. This process can be described as *preparatory work,* to meet the upcoming European competition initiated by the EU.

The different groups in the Norwegian authorities that had a focus on "T" and represented "T"'s owner (i.e. the Norwegian state) were divided in their visions about "T" and its organizational transformation. Some of them were even skeptical about the changes of the form of ownership and the plans for possible internationalization.

> The stakeholders were afraid to lose the "Norwegian focus" in "T"'s business model. Nevertheless, "T" started to look for some small opportunities abroad, in order "not to be eaten by the big companies" when the EU directives were implemented. At the same time, the organizational changes were necessary because a company with an SOE structure could not invest abroad. We had to become a company that could have investment projects. An EVP (executive vice president) was appointed to be responsible for international projects, and he started to build up the international team. At the same time, we had to change the system of reporting as a JSC. (Interview with the former Legal Director of "T", member of the executive board, 2015)

The organizational changes, started by the CEO, led to important transformations– the company became a JSC and new routines were established in the relationship with the Ministry of Communication. The state changed the ownership of "T", in order to avoid the conflict of professional interests in telecommunication, from the Ministry of Communication to the Ministry of Trade and Industry. The Ministry of Trade and Industry continued to own 100% of "T", on behalf of the state. The new owner of "T" continued to retain control of the company but now this was based on the rules regulated by the EU, related to the governance between the owner as a state and the business company, meaning that even the ministry appointed both the BoD, the Chairman of the BoD, but, in its the business decisions, “T” was independent, as these decisions were approved by the BoD. However, in strategic decisions concerning the national telecommunication policy, the Minister expected to be oriented by the Chairman of the BoD and the CEO, in order to provide information, further, to the Prime Minister and/or Parliament.

2. “T” found international projects, mostly by being invited by other telecommunication operators or through projects being found by their own managers (“passionate ambassadors”), who established a good relationship with their local partners. There was no clear international strategy related to technology, geography or the issue of ownership.

Dilemmas related to internationalization

The former CEO of “T” (1992-2001) explained that, at the start of internationalization, there were certain dilemmas, such that many of the projects were in the emerging markets and “T” needed to find the right form of ownership for its subsidiaries (Interview, 2014). The dilemmas that the respondent mentioned are connected with the internal debates in “T”. Some of the top managers argued for international expansion into the established and mature markets in Western Europe, while others argued for expansion into Eastern Europe, with high risks and political instability but good possibilities for further growth.

Following the idea of JV as a preferable form of ownership at an early stage of its internationalization, the respondent underlined that emerging markets were the natural choice for “T” so long as:

> There were possibilities and we were invited to be there. We also looked upon this project from an idealistic point of view, and we created possibilities and helped to develop the markets and the countries. In these countries, we didn’t take dividends for as long as possible, in order to develop the companies. All of them were JVs. (ibid.)

The first investments were made not only in the border-area – North-West Russia and especially the Murmansk area – but also in the Baltic area. In 1991, the President of Lithuania asked the Norwegian government to support the establishment of direct communication between Lithuania and Norway. Using satellite technology from the roof of the Lithuanian Parliament, several satellite lines were built to connect Oslo and Vilnius.

At the same time, the first Central European investments were made in Hungary (from 1993 to 1995), as a result of an invitation from other Nordic telecommunication operators to join a consortium.

> Internationalization, as I remember, started from the small projects in Murmansk in 1992-1993 – we organized traffic (signals and voice services – author) via Norway. The office in Vadsø has responsibility for that. But, before the project started, and even after that, at HQ at the top level the discussions were focused on the Norwegian cases…
>
> "T" understood that our monopoly would be over because of the EU directives, and we had to change the ownership in order to be a company or we could not invest. We thought that we needed to look abroad, but there were not many discussions about this topic among the top leaders: how to organize the activities and what kind of projects to look for…
>
> We did not even have staff with international experience. They came later and were the driving force in the international projects – the real passionate ambassadors. (Interview with the former Legal Director, member of the executive board, 2015)

Answering my question, *"Did 'T' have an internationalization strategy at that time?"*, most of the respondents replied that "T" did not have an international strategy. The first international projects appeared mostly because of "political approval", in terms of the Ministry being very well informed about the projects and supporting them (Interviews with the former "T" worked with international projects, 2015; the former Legal Director, member of the executive board, 2015; the CEO 1991-2001).

Another respondent said that managers from "T" acted on their own, without the involvement of the authorities, and found projects themselves for different reasons.

> We were very curious about going to work abroad. But we were small and unexperienced and had to tread carefully. We were often invited to be part of international co-operation, as we were known for good technical skills. Thus, Denmark Telecom invited us to be a small partner in Hungary. And the local telecommunication managers from the northern part of Norway and the northern part

> of Russia wanted to co-operate and form a common project across borders. The authorities did not initiate any of these projects. (Interview with the one of the former executive managers in "T" who both in Norway and internationally from 1990s, 2018)

At the same time, the former CEO of "T" explained that many of the first international projects in the northern part of Russia were supported by the Ministry of Foreign Affairs, and the Minister of Trade and Industry was informed. As an example of this, he told about the project for the donation of depreciated telecommunication analog equipment to the Arkhangelsk area (Kholmogory), when "T" was asked to deliver the equipment, install it and teach the local staff (Conversation with the respondent – employee from the division, involved in several projects in the Northern part Russia, 2015).

Several respondents said that the drive behind the first international projects was not a matter of strategic decisions and doing business internationally and making profits but, rather, a matter of curiosity about working internationally and the possibilities of carrying out small projects, together with international partners.

> We were like pioneers, wanting to come out into the big international world, and we learned step by step. (Interview with the former legal director, 2018)

> At the same time, one of "T"'s executives, who was responsible for taking care of international projects said that he did not agree that "T" did not have an international strategy. In his point of view, despite the main focus at the corporate level being on domestic affairs, his department took the first steps to develop the international strategy. In this period, the strategy was dedicated to making attempts to build up international alliances with European operators, among them BT), which benefited "T" later in establishing the international footprint (Interview with a member of the Executive Board also responsible for international projects).

In spite of the modest, but successful, co-operation with BT, most of the issues that were discussed at the board of directors' meetings and executive meetings in "T"'s HQ were dedicated to affairs in the Norwegian market. At this time, "T" was just making the first attempts to look at international possibilities.

> I don't remember that the BoD or top management of "T" discussed international projects in detail. We were focused on domestic issues. (Interview with the former Legal Director, member of the executive board, 2015)

The same respondent stated that, even the newly appointed CEO did not think about international projects at this time; most of the projects came from either the authorities or the managers in "T", who established good personal contacts abroad (Interview, 2018).

3. All of "T"'s investments abroad in Phase 1 were low-cost projects with small-stake ownership in JVs. There was a battle with its own BoD to obtain support for these projects.

The first international investments had already been made in 1993. The first projects were a part of the political process in the framework of Barents co-operation and started in Murmansk. The liberalization processes in Russia in telecommunication in the early 1990s were mostly related to the establishment of new legislation, and, therefore, the Russian authorities prepared the reforms in order to attract Western capital. "T" used this opportunity and established a fixed network telephony-project, "KTcom[23]", in which 50% was owned by the Russian governmental fixed line company, "Mesv[24]", and 50% by "T". A former Legal Director of "T" explained:

> "T" decided to try the first investments abroad as JV projects and inexpensive, while we lacked international experience and wished to reduce the risks. At the same time, we were not so much occupied by having profits. It was important to learn to work internationally. (Interview, 2016)

His statement was confirmed by another executive at "T":

> We did not have enough capital; we were state-owned and looked for <u>small low-cost projects</u>. The BoD did not always support us. (Interview with a former member of the Executive Board, responsible for mobile operations worldwide, 2015)

[23] KTcom- JV of "T" in Russia in Murmansk
[24] Mesv – Russian company in Murmansk

One of “T”’s pioneers in international projects in the late 1990s described how the “KTcom” project was established.

> The Chief of “T” in Vadsø had a good relationship with the Chief of “Mesv”. They discussed how to improve the quality of telecommunication services in the Murmansk area, which were very bad in this period. The idea was to send good signals via Norway and establish a good voice telephony. People from the Murmansk area could call with the Norwegian numbers but pay local tax. It was a low-cost project; none of the partners had much money. From “T”’s side, the intention was not to make money but to learn how to work with Russians. That helped us a lot later. When we decided to go further in international expansion and participated in a tender in St. Petersburg, together with the Swedish and Finnish partners, the American telecommunication company was the most serious competitor. The Americans were experienced, rich and arrogant. They were sure that they would beat us. But the Russians chose us! Mostly because of the fact that we had good experience in working with Russians in Murmansk and Arkhangelsk and because we had learned how to work with Russians – how to show respect and be polite, to understand their culture. (Interview, 2018)

In “T”’s BoD documents from 1992 (ref. Thue, 2005) it states that, in 1989 in the Murmansk area, six international JVs were registered. By the beginning of 1992, the number of such JVs had increased to 56. Three Nordic countries were most active in this region, and Finland was the most active. Other substantial investments were made in the company “NWG[25]” in St. Petersburg in 1994/1995. This was again a JV between Russian partners (51%) and the consortium of three Nordic countries that together owned 49%, of which “T” owned 12.74%. Finland’s SO[26] owned 25% and Swedish TA[27], 12.26%.

At the beginning of 1997, “T” invested almost 40 million NOK in the northwestern part of Russia. According to a Director, who worked in projects in Russia in the 1990s, the projects were successful.

[25] NWG – JV in St.Petersburg
[26] SO – a company from Finland
[27] TA – a company from Sweden

> We did not lose money, we made some profits and built up our competence and knowledge, step by step. All these first projects were very important for the further internationalization of the company. (Interview, 2018)

However, the BoD of "T" was not supportive of "T"'s first small steps abroad. In "T"'s BoD notes from 1995, reflecting on the investments in the 1990s, the following is stated:

> Unfortunately, there was a sliding in the international projects, in that they were not based on any strategy, and, without that, the formal conditions for the projects were not fully clarified in advance. (Notes from the BoD, 2005, 330)

> Because of the Nordic co-operation, "T" was brought into the St. Petersburg consortium… Do we have a strategy in this area? (ibid.)

> The development of the projects happened so quickly, and before any decision was taken about the strategy, "T" was involved by Nordic partners in a bidding round in Hungary. (ibid.)

> Unfortunately, the development of the investments in Russia was influenced by changing premises, and because of that "T" was committed more than was foreseen at the start. (ibid.)

The interviews and documents that describe the start of "T"'s international projects in the 1990s show that the first step in the internationalization process was not taken because of the clear strategic decisions regarding international expansion. Rather, it can be characterized as small steps and "pilot projects", mostly initiated by management working as pioneers (mentioned in one interview) and who later became known as "passionate ambassadors" and the first expatriates in "T".

4. At the same time, one important thing was clear for the top management – "T"'s role abroad can be defined as an industrial investor.

Since 1855, when "T" was established, the company has developed high quality, both in telephony and later in modern telecommunication. That is why "T" could use its technical competence as the unique know-how in its international projects abroad. One of the telecommunication pioneers in “T” related that, when the whole of Europe was talking about GSM standards as a European standard from the beginning of the 90s, “T” had already initiated the first project in a mobile telephony in 1966: a kind of prototype of modern mobile communication (From conversations with the former Chief in “T” Mobile, 2010).

One of the respondents explained that it was important for “T” to underline its role as an industrial investor, and not a financial investor, when it could contribute to the JV with its industrial competence, developing the JV and increasing the value:

> Due to “T”’s 160 years of technical competence in knowing how to build up the telecommunication network in the challenging and demanding geographical conditions of Norway, and taking into consideration that “T” started early with the modern technology, in order to cover a country with demanding geography, there was no doubt for top management that “T” could be just an industrial investor in the international projects. We knew telecom vey well as engineers, as people who built up telecom in difficult conditions. We knew how to build up good telecommunication coverage. We could contribute and wanted to contribute with this knowledge, developing the projects in a good industrial way. (Interview with a former senior manager, who worked both in Norway and abroad, a member of several BoDs abroad, 2013)

One of the directors in “T”, who worked for the company for almost 40 years, starting on an apprentice-training scheme and progressing to the position of an executive in “T”, explained the reason for “T”’s having unique technical skills. He called attention to Norway as a “laboratory” for the most challenging telecommunication projects ever, because of the geographical position of the country and the difficult landscape – like a laboratory, where the technical staff of “T” worked extremely hard with the coverage issues. Underlying the importance of the quality of a telecommunication network “without holes”, one of the most experienced top managers of “T”, who worked first in Norway on the launching of the mobile network and then on several important international projects, always said to both Norwegian colleagues and colleagues abroad: “Coverage, coverage and again coverage are the most important elements in telecommunication”.

“T” wanted to utilize its competence in technical skills during the process of internationalization and to use it as an advantage in competition with other operators. “T”’s technical staff had developed special knowledge in how to build good coverage for telecommunication services in demanding geographical conditions: good coverage, no “holes”, technically smart. The EVP responsible for the international projects stated that even big European companies that had sufficient capital for international expansion appreciated “T”’s technical know-how and wanted to invite “T” into different alliances (Interview with former director in international operations who had as well solid experience from Norway, 2016).

To summarize,
Firstly, it seems that “T” did not have clear plans for its international strategy, despite “T” having been involved in several international projects. Often “T” was invited to participate in the different consortiums because of its industrial know-how and competence. “T” management had dilemmas and discussions related to internationalization.

Secondly, several important issues can be underlined, such as: the markets for expansion were not clearly defined – “T” invested in the countries in which it was invited to invest by its local partners, initiated by authorities or international operators who wanted to build up alliances; the technology for investment projects was not clear – in some projects there were investments in fixed network telephony, in others, in mobile telephones; the ownership model for the international business was JV.

Thirdly, several important processes, as the organizational changes in “T” led to the transformation to POE, and allowed “T” to make “the pilot” international project, that was the start for “T”’s internationalization that happened by small steps in the geographical area close to the Norwegian border in the North and later in Hungary. “T” used the new the organizational structure and a new international team to expand further in different directions where it was possible to have a footprint.

4.3. Configuration of control mechanisms used in Phase 1 of "T"'s to achieve influence from HQ toward subsidiaries.

Ownership: small parts in JVs are preferable.

All "T"'s activities abroad in the 1990s were JVs; most of "T"'s existing JVs abroad were established in emerging markets (see Table 4.1, describing the portfolio of "T" at the end of the 1990s).

Here is the portfolio, just in the telephony projects from 1992-1996 (from "T"'s press release March 2000. "T" website)[28].

Table 4.3 The first international activities (1992-1996)

Company	Markets	Percentage owned
KTcom	Murmansk Russia	50%
VIA[29]	Germany	10%
COS[30]	Greece	22%
PAN[31]	Hungary	25.8%
ESA[32]	Ireland	49.5%
CON[33]	Austria	17.5%
NWG[34]	St. Petersburg Russia	12.7%

Table 4.3 demonstrates that, to the end of 1996, the international projects in telephony (fixed network and mobile) were JVs, with the ownership share mostly less than 50%.

What was the reason that "T" chose to be in JV ownerships in operations abroad?

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[28] The names of the companies in the Table have been changed by the author The same will be applied in the next tables.
[29] JV in Germany
[30] JV in Greece
[31] JV in Hungary
[32] JV in Ireland
[33] JV in Austria
[34] JV in Russia, St. Petersburg

The data show several main discussions regarding why “T” started the internationalization process with small shares in JVs.

Lack of capital

Several respondents mentioned that “T” did not have enough capital to invest in companies in mature markets, where the risks for foreign investors were much lower, while emerging markets were connected with the high political and economic risks.

> “T” had to choose a JV ownership structure together with local partners. (Conversation with the former member of the executive board responsible for international projects, 2015)

The same information about the reasons for choosing JV ownership at the beginning of internationalization was confirmed by the former EVP for mobile operations worldwide, who said that:

> We did not have not enough capital to start the international expansion by targeting a big portfolio. We had to buy what was cheap and available on the markets – small projects, mostly in the emerging markets because of the price of being a partner in JVs (Interview with the former EVP responsible for international mobile operations, 2014).

“T” was late in its process of internationalization

Continuing with the topic of “T”’s form of ownership in subsidiaries abroad, one of the respondents pointed out that “T” was late in its process of internationalization and started to look at the opportunities to invest abroad later than other European companies, and that there were no available licenses left in the European markets.

> We were late in our internationalization; all the licenses that probably could have been available in Western Europe had been taken by others, and we had to look towards the markets with high risks, small stakes and low influence. We needed to co-operate with the local partners. (Conversation with the former senior manager worked in the international mobile operations, both in Norway and internationally).

This supports the arguments for why "T" had to choose the JV partnership at the beginning of its international investments on the emerging markets that were connected with high risks, mostly linked to political risks, and low influence in JVs.

Lack of international experience led to the individualization of internationalization through "passionate ambassadors"

Another member of the Executive Board of "T" in the period from 1991–1999 confirmed that "T" started with JVs, but he shared another opinion that:

> At the beginning, and even in the middle of the 1990s, the international expansion or anything that we can describe as 'international' was not an issue in the executive meetings; the focus was on the domestic operations. (Interview with the former member of the Executive Board responsible for the international projects, 2015)

> When the first international operation appeared, there were no discussions about what kind of ownership "T" would have, or what markets, or what technology. "T" did not have any international experience, we had to start with some small projects. It was JVs that "T" started with. (Interview with the former member of the Executive Board responsible for Legal Affairs, 2016)

At the same time, he confronted the other respondent's opinion that JV was the preferable form of ownership. He agreed with the majority of the respondents that, in the early stages of the internationalization ,"T"'s top-level team did not have a clear strategy for international operations, but "T"'s "passionate ambassadors" secured small stakes in different companies abroad, where they managed them (the discussion on the "passionate ambassadors" will be given in the sector related to the role of expatriates). In these terms, the international strategy was individualized, and centralized.

Discussions among top management about "JVs in Eastern markets or alliances with "Western partnerships"

Different stories were told about the first phase of "T"'s internationalization, which can illustrate the internal discussions in "T" at the top level of management. One of the central dilemmas at the beginning of the internationalization process of "T" was dedicated to the question: Is it beneficial for

"T" to be a part of a big European alliance or not? The result of this discussion was directly connected to the question about the form of ownership for projects abroad – JV or not.

One of the respondents explained that, at that time, understanding its limitations in international experience, "T" did not have the ambition to own 100% in the subsidiaries abroad but aimed to be a minority owner by being a member of a strong alliance with a powerful and experienced Western-European operator. The respondent explained that, in his opinion, "T" had a strategy: orientation primarily towards mature markets and to have a small stake in JV projects, as it was more secure to be in the mature European markets than in emerging markets (the former EVP responsible for all international projects, interview 2014).

> It was a good reason for having just small stakes and not sharing the risks, but to build up the alliance with the predictable and solid Western partners working in a known environment... We had a very good relationship with the people from BT… we contributed well to the projects, a nice atmosphere in co-operation, we understood each other. (ibid.)

> I was responsible for building up the alliance with B in the early 1990s, and we invested together with B in mature markets such as Germany and Ireland, as JVs. It was a strategy – to go to the markets that we could understand – in Southern Europe or Western Europe or where we could go and use the technology that we were good at. (ibid.)

The respondent pointed out that, in order to maintain the good relationships with the partners in JVs, he built up personal contacts with the leaders from B.

Another respondent talked about the discussions among the top management of "T" and explained why being part of an alliance was not beneficial for "T" in the long term, and that JV was a necessary form of ownership for international projects in the short term.

> "T" had to sell the shares in JVs in mature markets and to leave the alliance with BT, despite the good co-operation and good partnership. We understood each other, had a similar mentality in how to do business, we could understand the language and

> could communicate directly with the partners. It is true that we did not have the dominating position in JVs – we were minorities, and we did not have enough influence and control. Our business co-operation with partners was based on trust and the same understanding of the business models. (The former EVP responsible for all international activities from the corporate level, interview 2014)

Another respondent was sure that the JVs in emerging markets, without alliances with the Western partners, was the right way to go.

> If we stayed in the alliance with B, we would always be just another small partner from a small country, without having control and influence, that would lead in the future to the position of being a small partner in different JVs. We did not know what to do in 1992–1993. Everything was new. Maybe it sounds unoriginal to say in 2014 that a low level of ownership leads to a low level of influence. But in 1993, when we didn't have a clear strategy, no experience, we looked at all the markets where we could use our skills in technology and where we could invest small money. In other words: cheap markets, small money, but good possibilities in the future through increasing the number of shares – that was our approach…
>
> Emerging markets and JVs provided these possibilities as, for example, in Hungary. We started there with 5% ownership in a consortium and increased more and more to 100%. We were aware that we needed to increase ownership, in order to have more influence. We hunted for it. (Interview with the former EVP responsible for International Mobile Operations, 2014).

Did "T" even consider owing 100% in international projects?

Most of the respondents were very surprised by the direct question: "Did 'T' actually consider owning 100% in international operations from the first steps? The answers revealed that this question was not discussed at all in "T", and many of those who were responsible for the international projects thought that there were limitations in telecommunication legislation in the emerging markets that demanded the partnership with local operators.

> I assume that that it was not possible to have the majority in JVs in emerging markets. We never discussed this possibility. (Interview with the Director involved in international operations from the 1990s, 2018)

> I think that it was not allowed to own 100%... We took what we could take and were enthusiastic about it. We never discussed 100% ownership. (Interview with the Legal director, involved in International projects from the 90s)

To conclude, “T” made a choice to be in a JV ownership for different reasons, mostly because of the lack of capital and the lack of international experience, which led to their later entrance in the international arena. “T” had disagreements among the top management, related to the form of the first steps in international projects – whether to go for an alliance with the strong Western partners or to try the first JVs for itself. At the same time, the respondents confirmed that the question of 100% ownership was not an issue at the start of internationalization.

<u>BoD</u>: Members of the BoD from “T” had a supportive role, functioned as a link with HQ and provided JVs with the necessary competence.

In the data collection process, there were several respondents who worked with the international operations in the early 1990s. Almost all of these who were members of the BoD in subsidiaries in JVs understood that the level of control or influence in JVs was limited, but it was more important to build good relationships with the partners and transfer knowledge from the HQ to subsidiaries. This aspect was mentioned in several interviews:

> Relationships with partners were important… as was not taking out the dividends in a period in order to develop the company... we co-operated with the Norwegian authorities that supported starting the projects in the border area close to Norway. (Interview with the former CEO in “T” in the period 1991-2001)

Another respondent mentioned that, for the BoD members, it was important to teach the local partner how to do business in the Western way and to teach the staff of the local company (Conversation with a member of the BoDs in two companies in Russia in the middle of the 1990s, 2012).

To conclude, “T” considered that the BoD was a forum for building relationships and not for having control.

<u>Expatriates</u>**: “Passionate ambassadors” were important for the start and further development of the international projects.**

As mentioned in several interviews, the internalization in practice of “T” was driven by the so-called *“passionate ambassadors”* (the definition came from several interviews) of the international projects.

> We had “passionate ambassadors”, who traveled in many countries, established contacts and tried to find investment projects for “T”; their role was invaluable. (Interview with a former member of the Executive Board, responsible for mobile operations worldwide, 2015)

> We needed the enthusiastic people, the “passionate ambassadors”, who traveled everywhere, could represent us and find good partners and projects. (Former EVP in legal issues)

> It was mentioned that it is important to have “good ambassadors” in subsidiaries (former EVP in HR[35]).

> “T”’s people were like cowboys in the 1990s – we came from a small country, there were no direct connections to many countries (Eastern Europe, Asia), we did not have much money to invest, but we had a lot of competence and courage. Tempo was an important element for us. And passionate people were the key. (Former EVP responsible for mobile operations)

Thus, the *“passionate ambassadors”* were the people who did not have the formal position of being an expatriate and did not have control functions or much formal power. But, being the trusted employees of HQ and having a close relationship with the top management of “T”, they influenced the business process of internationalization by collecting important knowledge and establishing the necessary connections abroad, with both potential partners and local authorities. They traveled all over

[35] HR-Human Resources department. Hereafter in the text, it will be used HR

the world and established the contacts needed, gained knowledge about foreign markets and brought it back to HQ, influencing the business decisions. "Passionate ambassadors" were the first of "T"'s employees to work internationally, and, when the first investments were made abroad, they worked in JVs or country offices, in order to support the activities and transfer their knowledge and contacts.

> After the first success stories abroad, we understood that we could manage international projects, could have influence among the local partners because we were good at technology. (Former member of the Executive Board, responsible for international operations)

> What helped our people at the beginning of internationalization was the fact that we came from a small peaceful country, with highly developed technical skills. We were not a threat. We were supportive. Our people established good relationships with the partners and authorities. (Former Executive manager worked both in Norway and internationally, had a career of almost 30 years in "T")

> Our "passionate ambassadors" were good skilled persons; they were not afraid to travel, as all Norwegians, they had a good understanding of the possibilities in building telecommunication. It was important not to sit at home but to travel and search for good projects. (Former EVP, responsible for international mobile operations)

To conclude, gaining from the efforts of the *"passionate ambassadors"*, it was essential that "T" expanded internationally. It seems that "T" needed more people, who could work internationally, being at the same time highly qualified professionals when it came to internationalization.

<u>CCR</u>: "T" has simple templates, based on Norwegian values such as "How to behave in "T*"*.

Although the CCR were not formally developed at that time, the CEO during this period, was personally engaged in the issue of ethical attitudes to doing business, underlining the importance of having clear ethical standards for business practice as an important condition for entry to the emerging markets. Particular, it was important, when "T" had to choose to be an investor in a JV, in which the level of influence was low and the tradition of doing things was different from that of Norway. Thanks to the CEO, the Ethical Council was established, and ethical issues were thus on the agenda. This was supposed to contribute to those managers better understanding the ethical framework of doing business.

> It is important that everything should be correct when a company such as "T", a state-owned JSC, is going abroad. At the start, the best legal form was JV, in order to understand the situation and work with the authorities. We, as a company, had to play an important role – we had to develop the possibilities. In order to achieve that, we had to be clear about "T"'s and Norwegian values. (ibid.)

I personally have worked with the CEO from 1997-20101, and my impression is just as he described. The CEO often said that it is important to remember that "T" is a state-owned company and it is extremely important to demonstrate the standards for ethical business. As an example, it is necessary to mention how the first international projects in the North (Kola area) were developed.

The first international projects in "T" were politically supported by the idea of Barents co-operation in the North. "T"'s staff had close co-operation with the administrations from the northern part of Norway and three northern areas in Russia – Arkhangelsk, Murmansk and Petrozavodsk – when the Pomor – the telecommunication project – was established in 1989, in order to provide high-quality telephone lines for the northwestern region of Russia. The project was supported by the Russian and Norwegian authorities. Both the Murmansk and Arkhangelsk areas were areas closed to international investment before 1989; in order to understand the rules of the game in these areas, "T" co-operated with the Ministry of Foreign Affairs, which both supported "T" in coaching for the ethical attitude in doing business abroad (ExportRådets kurs) and helped "T" to fill out all the necessary documents, in order to be as correct as possible, and represent Norway. Many of the projects in the Barents area were charity projects, supported by the Ministry of Foreign Affairs of Norway (e.g. the project to install depreciated technical telecommunication equipment and train the local staff in its maintenance). In this period, the Ethical Council published a small book with advice on how to be a good representative of a state-owned company, "T" and Norway. Among the issues presented in the book were: how expensive a gift can "T"'s employees give and receive; does the employee have a conflict of interests working abroad; did the

> employee report cases of concern; did the employee correctly report all expenditures and fill out a travel report. At the same time, the enthusiasm influenced by Perestroika was high, and the idea of helping Russia and supporting the development of modern telecommunication there was more important than thinking over the real business models. (Personal observations and conversation with an employee of "T"'s consulting division, who was strongly involved in the projects in the northern part of Russia, 2018)

At the same time, several of the respondents who worked directly in the projects stated that they did not experience any training, and there were no written rules for how to do business abroad.

> We did not have any written rules. We just used common sense and tried to be good representatives of "T" and Norway. The most important thing that we learned was to treat our partners abroad with respect. (Interview with a director, who worked internationally from the 1990s, 2018)

> I do not remember any instructions or any written rules, but we understood that we came from a very small country and should act carefully and with respect for the local traditions and local people. This helped us a lot later, during other international projects. We tried to build close and good relationships with the local authorities as well, and, in this connection, "T"'s close and constructive contact with the Norwegian authorities helped – we could easily connect authorities in Norway with the international projects – invite them to take part in the meetings, events, celebrations. (Interview with a manager, who worked internationally from the 1990s and later, 2018)

To conclude, with the development of the first international projects abroad, the top management of "T" established the Ethical Council, in order to focus on the ethical standards for doing business broad. A special division was also established ("T" Consulting"), to maintain the training of employees working abroad. Top management had an attitude that "T", being a state-owned company, which was involved in projects supported by the Norwegian authorities, should show an example of an ethical attitude to business and educate the local staff. At the same time, the employees who traveled abroad were not given instructions – many of their actions were built on common-sense good relationships with the local partners. These contacts were individualized and personalized.

At the same time, each division in "T" had its own practice for reporting expenditure, for the buying and receiving of gifts, for the choice of business class tickets and other important routines connected with international business; many of these practices were dependent on the personal understanding of the manager of the department (personal observations). This means that, during the first steps of the international projects, "T" did not have a common practice and routines in the formalization of travel and business actions abroad.

4.4. Perceived influence – challenges during Phase 1 of "T"'s internationalization process

From one side, the descriptions above show that during Phase 1 of "T"'s internationalization, the issue of how to achieve influence in the first international projects was rather connected with the idea of establishing the first footprints abroad in close co-operation with the Norwegian authorities and local authorities. The involvement of the authorities gave a kind of protection and safety. *The form of JV* seemed to be right for the company, unexperienced in international co-operation, from a small country. The *consultative role of the BoD* and the idea of helping and developing *the emerging markets* gave support to JV ownership. *The role of the "passionate ambassadors"* also supported the idea of best competence in a local market, resulting in positive "pilot projects" abroad. *The ethical standards* of doing business abroad, based on the *established practice from the state-owned* company and advice and courses presented by the Norwegian authorities, gave the behavioral ethical framework for "T"'s employees working abroad on the first international projects.

At the same time, the empirical evidence shows that "T"'s managers started to reflect upon matters of influence and control, especially regarding important challenges facing the projects and subsidiaries abroad in the early 1990s. As one manager explained,

> "T" did not have enough international experience and competence, didn't have an international team, a clear strategy for international expansion, ideas about the BoD composition in the projects abroad or how to follow up the projects. The work on the framework of the BoD was considered as transferring knowledge and supporting the local top managers, who were members of the BoD as the local owners; the members of the BoD did not focus on the challenges of the situation if there were some business misunderstandings, they tried to work out the challenges. The institute of expatriates did not exist. The consultants were sent abroad to support the local

management. “T” had no common corporate rules that could be applied abroad, so that topic was not an issue during the first international investments. Common practice based on some unwritten rules for SOEs regulated behavior abroad. I experienced that the more we were involved in international projects the more we needed to discuss how we would go further. We had a simple business model – to survive, not to lose, to establish good relationships with local partners and to learn how to work internationally. (Conversation with a former senior manager, responsible for the first international projects in “T” from 1991, 2016)

One of the first “passionate ambassadors” in the 1990s stated “T” did not have sufficient control and influence in the first projects, but “T” had another intention.

> We trusted our partners and co-operated well. The question of influence or control was not on our agenda. We supported the local partners in building up modern telecommunication; we invested in trust and good relationships, based on respect. That helped us further. (Interview, 2018)

At the same time, another respondent said that, in his opinion,

> “T” had the influence and control that was needed by new beginners in the first projects abroad, in order not to lose money and not to be cheated, but actually it was not a target to have business control, while the size of the investments was low; the primary target was to learn to work internationally, to build good relationships with the local partners, to understand the culture and the way to do business internationally (Interview with a Director, who worked internationally in the 1990s, 2018).

> We learned a lot and saw the benefits of that in other Russian projects later. Maybe we did not make money, but we had a feeling that we managed. To be true, maybe we did not understand everything, especially the costs in marketing that could be overestimated. But what we learned from the projects gave us much more. When we decided to continue to go internationally, we took the experience from our first projects and started to think about what we needed to do in JV in order to secure

> investments when they would be larger. (Interview with a manager, who worked in international projects in the 1990s and later, 2018)

To conclude, the results of the first international projects of "T" were positive, in terms of the fact that *the first footprints abroad were established* and the results of these pilot projects were as expected: *to pay back the investments* (as an example, about 40 million NOK were invested in Kola Telekom (Murmansk), and the investments were almost payed back); *the depreciated equipment was delivered to Arkhangelsk*, and installed; *the relationship with the local partners was developed* in St. Petersburg, Murmansk, Arkhangelsk and Karelia; "T" started to be known among Russian authorities; and *the knowledge of how to work internationally was accumulated in the organization.* However, the *perceived influence during Phase 1 in internationalization* was actually a matter of very limited influence, and the effect of control mechanisms was low. The respondents underlined that the topics of influence and control were not on the agenda. The positive experience from the first projects taught "T" international experience, built relationships with the local partners and gave the necessary knowledge in internationalization, in order to go further with the international expansion. If "T" decided to go further in its international development, it needed to develop an international strategy, based on business targets, and configurate the system of control mechanisms, in order to achieve influence.

Chapter 5: Phase 2 of internationalization 1996-2001. Planting the flags – the "Viking strategy"

In this period, company "T" began its active international expansion into the emerging markets, using knowledge and experience from the first stage of internationalization.

5.1. Antecedent conditions

1. The first positive experiences from the first operations abroad and the rapid development of the telecommunication markets in Europe and Asia – due to the continuing liberalization of telecommunication legislation in both EU and Asia – provided opportunities for the process of international expansion and the establishing of Joint Ventures (JVs) abroad.

Taking advantage of the global business environment and the new opportunities in foreign markets, like other corporations, "T" extended its core businesses across borders, exploited the new possibilities that opened and benefited from these as a multinational corporation (MNC) (Eliassen and Sitter, 2008).

> We started as amateurs in the early 90s, but we learned quickly and experienced success, meaning that we understood how to continue the internationalization. We needed to be serious in our choice of partners, started to check up on companies for the potential investments and implement, for example, the due diligence process; we needed to think about the qualities and professional skills of the people whom we could send to work abroad. We started "to hunt" the companies we wanted to invest in in Eastern Europe, where we had already had good experience; we looked at some countries in Western Europe and in Asia, where we saw the possibilities. We could establish contacts, not only with the state companies, as we did before, but with the private individuals who had the licenses. (Interview with a director, who worked in international projects from the 1990s to the beginning of 2000, 2018)

From the period 1994/5-2000, a number of small acquisitions was made that constructed the framework around the international expansions and built the foundation for the further development of the international strategy.

“T”’s annual report of 1999 states the following:

> “T” is particularly well placed for international expansion in the areas of mobile telephony… “T” currently owns shareholdings in 13 mobile operations abroad, mostly minority shareholdings in European countries. With this as its basis, the company’s strategy will be to establish a position as a leading supplier of mobile services in the Nordic region, and to strengthen its positions in Eastern and Central Europe, and in Southeast Asia, either independently or in partnership with others. (“T”’s annual report, 1999, p. 7)

2. “T”’s top management was the catalyst for the rapid international expansion

In spite of the fact that domestic operations remained the priority for the CEO’s and the top management’s agenda, both the CEO’s personal engagement in international projects and the involvement of top management in international operations were growing**.**

> “T” has been the fastest growing incumbent in Europe over the past four years… We do not think it is too assertive to argue that “T”’s senior management has been the catalyst for the fast development of the Norwegian telecom market. (First Securities, 2000, p. 4)

One of the most experienced managers in “T”, who participated in the international activities from the first steps, confirmed that if, in the first international projects, the CEO and top management were not so involved and interested, then, later, their engagement developed gradually.

> The top management of “T” gradually understood the importance of the international projects. In this period, “T” was organized as one company, consisting of several divisions. All these divisions had a Norwegian focus. But the CEO and top management agreed to establish the division “T” Invest, in order to start the active development of international projects. The Director of “T” Invest reported to the EVP responsible for all international operations. We, employees in “T” Invest, were divided into groups geographically – there were groups in Eastern Europe and Asia. We also had a Western Europe group. All groups “hunted” separately; at the same time, we all had the feeling of a common process to establish an international

> footprint. We celebrated all “victories” – when we won a tender or found a good project. We invited the partners to Norway, and top management was involved – participated in the dinners, launches, meetings. (Interview with the Director for the Eastern Europe group in “T” Invest, 2018)

At the same time, the CEO of “T” showed personal interest in the international projects, especially in those projects in the emerging markets.

The activities of “T” International were not the core activities for “T” in the 1990s, and the CEO was not involved in them on a daily basis. In order to involve the CEO in important meetings or events in “T” International, a special procedure was established – individual negotiations with the CEO in advance, in order to find space in his schedule, which was occupied by political meetings, meetings with executives from domestic operations, sponsors, etc. Not a single case was noted of the CEO refusing to participate in events related to the activities in Eastern Europe. As a former politician and a socially oriented person, the CEO always had a special focus on those projects where the business targets could be combined with the social targets. He confirmed several times that it is important to develop the market where “T” is going to invest and to show the social profile of “T” as a state-owned company. Thus, when “T” invested in Bangladesh, the CEO initiated the sponsoring by “T” of an orphanage. In Russia, the CEO supported a project for disabled children.

Top management learned internationalization, together with the employees who traveled abroad in order to work internationally.

> At the start of my career in “T” the BoD was in discussions related to the traditional annual trip abroad. In this period, T. made some investments in Germany, Hungary and some small operations in Russia. In St. Petersburg, “T” owned just 17.4%. There were now plans to visit three countries. The CEO personally insisted on visiting Russia; he wanted to understand the perspectives of the projects in Russia himself. I was asked to prepare such an “additional” trip after the BoD finished their trip to Western Europe. The BoD had extremely little time – a late arrival and departure after lunch.
>
> I had to work in a tight framework, prioritizing the meeting with the partners and a visit to the location of the Russian operation’s HQ. The CEO personally invited me

to the consultations and asked me not to ignore the cultural aspect. "We can sleep at home. When we are on the business trip, we need to see, understand and gain knowledge," he said.

Late in the evening, after a "packed dinner" on the bus, straight after arrival, the BoD went sightseeing; there were questions, discussions about the Russian mentality, and several business questions related to "What is Russia now?" The CEO was one of the most engaged persons on the bus that drove us around St. Petersburg during the night, (thanks we visited St. Petersburg when it was a period of the so called "white nights.[36]"

The day after, the CEO walked alone around the center of St. Petersburg, around the hotel, in order to see the people and the morning rush. During the meetings, he was one of the most active participants. I understood that many questions related to customer attitude were taken from his personal observations from his short trips around St. Petersburg. (Based on personal observations)

In the late phase of this period, the CEO visited almost all of the emerging markets' operations, in order to understand how to work internationally and whether "T" was working efficiently abroad. At that time, "T" had nine JVs in Russia, one JV in Ukraine with a national license and several projects in Asia.

3. The telecommunication situation in Europe opened up possibilities for building alliances among the operators, to develop the international expansion. "T" tried to build alliances twice and failed, which gave "T" the confidence to develop its international strategy alone.

In this period, "T" experienced several operators from Northern Europe coming with an invitation to be part of Scandinavian/Northern European alliances in different international projects, in order to strengthen their own opportunities in international expansion, reduce the costs and minimize the risks.

[36] From late May to early July the nights are bright in St. Petersburg, with the brightest period, the White Nights, normally lasting from the middle of June 11th to the beginning of July.

> "T" knew operators in Sweden and Denmark well from some Nordic co-operation projects. First, the Danes invited us to be partners in Hungary, then the Swedes invited us to be partners in Russia – all these small projects were the first steps of our international adventure. It worked well. We started to think about a big alliance, in order to go together into international expansion: The alliance as a common merged company. We considered "TA" from Sweden as a good partner for international alliance. (Interview with a former executive manager, involved in international operations, 2016)

Understanding "T"'s limitations in international knowledge and experience, "T"'s top management wanted to build alliances with powerful and experienced European operators and chose one of them to be a strategic partner. First, "T" started to co-operate with a global British company, BT, in Germany and Ireland, and then with Danske Telecom in Hungary, and "TA" (Sweden) and SA (Finland) in St. Petersburg. All these investments were made between 1994 and 1995.

In 1997, the Norwegian newspaper, *Dagbladet*, asked "T"'s CEO about the possibility of "TA" being the strategic partner for "T". The CEO answered, "'TA' has its own projects and has started to compete with 'T'. But, at the same time, Norway and Sweden are neighbors, and 'T' and 'TA' could potentially have good co-operation" (Dagbladet, 27.11.1997). There were only a few people around the CEO, who knew that he had started negotiations with the CEO in "TA" about the possible merger.

One of the most interesting events at this time was connected to the possibility of merging with "TA" (Sweden). The merger with "TA" was an important step for "T" in further international expansion, in order to build an industrial and financial alliance with a strong partner for further global development. Two attempts were made to merge "T" and "TA". The last one was almost completed, approved by the EU's authorities and celebrated by both companies as a newly established company, TelCo, in 1997. The new management was appointed. The common processes of consolidation of both companies into one started. The merger failed during the first BoD of TelCo, which showed the different intentions among the Norwegian and the Swedish BoD's representatives and, later, among the shareholders as well. In spite of the fact that the merger with "TA" failed twice, afterwards, according to the former CEO, "T" did not give up the idea of active internationalization and gained much confidence, strengthening its ambition to go it alone, without a partner, in a process of international expansion in the most difficult and risky markets. The experience from challenging markets, such as Russia, Ukraine, Hungary, Greece, Ireland, Austria and Bangladesh, had an impact on the further development of the company: the international team was recruited, “T” gained more experience and knowledge, “T”’s technical skills were important for the international expansion.

5.2. International strategy during Phase 2

1. The first attempts to build an international strategy can be characterized as a “Viking strategy” - it was important to “hunt” the possible projects where it was possible.

On the question, “Did ‘T’ have an international strategy after the first steps in the international arena?”, several of “T”’s key personnel admitted that *there was no clear strategy in this period, but the top management tried to work with a strategy, based on the experience and knowledge from the international projects in the early 1990s.*

One former member of Group Executive Management, who worked in “T” for almost 40 years, described the strategy as the “Viking way to do things”.

> “T”’s people, “passionate ambassadors”, planted flags in different countries where we thought we could develop a good partnership with the local partners. (Conversation, 2007)

Another respondent stated that the strategy in this period did not involve the issue of how to manage the projects or control them, and that there were no discussions in “T” at the top level or among the “passionate ambassadors” about it.

> We did not think about how to control and manage the project. The idea was to get something. The question about the management and control came later. We wanted expansion. We were hungry. And we wanted several JVs. (Interview with one of the former executives worked with the legal issues”, 2015)

> We had to invest in the countries where we could find the companies to invest in. Now, I can say that there were investments with little money and, at the same time, with the opportunity for good profits in the future. (One of the former executives, who worked in international mobile operations, interview, 2015)

Pursuant to the former CEO, in 1995, senior managers in "T" discussed several scenarios for the further growth of "T". The scenario, named "expansion scenario", collected the majority of voices, and the plan, with the title "Reconditioning and positioning", was improved. The big issue for the top management of "T" was how to finance the investments, as "T" was still a state-owned company. The Norwegian Parliament Storting's[37] White Paper about "T" (1995-1996) states that ""T" would continue to have a high level of activities and the BoD would present the plan further for the General Assembly" (Stortingsmelding 21, 1995, p. 37).

In the period from 1995 to 1999, "T" increased its investments from 4.6 to 13.2 billion NOK, and, further, to 50.7 billion in 2000 (Annual reports, 1995-2001).

In order to finance the international expansion and compete with other players in the market, "T" was supposed to get the capital from the owner – the Norwegian state. The Storting was informed about "T"'s plans for further growth (Stortingsmelding 17, 1997-1998: 37). The General Assembly supported the BoD's proposal to return dividends back to "T" after the state had taken 15% of the profits. "T" got 566 million NOK (ref. Thue: 343). A low level of dividends was paid to the state, in order to give "T" the possibility to build up the equity for international expansion. The ministry followed the proposal from the BoD.

Nevertheless, at the end of 1997, the CEO of "T" started the debate (Dagbladet, 1997) about the state's dividend practice and indicated possible scenarios for the further positive development of "T" – to find a strategic partner related to the issue of ownership. In this way, two central questions were put on the agenda – the *process of privatization*, in order to get enough capital for the further process of internationalization, and the *process to frame an alliance with an international partner*, in order to better maintain the process of internationalization.

Both issues show that "T" had certain challenges related to the process of internationalization: 1.) connected to its status as a state-owned company and to be a big national player in the Norwegian market, with a strong national profile; 2.) related to the necessity to find the right strategic partner. Finding a good solution for both these issues could help "T" to increase its equity and obtain sufficient capital for further internationalization, and to gain the support of a powerful alliance partner, in realization of its international strategy. On the question: "Was it realistic to find such a solution for

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[37] Hereafter in the text, it will be referred to as Storting.

‘T’, which was a state-owned incumbent, and was the role of the state positive or negative in the process of internationalization?”, a former executive, who had the responsibility for international expansion, said the following:

> We were enthusiastic cowboys with a state as an owner. And there was no conflict in this. During the early stages of internationalization, we noticed the benefits of state ownership. Although we did not have sufficient money for the investments, we knew that we had backup from the state and, if bad results came, they would not come out as “red figures” when a company is listed. At the same time, there were many partners who wanted to have an investor from a state-owned enterprise – that gave them a feeling of safety. We felt that the state was on our side; it means that we could start to think about privatization and to find a strategic partner. But, in the issue related to dividends, the state had a strong policy, and, as a result of that, we lacked the capital for investments. (Interview, 2015)

The CEO of “T” in this period explained that “T” needed 15-16 billion NOK in grants from the state as equity capital for the next seven to eight years. The grants were necessary, in order to have approximately 50 billion NOK for investments, with the greatest part of the capital going abroad (Dagens Næringsliv, 1997). This means that the development of “T”’s international strategy was not just a question of natural expansion, it was a struggle, influenced by serious external factors – political: to convince the owner about the necessity of privatization and changing the form of the ownership and entering into a strategic alliance; economic: to obtain the capital for the realization of the strategy; and social: as a big player in Norway, changing the structure of the company could have an impact on employment in “T”, the place of the important divisions in the matter of the merger and possible consequences for the quality of and access to services.

At the same time, the respondents related that, while the top management and the state/politicians discussed the issue of the international strategy of “T” at the top political level, the employees were also working well with internationalization on the practical level.

> While the top management of “T” tried to formulate the international strategy, the “passionate ambassadors” “hunted” the projects. (Interview with a director, who worked internationally from the 1990s, 2018)

“Passionate ambassadors” often used personal contacts in finding the projects, in this way imbuing the international strategy with personalization or/individualization. The “passionate ambassadors” in this period increased, and they used the possibilities that appeared in this period with the liberalization of the world markets, when several private companies, not only governmental structures, had licenses. In this connection, it was much easier to establish contact, but, at the same time, the level of the risks increased. This international strategy did not define the geographical areas of the investments and/or technology. The only thing that was important was to find projects for investment that “T” could develop further.

> We tried to find some projects in several geographic areas – Eastern Europe, Western Europe, Central Europe, Asia… The broad approach – here and there. And we tried the different technologies… Who worked with that? ... always some “passionate ambassadors”. We worked in parallel – one group with the geographical expansion, another with the technological expansion, the third came from the business areas and looked for the products. What was special was that, unfortunately, we did not manage to transfer all the knowledge back to the organization. The groups did not share their experience, mostly because of the lack of time – the processes had to happen quickly. (Interview with one of the former executives who worked with legal issues and was also a country manager, 2015)

> At the same, the international team, which should support “passionate ambassadors”, had been recruiting, and started, with the staff, the several newly opened country offices[38]. In this way, personalization of the internationalization strategy was supplied by the attempts to centralize it.

> Several country offices were established. Country offices were supposed to co-ordinate “T”’s operations in the same country. (Interview with a former Legal Director, also a country manager, 2015)

[38] Country offices were opened in those countries where there were substantial investments and/or several of “T”’s activities. In this period, country offices were opened in Hungary, Russia, Ukraine and Singapore (responsible for the investments in Asia; later, the office was moved to Bangkok).

Thus, in 1997–1998, “T” experienced active expansion abroad, with acquisitions in several operations in Russia (two operations – in Kaliningrad and in Stavropol), Ukraine, Germany, Greece, Ireland and Austria.

> “T” was in a partnership with B in several very small projects in Western Europe, where “T”’s role was very limited. The investments in Germany (10%) Greece (22%) and Ireland (49%) were the important part of the international expansion. Co-operation with B was an attempt to build an alliance with a powerful and experienced European operator. Unfortunately, we had to stop this co-operation later. (Interview with one of the executives, who worked in international projects in the 1990s, 2016)

One of the executive managers, who worked as a country manager, emphasized the importance of the activities in Western Europe for increasing knowledge:

> The projects in Western Europe created the success in internationalization, taught us much and gave the feeling of how to be a partner with a global company, but, later, we decided to go into a strategic partnership with “TA”. It failed. (Interview, 2015)

Here is the portfolio just in the mobile projects as it was in 2000 is shown below (from "T"'s press release March 2000. "T"'s website).

Table 5.1 "T"'s international mobile projects from 1993-2000

Company	Markets	Percentage owned
VIA	Germany	10%
COS	Greece	22%
DT[39]	Thailand	40%
PAN	Hungary	25.8%
ESA	Ireland	49.5%
DG[40]	Malaysia	30%
CON	Austria	17.5%
VCom	Russia	31.7%
NWG	St. Petersburg, Russia	12.7%
KVS	Ukraine	35%
GRPh[41]	Bangladesh	46.4%
PRM[42]	Montenegro	40.1%
STAV[43]	Stavropol, Russia	49%
EXT[44]	Kaliningrad, Russia	49%

2. "Passionate ambassadors" "planted flags" in risky and low-cost markets, where "T" both had already got experience and understood the opportunities for further growth in the new markets.

The issue of low-cost investments in high-risk markets

Several respondents stated that "T", being a state-owned company, did not have enough capital to invest in the projects the company wanted to be an owner in. Thus, "T" focused on low-cost projects.

[39] JV in Thailand
[40] JV in Malaysia
[41] JV in Bangladesh
[42] JV in Montenegro
[43] JV in Stavropol, Russia
[44] JV in Kaliningrad, Russia

> *We did not have enough money and had to buy cheap.* (Interview with the former executive worked with the international projects, 2016)

At the same time, it is important to mention that being a state-owned company, "T" had to co-ordinate its investment activities with the ministry and, further, with the Storting. The amount of money used on the investments depended on the state's dividend policy, regulated by the Storting. Thus, for 1995, "T" paid to the state 550 million NOK. In 1996, the state increased the dividends from 400 million to 900 million NOK, while, in 1997, the state increased the dividends from the suggested 300 million NOK to 570 million NOK. All these additional payments were implemented in order to compensate when the size of the dividends was low, regulated by Stortingsmelding (Stortingsmelding 17, 1997-1998, p. 37), when the Parliament agreed to return dividends to "T", after the state had received 15% of the profits. At the end of 1997, the CEO of "T" published an article in *Dagbladet* (27.11.1997), in which he called the state's dividend policy short-term thinking and wrote that "'T' is not a cow for milking!", protesting against the policy of tapping money from state-owned companies. In 1998 and 1999, "T" paid to the state, respectively, 675 million NOK and 500 million NOK, in accordance with the proposal of the BoD on 15% of the profits.

Although the size of the dividends to the state was reduced from 1999 (from 41% to 12%), "T" did not have enough capital for the expansion abroad (the CEO of "T" estimated in 1997 that "T" needed approximately 50 billion NOK for the investments, mostly for international projects) (Dagensnæringsliv, 4.2.1997). Thus, "T" had to go for the low-cost projects and struggled to obtain funds for international expansion.

One of the directors of the projects in Russia in the 1990s confirmed that "T" also had to go for the low-cost projects because "T" was late in its international expansion, it did not manage to build up enough capital for the investments, and because "T" was limited by its capital resources:

> We came late to the international market and had to take the high-risk and low-cost projects that the many big companies that were experienced in Europe were possibly skeptical of. We always needed more money for the investments but did not have it. (Interview 2018)

3. An international team was built in HQ, in order to support "passionate ambassadors" to manage the international expansion.

In order to manage the growing international activities of “T” and to support the activities of “passionate ambassadors”, who “planted the flags” in different countries in Europe and Asia, “T” started to build an international team. The team consisted of people who had the experience to work abroad; people who could work as expatriates and had different professional skills in foreign affairs; Norwegians with a foreign background, who could help “T” to understand national cultures; local staff in country offices, who had the experience to work with the Western companies and had excellent skills in English. Some of the local staff in Eastern Europe could speak one of the Scandinavian languages.

> Several top managers, who had the international experience, were appointed. More than more than 30 positions were announced, dedicated to the international projects. In order to survive as a company, we had to start with internationalization. (Interview with one of the former members of the Executive Board, who worked in international activities, 2015)

At the same time, the importance of educating the new team to be international managers was mentioned.

> We had to send the consultants to our subsidiaries abroad. We thought that they would bring competence into the subsidiaries. We needed all kinds of specialists: finance people, marketing people, project managers, etc. We had qualified technical staff, but they did not work internationally. We needed to teach them to be international managers. (Interview with a former manager, who worked in legal issues and was also a country manager, 2015)

4. The important question of the choice of the technology for the telecommunication was not yet an issue during Phase 2 of internationalization.

In this period, “T” tried to invest in the projects, without binding itself to one concrete technology. There were projects in mobile technology, in standard GSM, in satellite communication, in paging technology, in fixed telephony, in media business, in the Internet.

> “T” is a complete operator and had all the telecommunication services. We did not have any idea what technology or technologies we had to develop abroad, so we tried almost all of them. Different departments in “T” worked in parallel and had to be co-ordinated by the staff of “T” International and the country offices. We tried the technologies by practicing them. First, we had to “collect” the licenses and then we had to evaluate what would be the best for “T” abroad, as an industrial investor. How would we position ourselves? (Interview with one of the managers, who worked internationally with technical issues, 2018)

Not all the projects were a success story in “T”’s first steps as an international investor, also because of the focus on the wrong technology Thus, “T” started investing in Lithuania, Romania and Russia as a common project, based on paging technology, via the establishing company, Comet Holding. “T” lost 200 million NOK, and the project was closed. “T” explained the problems in Comet Holding by the fact that the company did not have enough well-qualified and experienced employees, and that it was difficult to have control in a small operation, while the bigger projects took up all “T”’s management’s attention. At the same time, it was admitted that the paging business was the wrong technology for modern telecommunication (based on an interview with one of the former members of the Executive Board, who worked in international activities, 2015).

The information from “T”’s website confirms that the first international projects were started in mobile telephony. Being a member of “T”’s international team from 1996/1997, I can confirm that, in this period, “T” did not have a clear technological strategy. Projects based on *mobile communication, paging communication, fast telephony communication in Murmansk and satellite communication, such as Inmarsat and Intelsat, and even projects in the media field (such as the phone directory*, investments in Spain and Russia) were started abroad at the same time.

To summarize:

The investments were made in both mature and emerging markets in Western Europe, Eastern Europe and Asia – in the countries and companies where “T” could manage to obtain small stakes for a small amount of money. There was no clearly defined strategy for this process, regarding either the technology or the geographical areas. The most important thing was to invest in low-cost projects, while “T” did not have enough money, being regulated by the state dividend policy. “T”’s international expansion at this time could be termed expansion at the cost of control, while the issue of control was not on the agenda, and the drive of internationalization was to “hunt” projects. In this period, investments were made in fixed telephony, satellite communication, broadcast and mobile communication. Attempts to find a strategic partner and build an alliance with “TA” failed twice. The alliance with B. was very limited – there were only very small projects in mature markets, and, according to the respondents, this partnership had to be stopped later. At the same time, the issue of the privatization process of “T” was placed on the agenda.

5.3. Control mechanisms in order to achieve influence in Phase 2 of “T”’s internationalization

Ownership: different size stakes in JVs, some of the projects are nearly 50-50%. JVs are preferable. The importance of management agreements as a control mechanism in achieving influence.

During this phase of internationalization, ownership in the subsidiaries abroad was in the form of JVs. Several managers confirmed that “T” could not have 100% ownership, mostly because of *the condition of the licenses in the markets in Eastern Europe and some other markets, such as Greece and Malaysia.*

> It was not a question of having 100% in subsidiaries in Eastern Europe. I don’t remember that we discussed it. I think that the conditions in these markets were to share ownership with a local partner. (Interview with one of the former expatriates in Russia in the late 1990s, 2018)

A former manager, who was involved in projects in Eastern Europe in the late 1990s, confirms:

> We knew that we could not have 100% ownership in several markets: in Russia, Ukraine, Greece. The authorities wanted to have JVs and gave the licenses to the local partners. 50%-50% was the maximum we could get! (Interview, 2018)

At the same time*, the lack of capital* was also mentioned as a reason for "T" choosing the JV form.

> We had no money and had to buy small shares, especially in relation to the mature markets in Western Europe. Our investments there were small. (Interview with a former member of the Executive Board, who worked in international activities, 2015)

One of the top managers responsible for international operations stated that few top managers possibly had a kind of "great idea" or dreams to own 100%, but this was not realistic because *"T" had no experience in the governing of WOSs (wholly-owned companies) abroad*. "T" lacked experience and knowledge in managing the subsidiaries abroad.

> In this period, we could manage just JVs; we managed it, started from JVs with small stakes and increased ownership in other subsidiaries to 50-50 partnerships in JVs. (Interview with a former member of the Executive Board, responsible for mobile operations worldwide, 2015)

One of the respondents related that the most important issue in the process of internationalization in subsidiaries abroad is the issue of ownership and *linked ownership as a mechanism for financial control (FC):*

> Ownership is the most important issue when it concerns having control and influence. We owned several subsidiaries in Russia, all of them were JVs, we had ownership of almost 50%. We could not get more than 50%, but I think that we had control, even if, formally, we did not have the financial control (FC). The owner who has the majority in a JV has the FC. In JVs' structure no one has the FC, and it is

> necessary to negotiate about everything. (An expatriate in the late 1990s in Eastern Europe, interview, 2018)

One of the respondents explained that, when "T" had JVs in foreign markets, it was necessary to establish influence and control. For this purpose, *management agreements (MA) were used as the control mechanism, while none of the co-owners had the FC, and many important issues had to be negotiated. The importance of a good management agreement* was underlined, particularly as a good instrument for also avoiding conflict situations.

> In our operations, when we had the minority ownership in the subsidiaries and didn't have financial control, it was very challenging to have significant influence. It was also difficult to find out how the operations were performing. In such subsidiaries, it was important to have a good management agreement. The management agreement gave us power. When the co-partner escalated a conflict, we used the MA to protect own position and negotiated. Maybe it was an illusion. (A former executive, who worked in international operations in the 1990s, interview 2015)

> A good shareholder and/or management agreement can give you the opportunity to work more safely in JVs. It is extremely important to have a good agreement. We understood it afterwards, not at the beginning… (A former member of the BoD on several BoDs in Eastern Europe, interview, 2015)

One of the members of the BoD in the projects in Russia described MA as a kind of *replacement* for the absent control mechanisms.

> Working in JVs, we discussed how would we transfer the knowledge and build up the competence in the JV, when we did not have the FC? We understood that when we were in a JV we could not decide alone and used the mechanism of MA that gave the possibility of placing the consultants from HQ in the subsidiaries. And the consultants could ensure that everything in the subsidiaries would go as it should. (A former member of several BoDs in Eastern Europe, interview, 2018)

From the interviews, it is clear that MA functioned as an important tool in the relationship between the management of the subsidiary in the JV and the co-owner, who was not local, such as "T". What is MA?

One respondent who worked for many years in the markets in Eastern Europe underlined:

> MA is an agreement between partners in JVs that regulates the important issues on a temporary basis, such as the use of consultants and payments for the services related to the consultants from "T". According to the MA, we, who had good competence in telecommunication, should provide services to the management in the subsidiaries. Thus, we could retain control over the quality of the different important skills: administrative, management and technical services provided by the professionals/consultants from HQ… It was an expensive MA, but the companies had to pay for that in order to improve the necessary professional skills and achieve good quality in the modern telecommunication services. (Interview, 2016)

> We could have control over the important processes in the subsidiary because of MA. MA gave us the necessary influence in the decided framework that we did not have via the ownership structure. MA gave as a good framework for day- to-day operations…. But it was not easy to work, even when we had the MA. The local management always tried to bargain; they wanted to find "holes" in the professional skills of our experts, in order to doubt their competence. Some issues could be dealt with at the level of the BoD, where they were discussed with the local partners. The local partner was almost always on the side of the local management. (Interview with one of the expatriates in operations abroad, 2018)

The respondent illustrated that, although the MA was used, it could not keep the relationships between partners (between "T" and local partners) from conflict.

Several respondents described challenges in JVs related to the issue of ownership, when the local partners gave the impression that they alone owned the JV company, since they knew the local market well and had all the necessary contacts, particularly in the local administration.

> The Chairman of the BoD, who was the co-partner and owned 51% of the company together with his family, behaved as if he was the only owner. Sometimes, we had the feeling that we were guests… And the local management listened to him. He used the best room in the company – the meeting room of the BoD and an additional room next to it as his own office. Everything in this room was designed as he wanted. And he was not the working Chairman. He used the location just as he did before we became the co-owners. He demonstrated that everything was his property. (A former expatriate, who worked in a JV in Russia in the late 1990s, interview, 2018)

From these interviews, it follows that "T" connected ownership to FC, and conceded ownership is a central issue in achieving control. At the same time, "T" gradually understood that a JV's ownership structure was challenging, in respect of achieving influence and control, and that an MA was needed as a replacement for the absent FC.

<u>BoD</u>: Members of the BoD transferred knowledge and experience and functioned as mentors. Mostly people with technical competence were selected for the BoDs in JV operations abroad. The composition of the BoD was built on the principle of equality; there were employees from "T", who represented "T", and a local partner and his representative.

The following story illustrates the importance of the role of the BoD in JVs and the consequences when there is no influence in the BoD. The story concerns the "T"– "TA" merging process in 1999. TelCo was the company whose ownership comprised 50% "T" and 50% "TA". The composition of the BoD consisted of an equal number of members representing "T" and "TA", but the Chairman of the BoD was a representative from "TA".

The narrative of a former member of the top management group in "T": "The BoD did not function well":

> The BoD did not function well. We noticed it – our members of the BoD had cases we wanted to vote for, and "TA"'s members had their own agenda. We did not have influence, but Telia had a Chairman of the BoD. The situation was without control when the Chairman of the BoD suddenly started to ignore the stakeholder agreement and changed his opinion, against all the pre-agreements that had been negotiated at both the operational level ("T"– "TA" top management) and the political level

> (owners). The Chairman used his double vote in order to get the formal approval in one specific key issue for "T"/ "TA". The situation in the BoD led to a rift. We protested and left. Later, we received information that the Chairman's task was to stop the merging process; and he used the mechanisms of the BoD. The Chairman of the BoD destroyed the whole merging process, which had already been approved by national organs (national parliaments) and international organs, such as the EU commission. (Interview, 2015)

The story illustrates the typical situation that happened in "T"'s subsidiaries: when "*T" did not have sufficient influence in the framework of the BoD, that had a serious impact on the strategic decisions*.

One of the respondents stated that the *BoD provides the strategic control (SC);* he illustrated this with his experience in "T"'s subsidiary in Russia, in relation to entry into the Ukrainian market:

> It was obvious, that "T"'s co-partners wanted to enter the Ukrainian market in 2004–2005. "T" thought that it was not a good investment. The BoD was divided. The BoD members voted on behalf of their owners. "T"'s members were in the minority in this case and lost the vote. We lost strategic control. Both the members of the BoD from the Russian side and the independent BoD members supported the acquisition. The strategic decision was made in the framework of the BoD. It is important to have the right composition of the BoD, in order to have strategic control. (Interview with the manager responsible for one of the operations in Europe, 2014)

> When "T" did not have the majority in the BoD, there were almost always conflicts and challenges with the co-owners, and it was impossible to achieve any influence or strategic control. (Interview, 2014)

At the same time, one respondent (a controller, who worked in different countries, conversation 2014) underlined *the special role of the BoD in operational control (OC),* linking this role to the appointment of the right persons in the right positions at the operational level.

> Operational control, as it is used in business, is the control of day-to-day operations. "T" can provide the operational control when it owns 100% of the subsidiary or has

> the dominating position in the BoD. Using OC, we could appoint the right persons in the key positions and follow the operations in the subsidiary. Thus, in the operation in Ukraine, we were not satisfied with the local management. We did not have OC and could not change them out. (Interview with one of the former managers, who worked in the operations in Ukraine and other European projects, 2014)

At the same time, the respondents who worked in the different BoDs in this period talked about *the challenges connected, first of all, to the fact that a local member of the BoD misunderstood the role of a member of the BoD* and used the argument that they knew the local market better than the Norwegians, trying to take the advantage of that and putting pressure on the decisions that could benefit them personally.

There follows narrative from a former manager, a member of the BoD in a JV in Russia: “A conflict or to give up?”

> I remember how we had tough discussions with the local partners who wanted our JV in Russia to sell mobile phones. We tried to explain the established practice among the Western operators that our JV should not do it: that is the role of dealers. But they tried over and over again to pressure us into this decision at the BoD’s meetings. No arguments worked. In the end, we understood that there were some personal interests in this case, and we had a dilemma – should we argue further, risking creating a conflict, or should we give up and agree with our co-partners? The last scenario would absolutely change the approved business plan and would have an impact on the way and how we position ourselves in the market. We did not give up negotiating: we used the best examples, invited our partners to Norway, where they could meet the dealers, and estimated the costs for a period of five years. We worked particularly with the Chairman of the BoD, a very influential person. He was invited to a seminar in Oslo, dedicated to the issues of the development of the mobile business, where several concepts were presented by independent experts. Finally, he understood the argumentation and we won this case without problems. But the case took time and resources: it was challenging. (2018)

One of the managers, who worked internationally in “T”, summing up the role of the BoD in JVs based on his experience, said:

> The BoD is an important link between the owners and the management. If an owner has the majority in the JV, the work of the BoD is concentrated on the strategic and operational issues: whether there are often conflicts and a “tug of war”. In this situation, the members of the BoD need to negotiate and balance. We did it all the time in our JVs – in Eastern Europe, Asia and in JVs in Western Europe. We needed to teach the members of the BoD to always be awake and “interpret” the different signals from co-partners. At the same time, it is necessary for the members of the BoD from “T”’s side to have the same opinions. We had routines in “T” – members of the BoD had together preparations to the BoD, in order to work out and present common decisions and discussions, and to stand together in challenging situations. (Interview, 2018)

<u>Expatriates</u>: consultants to the executives in the subsidiaries

“T” needed to have expatriates as consultants, who could follow on from the work of the “passionate ambassadors” in the JVs in the emerging markets in Eastern Europe, in some mature markets in Western Europe, and in Asia, in order to *support the local managers in their professional skills.* “T” had to strengthen its role as an industrial investor and wanted to *transfer know-how and to teach local managers* by sending highly professional consultants to the subsidiaries.

> “T” invested in the markets with high risks. We had to manage it, even though we did not have enough influence. We learned how to deal with it while we worked there and understood that: we needed to send well-qualified consultants to teach the local managers. (A former executive, who worked in mobile operations, interview, 2015)

> We needed good consultants who understood the business and could work in different cultures; we had to recruit them from among our employees who we thought were good. (Former EVP, 2014)

As long as “T” needed to train the local staff in the subsidiaries, *highly qualified professionals were recruited to work internationally as expatriates*. Most of them had skills that the local companies did not possess, due to a lack of necessary competence in the local employment market, e.g. in finance, marketing and technical knowledge. *The duration of their work in the subsidiaries was supposed to be short-termed because the local managers should take over the responsibilities. “T” also stated that the expatriates’ high salaries were too expensive for “T” and for the JVs*.

Those consultants or advisors worked mostly as individuals and were not organized as a team linked to the professional teams in HQ, which, at this time, mostly had a “Norwegian focus”, and the international department was not big. The *consultants were not appointed to the key positions in the subsidiaries* because representation on the BoD in a JV with minority ownership did not provide the possibility for “T” to appoint their employees to the key executive positions with clear decision-making mandates. Thus, “T”’s employees – *expatriates functioned mostly as personal, individual consultants for the top management* – thus, did not have the opportunity to influence formal decisions or have any formal control function. The consultants did not have any reporting function to HQ and could present their own informal opinions about operations when on a “home leave”.

In addition, *it was not the consultants’ function to influence the behavior of the local* staff and be responsible for the implementation of corporate values. It is important to mention, that at this time, “T” did not have any common corporate governance targets to implement in JVs. “T” had documents that were used only in Norway. They wrote in Norwegian and did not reflect on issues related to international business, such as corruption, code of conducts transparency, etc.

Nevertheless, in the majority of cases, the *local JVs received the benefit of using the consultants* in the form of high-quality support that contributed to successful development in the local markets and led to the further international expansion of “T”.

A CEO in one of the JVs in Russia stated that, when his company decided to invite foreigners to be co-partners in the company, they looked towards “T”.

> “T” had the best technical skills! And we did not regret it – my company was in a challenging situation at the end of the 90s; Norwegians did a lot and managed to be aligned to many things. During the first years after “T” became a co-partner in this company, a large number of workshops were arranged, in order to improve the

> professional skills of the managers of the JV. Consultants from "T" were sent to Russia almost immediately after the acquisition; among them were the best specialists, who had honed their skills in Norway's challenging market. (Conversation with one of the co-partners of "T" in Russia in 1997)

However, *not all the cases of using consultants were successful*. First, consultants were at a distance from both the local executives and the local employees. For instance:

> The Norwegian consultants were located on the "non-executive floor", several floors above the local CEO in a company. Only his administration was located around the CEO. Other top managers, whom the CEO was used to having contact with, were located not far away from the CEO's office, in order to be a short distance from the chief. Norwegian consultants were supposed to be first-class experts in technical skills and should have the main role in the technical roll-out, but while the company had the local CTO (chief technical officer), the situation was unclear – who was the chief? Norwegians were told that they could not report to him, while he did not understand the issues of the modern mobile technology and wanted to report to the CEO. At the same time, Norwegians tried to build trust among local technical staff and teach them high-level technical skills, but the local middle managers were confused over the situation and could not understand who the chief was. In the end, the issues had to be discussed with the Norwegian members of the BoD. The local CEO understood that the Norwegian specialists were more useful for the company, and he decided to give them a special status, reporting to him personally. (Based on conversations with the technical staff from "T", who worked in one of the Eastern European companies from 1997–1998)

At the same time, The Norwegian expatriates were challenged by the local organizational culture that led to misunderstandings and even conflicts.

> *A narrative from a local CEO: "My people worked, consultants left"*
>
> Two Norwegian consultants came to the company and misunderstood our local working traditions. The consultants left their jobs, as they were used to doing in Norway after they had worked 7.5 hours. It is early here to go home... They did not

pay attention to the fact that the local employees were not allowed to leave their working places… The locals could leave when the managers allowed them to go home. The Norwegians never asked!

According to the management agreement, the consultants were provided with a private driver. When visits to restaurants were late, it also became an issue, as the driver could not work as many hours as he had to. In addition, the locals complained that the consultants arrived at work late because of the late restaurant visits. They were not on vacation. It was their job!

The local employees paid attention to the lack of knowledge of cultural traditions, particularly in relation to the rules of subordination (consultants were used to flat organizational traditions, which were contrary to those of Eastern Europeans), being a part of the working community, loyalty, etc. The locals were displeased at the level of benefits the consultants received, compared to the quality of their work.

Secondly, there was *some evidence illustrating that consultants were sent to the JV without any training in how to do business abroad*. “T” started to focus on the cross-cultural issues, challenges in communication with the local staff, local culture and working traditions.

When the local managers complained, “T” HQ often changed the consultants. Afterwards, having blitz-course at HQ in local culture started to be more or less mandatory for the consultants. (Observations)

Thirdly, when the consultants were sent to JVs abroad, the *HQ managers started to see that the cost of using consultants was much greater than that of their own employees at HQ*.

I was told that the consultants’ most important role was to transfer knowledge from HQ to JVs according to the management agreement and train the local staff in JVs. We knew that the costs related to the consultants were rather substantial. They were provided with a personal driver, had the right to come home to Norway every second week; “T” rented good apartments for the consultants, they had a high salary. (Personal observation)

<u>CCR:</u> first attempts to create a common platform for common corporate rules (CCR) that could be interpreted as behavior control (BC). Presentation of ethical dilemmas in HQ and JVs. Respondents linked the establishing of corporate culture and corporate rules to behavior control (BC*).***

During this period, several concerns, mostly from the markets where the business culture was different from that of Norway, such as Russia, Ukraine, Hungary, Greece, have been sent to the "Ethical Council[45]" established in Phase 1 of "T"'s internationalization. So, HQ needed to both work with the reported cases and prevent them.

Most of the projects abroad were partnerships with private actors; only one company involved a partnership with a state-owned co-owner. Partnerships in JVs, especially with private owners, were a challenge, in terms of corporate rules and corporate culture, for "T" as a 100% state-owned company, which, during almost 150 years of its existence had developed important rules related to business governance and business culture, representing the Norwegian values and attitudes that were expected from a state employee. All these rules were mostly unwritten, but they were strongly incorporated in "T" as core rules that were based on national values and traditions.

> The Ethical Council arranged several seminars about ethical dilemmas for employees traveling abroad. The leader of the council used to draw a picture, presented as "the staircase of temptation": in the first stage there was a flower bouquet, in the second – a gift, in the third – expensive tickets to the Bolshoi Theater, then some services that the local person gave you personally, such as a visit to an expensive restaurant, or a special thing you personally wanted to buy but could not manage to, and suddenly you had it as a present…and then you were asked to perform some service that was in contradiction of the company rules and offered payment for that… Such seminars were arranged in all country offices, and they made a strong impression on the local staff – to them, these issues were unknown. But for us, who represented "T" abroad, these seminars were useful as well. We always knew that we represented Norway and wanted to be as correct as possible. For example, because of the state regulation, we could not take expensive and exclusive presents to our partners when we traveled abroad. We had to limit the price to the permitted level. But partners

[45] "Ethical Council" established in HQ in order to develop the first ethical policy in "T".

> sometimes gave us expensive presents…. We faced a dilemma – what to do – to offend the partners or to act against the rules. (A former manager, who worked in the operations in Eastern Europe in the 1990s, interview, 2018)

In the interview with the former CEO, it was underlined that *"T" started to think carefully about the ethical questions and the ethical standards* after several international JVs had been established in the middle of the 1990s, in order to have the same approach across the company regarding complaints and discussions on controversial issues. (Interview, 2014).

> In some JVs, in both Asia and Eastern Europe, "T" arranged seminars, in order to present itself to the employees in the JVs and inform them about ethical dilemmas, the traditions of doing business in Norway and "T". We invited all employees – that shocked the co-owner and top management in the JVs, which used to have traditions of excluding the ordinary employees from high-level events. We insisted that all employees were invited, explaining it as Norwegian tradition and due to the importance of the topic. These were high-quality events, with Norwegian music, Norwegian food, good stories. We saw that people appreciated it. They could directly talk with us, answer questions. We wanted to present our culture when ordinary employees could have an open discussion with top managers and co-owners. I think that having a clear understanding of the corporate rules and following the corporate rules is connected to <u>the behavior in the organization, and how managers want their employees to behave.</u> (A former manager, who worked in the operations in Eastern Europe in the 1990s, interview, 2018)

At the same time, *"T" met a business culture that was very different from that of Norway* and had to signalize the harmonization of some rules in the JV.

> "T"'s team came to a JV in Russia and saw that the local partners and administration did not allow ordinary people to talk with us, Norwegians. We had to change that: we could not be in a vacuum if we had to teach the local staff. We noticed that there were some rules that we could not understand. Thus, there were two cafeterias in a JV – one for the top managers, where there was no payment, another for the ordinary employees, who had to pay. There was a separate elevator to the cafeteria for top managers. We did not like this and either used the cafeteria for the ordinary

employees or had lunch outside and invited our Russian colleagues. I don't think that it was popular among the top management, even though we tried to tell them that, in Norway, we have a flat organization, and that we wanted to work there as in Norway. We were always invited to eat in the VIP cafeteria; it was explained that "This is the Russian way to do things." Yes, the behavior of managers and ordinary employees was different from us. We could not control it through rules that were not accepted in the JV." (Interview with a manager, who worked as an expatriate in several European countries, 2016)

These interviews show that "T" understood the importance of establishing and practicing corporate rules in HQ and attempted to focus on ethical rules, especially for those who worked internationally. This was a start to establishing awareness about the issue of corporate culture, corporate rules and corporate behavior. At the same time, "T" had challenges in the implementation of CCR in JVs. CCR[46] were linked to the behavior issue, specifically to BC, when CCR represented the core elements in the corporate culture, which could be implemented.

5.4. Perceived influence: challenges in Phase 2 of "T"'s internationalization process

As a co-owner in JVs in international operations, "T"'s influence was limited. The composition of the BoDs in JVs did not offer the possibility to exercise influence and control. Consultants from "T" could not perform as executive managers and could not have control functions. Challenges in financial reporting. No influence on the behavior in JV organizations while the corporate rules were local; "T" started the process of introducing ethical dilemmas connected to JVs' own corporate rules.

The presented data collection gave the impression that "T" had sufficient influence, using the mechanisms of JV ownership in this period of internationalization. At the same time, some respondents related that *JV was a challenging structure in which to obtain control and achieve influence.*

> Now I know that it is important to own more than 50%, in order to govern the subsidiary and have influence and control; the best way is to own 100%. When we owned less, as a JV, the level of influence and control was low. The local partner managed the company as his own. If you want to have the influence, you need to

[46] CCR - Common Corporate Rules. Even it is meant that CCR is a plural noun, it will be used the form of a single form.

> have the control and need to be the owner. We always had this feeling and tried to take it with us back to HQ to discuss. (Interview with a manager, who worked in M&A[47] processes and was also an expatriate in different countries, 2016)

Another respondent, who worked with financial issues, told about *the issues of the unreasonable increasing of the budgets that were difficult to control.*

> I worked with the financial issues, all big procurements were "clean", meaning that all money that had been invested from HQ to buy equipment was used for this purpose, but there was absolutely another story in marketing. We did not know the local laws, legislation enough. We had no opportunity to check all the prices, all the demands from the authorities. Everything was in the local language. The partners said to us, "We need to increase the budget for marketing, in order to pay for the marketing things." We could not say "no" – we had no power to do that. The local people insisted that we needed these budgets, in order to build up the marketing policy. It was impossible to have control over these payments and costs. (A former expatriate, who worked in Russia in 1997, interview, 2018)

One of the most experienced business controllers in "T", who worked in Russia, Ukraine and the Nordic countries, described the importance of establishing good financial mechanisms or FC that can give influence from HQ towards subsidiaries:

> HQ demanded financial reports, financial analysis, financial plans and fact sheets from its subsidiaries, in order to compare with HQ's plans. In addition to that, HQ organized quarterly financial reviews, where the results from the different subsidiaries were analyzed and discussed with the top management. Audit activities were implemented once a year. The controllers could have an opportunity to come to the subsidiary and get access to the information. They worked closely with the local controllers. (Interview, 2018)

[47] M&A is a merging and acquisition process. Hereafter in the text, it will be used M&A.

The respondent explained the importance of establishing routines in financial reporting, in order to have control over the financial situation of the subsidiary. "T" had these functions in relation to all subsidiaries.

At the same time, several interviews indicated *that it was not always easy to find the relevant financial information, even when "T"'s routines were followed.* Thus, one of the respondents, who worked on the BoD in several JVs in Russia, stated:

> In one operation, we had a strong feeling that something was not as it should be, from the financial point of view. It was agreed with the co-owner that we could come to the company with our own audit and our financial controllers, who would work closely with the local staff. Everything that we could control we controlled, but it was obvious to us that the local financial specialists were extremely good in the local accounting… We needed to have the majority in this subsidiary, in order to have real control of the financial situation. We did not have it. (Interview, 2016)

The expatriate who worked in this JV at the end of the 1990s stated that *it is difficult to get the FC in a JV.*

> The local Financial Director was under the power of the co-partner. He paid her so well that I was not surprised when she reported that, according to the local accounting standard, everything was clean. The reports to HQ were like a pro forma – not real, we had another standard. We had a separate version of the accounting, prepared for us. We needed to be 100% owners, in order to clean up these things. (Interview, 2018)

Data collection described MA as an important tool in establishing control, when "T" did not have the majority in JVs, and used it as a governing document. At the same time, some respondents stated that *MA gave no guarantee of control in JVs.*

> I need to admit that MA was expensive for the JV, which had to pay for the use of expatriates. Local partners in almost all JVs argued about the MA and did want to pay; they used several "anti-MA" arguments, such as that the services from "T" in

> the framework of MA were not good enough, and that the local company had no use for them. Local partners always negotiated more and more services; in the end, we delivered much more than we got paid for. (Interview with an employee worked in Europe, 2018)

According to MA, the time that expatriates could work in JVs as consultants was limited, due to the question of money and the idea that, according to MA, the consultants would teach the local staff. In reality, there were always expatriates in JVs, and none of them returned home quickly; they just remained in JVs and "T" had to pay for them.

In the issue of the BoD as an instrument of control in JVs, a respondent confirmed that the *co-partners often used the BoD as a mechanism to approve an increase in the budget;* often, it was difficult to understand what was useful for the company and what for the co-owner, personally:

The marketing consultant for "T" was afraid. She cried because she was hard pressed to present the marketing budgets in a wide form. She said that did not know all the local marketing rules and mechanisms and had to agree with the co-owner. (Interview with an expatriate in the late 1990s, 2018)

In spite of the different seminars about "T" and the Western governance and rules for doing business being provided to all employees in JVs, "T" could not present the rules as a system at that time, because they did not exist. At the same time, the presentations or seminars of "T" corporate culture at this moment could not change local employees' practice of doing business and their perceptions. Day-to-day practice was needed of the rules and the system of the rules, which was impossible in the JV structure. As I see it, the implemented and practiced corporate rules are connected to the BC that we did not have in JVs. (Interview with a former executive, who worked in HR, 2015)

In order to illustrate a possible bribe scenario, the following story was told.

A narrative from a former manager, who worked internationally: "He understood the price of the watch".

> A rather special situation happened in one of our companies abroad, when the local manager tried to bribe the top manager from "T", who could influence his position.

> He was given a gold watch that was packaged so carefully that the manager from "T" could not see immediately that it was a very expensive watch. The manager came home and understood the price of the watch. The watch was returned – with the explanation that things like that are not permissible in "T" – and reported to the Ethical Council. (Based on conversation, 2015).

This situation illustrates that the ethical issue was not yet established in subsidiaries, and that "T" had to find a solution for how to establish its own norms of governance in JVs and an ethical attitude to do business. The documents about zero tolerance to corruption were just in the beginning for its development "T".

Data collection showed the transformation of the expatriates' role, when highly professional consultants were sent to JVs, in order to teach the local staff and support the top management. In reality, the consultants should also have had mild control over the situation in the subsidiaries and report to HQ. At the same time, some of the respondents admitted that many consultants did not function well.

> They did not function as we thought – they should have been leaders, managers. They were not. (Interview with the former Legal Director, also country manager, 2015)

"T" recognized, at a later stage, that consultants could not satisfy the need for managers.

> We were not so successful with the consultants in Russia. We thought that they could bring good competence into the company. They could not work with day-to-day control in our subsidiary without having a manager's skills. They had to be managers, not consultants… management is important in "T". But they were more consultants than managers … Getting the best people was a problem – many of them were not tough enough to take the manager's role. We didn't get the best people from HQ. The cross-cultural issue was not important then; speaking or understanding the Russian language was also not so important. We needed experienced managers, who could understand operations and be competent. They used interpreters while the locals they worked with could not speak English. They could not choose the local staff; that was a decision made by the local management. (Former executive manager, who worked in legal issues, interview 2015)

To conclude, at the end of this phase, there was a period resulting in strong growth in international activities. “T” established an adequate system, according to its understanding of the needs during the process of internationalization from the middle of the 1990s to the beginning of 2000. However, data collection showed that, to the end of the 1990s, “T” needed to “tune” its international strategy and use of control mechanisms, in order to achieve influence. None of the presented system of control mechanisms – ownership; the JV as a structure for investment as FC; BoD composition in the framework of JVs as SC and OC; expatriates as consultants and not managers as OC; and an unsystematic package of CCR that could be presented as BC – helped HQ influence the subsidiaries

> With the increase in our experience, we increased our shares in the subsidiaries abroad and started to think about how to achieve complete influence and what kind of control mechanisms we needed. (Interview with a former executive, member of the Executive Board, 2015)

If “T” was going to continue further international expansion, the company had to start readjusting the package of control mechanisms, such as how to increase shares in the JVs abroad and to establish an adequate composition of the BoD, in order to increase “T”s influence in the subsidiaries; how to increase the power and influence of consultants in JVs, and how to create a common ethical platform of behavior for HQ and subsidiaries. At the same time, “T” needed to recruit more competence in international affairs: people with a clear mandate to administrate the international projects.

Nevertheless, a former Director for Legal Affairs in “T” admitted:

> “Top management knew early on that the best for ‘T’ was to have 100% ownership in subsidiaries abroad, but it did not have the opportunity to realize this because of the lack of capital. We were missing it. Although all “T”’s projects were JVs at the start of internationalization, (Interview, 2016).

Chapter 6: Phase 3 (2001-2004/2005*):* "Up or Out" - it's time to develop the strategy and governance". Consolidation of "the planted flags" in the international portfolio.

6.1. Antecedent conditions

1. At the beginning of 2000, "T" was one of the most rapidly developing European companies. "T" had a lot of international experience and knowledge particularly in connection with the legislation in each market.

At the beginning of 2000, "T" wrote:

> "T" is one of the most value-added companies in Norway with a turnover of some NOK 37.6 billion in 2000 and around 20,200 manpower years at home and abroad. "T" is a leading participant in the market within telecommunications, data services, and media dissemination. "T" aims at offering domestic and international clients high quality solutions at competitive prices, and to contribute to increased value for shareholders. ("T"'s website: annual report, 2000)

In 2005, regarding its international strategy, "T" reported that it had become

> (…) Norway's largest telecommunications company and one of the fastest growing providers of mobile communications services worldwide. (…) In 2005, 57% of the Group's revenues were derived from the mobile operations. (…) has mobile operations in some of the world's fastest growing markets, and the home market, Norway… ("T"'s website: annual report, 2005)

"T" also described its controlling interests in the following mobile operations: "T" in Norway, Denmark, Sweden, Ukraine, Hungary, Montenegro, Thailand, Malaysia, Bangladesh and Pakistan, and as well substantial ownership interests in mobile providers in Russia and Austria[48]. Group revenues for 2005 reached NOK 68.9 billion, a growth of 14% compared to 2004. At year-end 2005, "T"

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[48] "T" in Austria was sold in 2007

employed 27,600 people (man-years), 16,700 of whom were employed outside Norway[49] ("T"'s website: annual report, 2005).

Thus, the above-presented statements from "T" indicated that, during this phase of internationalization, the company experienced rapid development worldwide, focusing on the emerging markets. As presented in its annual reports, "T" increased the turnover from NOK 37.6 billion in 2000 to NOK 68.9 billion in 2005. At the same time, "T" underlined that, while the company had around 20,200 manpower-years at home and abroad in 2000, the number of employees had increased to 27,600 by 2005. Notably, "T" mentioned that 16,700 of all employees were employed outside Norway, underlining the priority it placed on international markets.

In addition, several employees confirmed the importance of the international focus and explained how "T" approached the international markets, and how their actions resulted in an increased number of JVs abroad. One former executive, who worked in operations abroad, stated:

> We travelled a lot and were fearless. We understood that we had to find projects, and we found many in a short time. Nobody in Europe did what we did. Maybe we were cowboys, but that brought us the results. (Interview, 2015)

> We learned the culture of building a dialogue with the local authorities. Thus, we had our own local lawyers, who explained the restrictions in legislation in relation to ownership by international owners in specific markets, and other restrictions. We were active in supporting the co-ordination between Western/Norwegian authorities and local markets, where we saw that the legislation was not good enough for foreign investors. We participated in conferences, seminars, forums, established dialogue, supported visits, exchanges and worked hard and targeted to get the relevant contacts and the relevant knowledge, in order to strengthen the investment climate in countries with legislation that was challenging for foreigners. (ibid.).

The respondent paid special attention to the issue of the different legislation in different countries, and that "T" had to build knowledge on this issue, in order to meet the possible challenges related to the

[49] See "T".com

investment climate and the activities of "T"'s subsidiaries. One important issue for "T" was linked to the legislation in the markets where foreign investors could not own 100% of their subsidiaries.

Thus, one executive, who worked in international projects, stated:

> We knew about restrictions in some of markets where we had made investments. We had to learn to handle them. Thus, in Russia, there was a regulatory regime for foreign investment in strategic sectors of Russian industry[50], that was regulated by law, which did not allow us to have 100% ownership in a JV in Russia. We studied the law carefully with our local lawyers and had to figure out how we would deal with the appointment of a CEO, BoD members, and other issues. (Interview, 2017)

2. In 2000, "T" was listed on NASDAQ (NY) and on the Oslo Stock Exchange.

Understanding the necessity to obtain fresh capital for international expansion, "T"'s top management suggested the Initial Public Offering Process (IPO process) to the BoD. The government, as the owner, supported this process. The issue was discussed and approved in the Storting, suggesting, further, that the government could start the process of privatizing "T", with the state retaining ownership of at least 51% (Stortingsmelding 66, 1999-2000). Prime Minister Stoltenberg confirmed in the media that:

If Norway is to be at the forefront of ICT and telecommunication, "T" needs new capital and new impulses. (Dagens Næringsliv 30.03.2000)

> The former CEO of "T" confirmed that it was necessary, at the beginning of 2000, for "T" to go for the IPO, in order to have access to the capital, and added that, in his opinion *"The target of the listing was also to make the values of the company visible"* (Interview, 2014).

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[50] Federal Law № 57-FZ "On the Procedure of Making Foreign Investments in Companies of Strategic Importance for National Defense and State Security"

3. Nevertheless, the listing process was not an immediate economic success and triggered a negative effect during the first years of privatization.

> The values of "T" in 2000 were estimated to be between 180-250 billion NOK (ref. Thune, 2005), but the share price for "T" was 42 NOK, which could result in 74 billion NOK. During December 2000, "T" had just 15.2 billion NOK as equity capital. What influenced this negative effect during the privatization process? The critical analyses made by Goldman Sachs as a feedback to "T" ("Oppdatert konsernstrategy for "T" 2001-2004) highlighted three main factors. First, one of the most crucial factors was *the lack of control in "T"'s international mobile operations.* The second was the loss in internet projects abroad, invested in by "T"'s company, NXR[51]. The third was "T"'s particular focus on the home market, where its market share was rather high, which caused a misbalance in the portfolio and reduced financial institutions' interest in investing in "T" (Conversation with the former CEO in 2014 and notes from his archive).

Thus, the above-mentioned statements illustrate that investors "punished" the company for its perceived lack of control in several strategic directions – in its investment strategy abroad, in its choice of technology for investments abroad and its strategy for the balanced focus and presence of "T" in the domestic versus overseas markets.

4. A new CEO was appointed, who actively initiated the international orientation of "T".

The new CEO started to think internationally and emphasized organizational changes, aiming to build a new international organization that could achieve better control in its operations abroad.

> One of the first tasks I was given by the CEO, as a newly appointed EVP for HR, was to create "international thinking" in "T" that could help to develop a new international team that could run international operations worldwide. The new CEO was very much occupied with the issue of internationalization and increasing international knowledge. (Interview with a former EVP, 2015)

[51] NXT – an Internet company of "T", in this study the company will be called NXR

> The new CEO visited almost all the important operations abroad, most of them in a "transfer – period" together with the former CEO, who wanted to introduce him to the local partners. I participated in such trips in Central and Eastern Europe. He wanted to present himself as the leader of the international company, and, during conversations with the partners, the Norwegian operations were not mentioned, although he wished to underline "T"'s experience and knowledge in relation to telecommunication issues. The new CEO used more examples from the subsidiaries abroad. He used proven English as a working language abroad, and, as I had previously translated for the former CEO from Norwegian to Russian, it was interesting to observe how the use of English helped in negotiations. First, although the partners did not speak English, they could "catch" and understand the important information. Secondly, talking directly to partners in "a common English" helped to establish a creditable business relationship. At the same time, the use of English stimulated the local partners to improve their knowledge in English. The CEO also wanted to underline his status as CEO, as an international leader for the international company and, in this way, included the local partners in the community of international business, based on certain rules. One of the central questions that the new CEO asked after his first trips abroad was: "How can we be sure that we have sufficient control in "T"'s operations abroad?" (observations from the author).

In order to gain control in international subsidiaries, "T" needed to develop a new strategy, with a focus on the institutionalization of operations abroad.

6.2. International strategy during Phase 3 of "T"'s internationalization

The consolidation process gave "T" the opportunity to build a new governing strategy in subsidiaries that reflected the new business reality. "T" needed to have a new strategy, related to the issue of control, and to find the right mechanisms for its influence in all subsidiaries, including those where "T" was a minority owner.

1. New corporate thinking – from “T. International” to “International T”.

One respondent told a story that illustrates the paradigm change in “T”’s international strategy.

> We, the newly appointed management in “T”, had a strategic gathering outside HQ, in order to work on one issue – creating a new international strategy for “T”. We held discussions over two days, and there were many good suggestions for how to further build the company, “T” International, to be a kind of “locomotive” in international investments, and how to use this company as the trigger in the further development of an international strategy. At the end of the gathering, it was clear to us that we had to change the thinking regarding the international development of “T”: everything should be international: not just one company – “T” International – but all staff, all employees should start to think internationally. Thus, the idea to move from “T” International to International “T” was born. We decided to close “T” International” and improve the strategic plan for how to make the whole organization international. (Interview with one of the top managers in “T”, 2016)

This respondent’s story described how all “T”’s activities – in both HQ and the subsidiaries – would have an impact on the process of internationalization. This process showed the need to start the development of a new, appropriate international business strategy, managerial system, and corporate culture for both for HQ and operations in the home and overseas markets.

2. Increasing shares in subsidiaries to 100% where it could be done or leave the operation abroad: strategy “Up or Out”, meaning achieve control or leave the company.

This important process was launched after “T”’s top management decided to develop the new international strategy.

> We had to define a suitable image of “T” and its new role as a listed company, and we needed to increase our influence in the subsidiaries and obtain a considerable number of 100%-owned subsidiaries abroad. (Conversations with a former member of the Executive Board, responsible for HR worldwide, 2015)

As shown in the previous Chapter 5, at the end of 1999, "T" had nine operations in Russia alone, in different parts of the country – from the south (Stavropol) to the north (Murmansk, Arkhangelsk, St. Petersburg), in the western part of Russia (Kaliningrad) and in Moscow (VCom). In addition to the JVs in Russia, "T" owned shares in JVs in Ukraine, Central Europe, Western Europe and Asia, mostly in mobile operations. There were also small investments in the Internet, via a company which in this study is called NXR.

In none of these operations did "T" have the majority position or, as it was called in the company, financial control (FC). Several of "T"'s key managers, who worked in international operations, confirmed this.

> We did not have control in our subsidiaries. We could not follow the company as the real investor. (Interview with an experienced manager working internationally; the respondent worked as a consultant in Russia at the end of the 1990s, 2015)

> We needed to get control in our portfolio, or it was not possible to be a good industrial investor. (Interview with a former member of the Executive Board responsible for mobile operations worldwide, 2015)

Hence, the portfolio in just the mobile projects of "T", as it stood at the end of Phase 2 (see Table 5.1 in Chapter 5), shows that "T" had 14 mobile operations worldwide, having no majority in these companies. As a consequence of having only JVs in its portfolio, "T" did not have the power to make decisions over the composition of the BoD, appoint top managers, place "T"'s expatriates in key positions, provide a common managerial model across the whole portfolio or design and implement a common corporate culture. The possibility to change ownership forms in the portfolio could allow "T" to revalue its investments and, based on them, create a new international strategy, which focused on the ownership in the JV.

In 2002, the newly appointed top management in "T" formulated a strategy for further international development, based on the new international thinking that the whole of "T" should be international. It was decided that "T" would *move from being a company with several small international operations spread around the different parts of the world, to become an international operator with a more consolidated portfolio.* In order to achieve this strategy, "T" started the process of becoming an international company with 100% control of its operations abroad. It was decided to declare the main principle for this process in relation to the ownership structure: *"Up or Out"*, meaning to increase the ownership up to 100%, in order to either have industrial and financial control or leave the company.

Control or "exit" is "T"'s strategy for international mobile commitments. The objective is to achieve the controlling interest wherever possible. (Annual report, 2003:17). The result of the implementation of the new strategy is shown in Table 6.2.

Table 6.2. Mobile portfolio as of 2006 (based on the information from "T"'s website)

Company	Markets	Percentage owned
T Sweden	Sweden	100%
T Denmark	Denmark	100%
DT	Thailand	65,5%
DG	Malaysia	49%
GRPh	Bangladesh	55.8%
T Pakistan	Pakistan	100%
T Hungary	Hungary	100%
T Montenegro	Montenegro	100%
KVS[52]	Ukraine	56.5%
VCom[53]	Russia	43%

As visible in Table 6.2, there were several subsidiaries that "T" removed from its portfolio, specifically those related to the operations in Western Europe. As one of the managers in "T" explained, the reason to sell these operations underlined the fact that the price to increase its ownership in Western Europe was too high, and the level of maturity of the markets was also high, both factors that could not provide the expected profits. These parameters were the main reason for selling the shares in the Western European countries and concentrating its international expansion on the emerging markets, despite the high risks.

[52] JV in Ukraine
[53] JV in Russia

> We called it "the window of opportunities". The opportunities for further development were poor in the Western Europe markets. Although the investment climate was more predictable, we decided to sell up the operations in Western Europe and go for investments in the emerging markets in Eastern and Central Europe and in Asia, where the window of opportunities was open, and where we could use value creation in the long term. (Interview, 2015)
>
> "T" retained five overseas operations in its portfolio, where the ownership was not 100%: VCom (Russia, 43%); GRPh (Bangladesh, 55.8%), DG (Malaysia, 49%), DT (Thailand, 65,5%) This strategy built on the antecedent conditions mentioned above, in which 100% ownership could not be achieved in three of the operations because of local legislation; "T" knew that and made the deliberate choice to retain these operations in its portfolio. The reasons for keeping these companies in the portfolio were the attractiveness of the markets and, at the same time, the well-developed companies where "T" had established operational control (conversation with a former member of the Executive Board responsible for worldwide operation, 2014).

The operation in Ukraine "T" did not manage to increase ownership to 100% because of the acquisition process in the company, when both "T" and a Russian co-partner acquired the shares that were available. This was a part of the natural development in JV KVS[54].

3. "T" changed its strategy in merger and acquisitions processes, when the cost issue was not dominated by the question of international expansion and investments. "T" developed "geographical-cluster thinking".

According to a former member of the Executive Board responsible for mobile operations worldwide, it was decided to construct a new international strategy, focusing on following geographical markets or clusters: 1) the home market (Scandinavia), 2) the Central and Eastern Europe markets, and 3) the Asian markets.

Money was no longer an issue. We no longer needed to go for the low-cost concept. That gave us a free hand. (From an interview with the executive responsible for operations abroad, 2015)

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[54] KVS – a company in Ukraine which in this study is called KVS

We started to think in clusters in our international expansion. Cluster thinking helped us to organize the teams in HQ, and we understood that it was easy to manage several operations in one cluster. We called it the synergy effect. (Conversation with one of the executives in the Europe region, 2015)

4. "T" started to develop an appropriate governing philosophy for a listed international company in growth and made the necessary structural changes in its managerial strategy. "T" needed more international experience and built an international team.

Several respondents shared almost the same thoughts about the new managerial system introduced in "T", and which was developed step by step.

> We started to think about what it means to be a manager in "T", and how we wanted to be identified. Who were we? During one of the gatherings dedicated to the new managerial philosophy, we had to answer the question: What is "T" as a person that we see now, and how would we want to describe "T" in the near future? The majority said that, although "T" is a dynamic "guy" in international projects, its image is an old-fashioned middle-aged man because of the heavy representation and lack of «cool" design in the home market. We said that everywhere – in both Norway and abroad – we want "T" to look like a young, dynamic, cool and efficient person. We understood that we needed to create a new managerial system, in order to educate the new international team and the whole organization. We needed to create a new DNA for "T". (Interview with one of executives, 2016)

On the question of what the criteria for the new managerial thinking were, one of the senior managers who worked both in HQ and abroad as an expatriate said:

> The most important thing is to be a 100% owner, then to compose the BoD from people that have "'T''s DNA" – the necessary package of knowledge, attitude, values and loyalty; then to appoint the top management of the subsidiary in order to provide the strategy from HQ; and then to implement and practice common rules, understand corporate governance… Expatriates are important. We needed to create a new system of control, in order to have an influence in subsidiaries abroad. (Interview, 2015)

5. The technological platform was decided – "T" is an international mobile operator. "The technology met people".

After a long process, during which different technologies were tried in the process of internationalization, mobile technology was chosen as the main strategic platform. Despite the fact that "T" had operations abroad based on satellite, fixed and broadcasting technologies, the mobile operations dominated in the portfolio. A former member of the Executive Board responsible for worldwide operations shared his thoughts about this choice:

> The choice of the technology was important. The right technology gave rapid growth related to the "right" growing markets. Inexpensive mobile technology met the large number of people (potential customers). This was a success factor. We invested in risky markets, with a lot of political challenges and economic instability, but the mobile technology supported us, and we "planted the flags" in markets with growth…. It is easy to use mobile as a tool. … It is a universal tool for people all over the world... Even in most poor markets, such as in Asia, with the help of the mobile phone, from nobody people started to become somebody. (Interviews, 2014, 2015)

6.3. Control mechanisms used to achieve influence during "T"'s process of internationalization

Ownership: WOS is preferred. Top management in subsidiaries are from HQ.

After "T" had "planted the flags worldwide like Vikings" (this definition was taken from a conversation with one of the executives who worked in "T" for over 40 years), and after the top management had decided to change the international strategy and "T"'s profile and create a new managerial system, the question about influence and control in the subsidiaries started to become central. The clear majority of the respondents provided the opinion that, in order to increase influence and control in the subsidiaries abroad, "T" needed to increase the level of ownership in its subsidiaries. The WOS form of ownership was preferred, where possible. Where it was not possible to have WOS, "T"'s intention was to strive for a majority, or to achieve an influential position as an owner.

> After the merging with "TA" was stopped, and stock listing in NY was a fact, we understood that we could manage the operations both in Eastern and Central Europe and in Asia ourselves. It was obvious that we needed to establish influence and control and to be stronger in our role as an industrial investor, in order to take an industrial grasp… We needed to change the form of ownership in our subsidiaries. The strategy "Up or Out" was improved, and we started the process of merging and acquisitions (M&A), in order to own 100% in the subsidiaries, where we could achieve WOS. It was crucially important for us to own 100%, in order to build up the system of management control. There were some operations where we could not achieve WOS. In this case, we had to evaluate how important it was for us to keep the company, and what we would do to increase influence – it could be the majority position or other mechanisms that could give us influence. (Interview with one of the executives, who worked in mobile projects worldwide, 2014)

In addition to the matter of the importance of having influence via ownership, the connection between the influence via ownership in the subsidiary and the other mechanisms of control that create a kind of "a chain of controls" was proven crucial.

> The owner of a subsidiary (HQ) can appoint the BoD, as long as the mother company (HQ) is a 100% owner and has the financial control (FC). The BoD appoints top management. Top management is responsible for appointing the management team and therefore day-to-day operations. (Interview with a former executive, who worked in several European countries, 2015)

One respondent, who worked in international operations (interview, 2016), described *two mechanisms* that "T" used in order to gain influence through establishing control mechanisms in international strategy via ownership. The first one was to establish WOS using the Merger and Acquisition (M&A) processes. The respondent connected this process to the issue of achieving FC.

> The best influence is through ownership. The more you own, the more influence and control you have. We call it achieving FC. Our model in the 1990s, when we didn't have control, was bad. I worked with two small Russian companies; I saw that we needed control and that, unfortunately, we didn't have it. I had to "clean up" in two

> small Russian JVs. It is difficult to clean up the companies when you do not have the necessary influence and control. (Former expatriate in Russia, interview, 2016)

The second mechanism for achieving influence via ownership without having FC is to establish a system with a wide range of controls, including the various financial controls, without having the WOS and the formal FC as an owner, as was done in Malaysia. The respondent explained that, in Malaysia, there is a complicated form of ownership, which entails that "T" owns 49% of the subsidiary, and 51% belongs to a large number of local owners via the local stock exchange.

> Because of Malaysian legislation, a foreign company is not permitted to own more than 50% of a Malaysian subsidiary. Using the mechanisms of General Assembly, "T", as a co-owner of its subsidiary in Malaysia, selected all members of the BoD by being present under the voting procedure. This gave "T" the opportunity to appoint the Chairman of the BoD and the top management of "T"'s subsidiary in Malaysia. (Interview with one of the former executives, 2015)

At the same time, one respondent confirmed "T"'s role as an industrial investor and linked it, further, to the necessity to achieve WOS or another form of FC in subsidiaries, in order to achieve influence.

> It is important to understand that the industrial investor must have FC, in order to have control inside the BoD and make decisions about the strategy and the operations in its subsidiaries. (Interview with a former member of the BoDs in Eastern Europe in the late 1990s and early 2000s, 2014)

Another respondent also confirmed the differences between the industrial and financial investor in the matter of influence via ownership:

> It is important to understand the differences between being the financial investor as an owner and being the industrial investor as an owner. The financial investor is not interested in FC, but the industrial investor is very interested, in order to develop the company further in the long run. (Interview with a former executive, who worked in several European markets, 2015)

Reflecting on the process of internationalization and establishing a system of managerial control that could provide more influence, one of the respondents described his experience of being an expatriate abroad and stated that it took time before “T” found the best form of achieving influence, in relation, also, to the issue of ownership.

> We experienced a kind of adjustment in our way of finding the best solutions to achieving influence. We tried several forms and mechanisms and understood that having control via ownership was crucial; we could really control the operation. (Interview, 2016)

It was emphasized that, despite the fact that WOS was the absolutely preferable form of ownership during this phase of internationalization, providing maximum control, “T” had to continue to deal with a few JVs, where the level of ownership was variable: from a minority position, as in Russia and Malaysia, to a majority position, as in Ukraine and Bangladesh. In this connection, “T” needed to find out how to utilize the role of being an owner in JVs where it had a majority position, and how to handle the at the same time being in a minority position in the new reality, when “T” became an experienced international player in telecommunication. “T”’s strategy was as follows: in JVs in Russia, with the minority position, “T” targeted building good co-operation with the co-partners in the JVs, based on a mutual understanding of the common targets, protecting their own interest and supporting the JVs with telecommunication know-how. In this way, “T” tried to maintain the possibility of influencing the JV, while understanding its limitations. “T” was also interested in introducing corporate governance, based on Western European traditions (Based on conversation with an executive, who worked internationally, 2016).

In the JV in Malaysia, “T”, being a minority shareholder, used another strategy to achieve influence as it was described above - using the mechanisms of General Assembly.

Being a majority shareholder in JVs (in Bangladesh and KVS), “T” had greater influence and several possibilities to utilize the mechanisms of control and establish a system of corporate governance, according to its guidelines. At the same time, not being the only shareholder in JVs, “T” was limited in its actions. This concerned the decisions in the BoD, the appointment of top management and the implementation of corporate rules.

Moreover, during its several phases of internationalization, “T” experienced the importance of treating partners with the respect and understanding the local business culture and traditions.

> We had challenges; we came from different cultures. We were forced to negotiate and find compromises. (Interview with a former top manager, who worked internationally, 2018)

The presented interviews hereby confirm that WOS was the form of ownership that provided substantial influence in subsidiaries, through the establishment of different control mechanisms. The respondents confirmed that the ownership in WOS offered FC, and that can be considered the crucial mechanism in establishing the “chain of controls” in subsidiaries. At the same time, the possibility of having a high level of influence in a subsidiary without having FC, by using other mechanisms, was described. It was emphasized that changes in the form of ownership have an impact on the development of the system of control in subsidiaries. At the same time, it was highlighted that the process to find the right form of ownership in subsidiaries, and then to develop an appropriate system of management control, was one that can be described as adjustment, or, as it could be called, a “turning” during the process of internationalization.

BoD: WOS provide influence in the BoD and provide SC and OC. The members of the BoD are top managers from HQ, most of them with financial/economic skills or people that are approved by HQ; the members have a clear agenda, approved by HQ.

The composition of the BoD is an important mechanism in achieving influence in subsidiaries, as it links directly to HQ, provides the *strategic decisions and strategic control (SC)* and links management between HQ and subsidiaries.

> I have had long experience of being a BoD member in subsidiaries abroad. The BoD is an important tool in achieving influence. The BoD’s activities are a link between HQ and the subsidiaries or act as a mediator between the subsidiary and the staff at HQ. All the cases come to the BoD. The BoD provides the HQ’s strategy. I can say that the BoD provides SC. The BoD supports the subsidiary in linking the management in the subsidiary to experts in HQ. (Interview with one of the top managers, who worked in operations in Central Europe, 2016)

The BoD is responsible for the appointment of the top management in the subsidiaries giving the control situation on an *operational level, that can be defined as* an *operational control (OC)*. At the same time, it is necessary to have FC, in order to decide on the composition of the BoD.

> The BoD uses important mechanisms in influencing the subsidiaries, such as the appointment of key persons for the subsidiary as top management, expatriates; close dialogue with management; initiating key projects for the subsidiary and linking the projects to the HQ/group level, in order to get more expertise or to be a part of the HQ,/group level common projects, based on interaction between several subsidiaries. Yes, it is OC. But it is important to have FC, meaning to be an owner, in order to appoint the BoD that will provide the strategy from HQ. (Interview with one of the top managers, who worked in several projects abroad and was a member of several BoDs, 2016)

One respondent explained the model of a well-functioning BoD that could represent both SC and OC:

> While "T" had the FC in the subsidiary, the members of the BoD were appointed by HQ. The BoD acted in the interests of HQ and the subsidiary. The strategic targets were coordinated between HQ and the subsidiary, as long as the Chairman of the BoD was the manager from HQ. The operational committee oversaw operational excellence, using the best practice from HQ and the subsidiary and/or other subsidiaries. The close co-operation with the BoD provided the support and approval of the operational decisions. (Interview with the former chief of operations in the international mobile portfolio, 2017)

At the same time, a special role for the Chairman of the BoD – in influencing the operations in subsidiaries when the Chairman could have direct dialogue with the top management – was underlined.

> I could have direct dialogue with the local management, and I saw who could provide the strategy decided at HQ and who could not. At the same time, I could connect the key persons in the subsidiary with the right staff at HQ. (Conversations with one of the former EVPs responsible for operations in Europe, 2015)

The manager in charge of the Hungarian operation in the period up to 2013 was of the same opinion. He was a member of the BoD in a WOS in Hungary and worked closely with the top management and other managers in “T”’s subsidiary, in order to observe the operations more clearly, and, at the same time, report back to HQ about them. The respondent underlined the importance of providing substantial support for the activities of the BoD from the resources in HQ. Such support would increase the efficiency of the activities of the BoD and increase its professionalism, which would have a positive impact on the operations in the subsidiaries. The respondent mentioned that *the operational committee had such a supportive role.*

> At the beginning of the 2000s, when “T” implemented the strategy of increasing the FC in subsidiaries, dedicated operational committees were established that could report directly to the BoD and have the coordinating function between HQ and local management in the subsidiaries. The purpose of the operational committees was to develop the subsidiary in the best operational way, according to the strategic goals. The alliance with the BoD was the key to success. (Interview with a manager, who worked in a subsidiary in Hungary, 2016)

According to another respondent, one important role in supporting the activities of the BoD was that of Top Management Support (TMS), established in 2002 at “T”’s HQ in the process of active internationalization, known as an “Up or Out” strategy, in order to follow up the subsidiaries abroad. Each TMS had responsibility for one subsidiary. TMSs were senior vice-presidents in the departments that were responsible for the defined geographical clusters and functioned as mediators between HQ via the BoD and the subsidiary; they were always a member of the BoD in the subsidiary they were responsible for. The TMS worked closely with both the Chairman of the BoD and the top management in the subsidiary. The role of TMC changed in 2016 because of the reorganizational processes in “T”.

> A special role was dedicated to TMS top management support managers; we were managers from HQ who were linked to both top management and middle-management “on the ground” in subsidiaries and all levels of staff at HQ. We were also members of the BoD and leaders of the Operational Committee related to “our” subsidiary. As a TMS, I had to know everything about the subsidiary. Absolutely everything. I spent more time in the subsidiary than in HQ. (Interview with a former TMS, 2015)

Describing the most effective managerial system, connecting HQ and the subsidiary with the strong involvement of the BoD as a link between HQ as an owner and the subsidiaries, one of the respondents presented his own opinion, based on his experience from the BoD work.

> There is a triangle, as interplay in good corporate governance: owner – BoD – management. It is important that this interplay functions because it can enhance the influence and control in a good way. The core issue in all operations is competence – among members of the BoD first of all. The BoD should be competent, in order to be a good link between the owner and the management. (A former member of the BoD in "T", interview, 2015)

Thus, the above-presented interviews described the BoD as an important control mechanism in influencing the subsidiaries, and utilize both SC and OC. It was emphasized that BoD has a special role in the interplay between HQ and the subsidiaries, being a link between them, enhancing the influence and control in the subsidiaries. It was underlined that, for the realization of this role, the BoD needs the framework of the FC from HQ to the subsidiaries and the support from several of HQ's functions.

<u>Expatriates:</u> "T" introduced the role of expatriates. From consultants to expatriates.

The question of control started to be an important priority for "T", following the changes in many of "T"'s organizational structures. As an important part of the above-named processes, "T" decided to transform the status and role of expatriates. The use of consultants was no longer considered sufficient, because the consultants did not contribute to the issue of improving control. In order to provide the control and to achieve HQ's influence on newly established WOSs, the role of consultants changed. The new role as an expatriate was presented during the process of developing the new international thinking when "T" International became International "T". The most powerful and dynamic organization after the above-described transformations in this period became "T" Mobile, which was responsible for the mobile portfolio worldwide. The top management of "T" Mobile introduced the new managerial tools; these were presented to the Executive Board and then adopted across the whole of "T". Among the presented tools, was the role of expatriates in the process of internationalization.

The respondents described the role of expatriates as the natural development of the previously existing role of consultants (Interview with a former member of the Executive Board, Legal Director, 2015).

At the same time, it was confirmed that after "T" implemented the strategy, "Up or Out", and increased its ownership to 100% or to the majority position when "T" could evolve sufficient control, the expatriates started to be managers in the top positions, not individual professionals or consultants. The development of leadership skills was important (Interview with a former member of the Executive Board responsible for mobile operations worldwide, 2015).

Now, "T" had to formally appoint the key executives' positions with the clear mandate to manage the subsidiaries and to achieve the required level of performance, in accordance with the HQ's strategy. Thus, this period of internationalization was characterized by the fact that *the institution of expatriates* was formally established, with the expatriates being appointed to the executive positions in subsidiaries. They received formal responsibility for operations and reported to the BoD in WOSs or in JVs where "T" had the majority. Due to their key position in "T", the expatriates were closely connected with the executives in HQ; some of them were members of the BoD and even the Chairman of the BoD, which strengthened their position as executives and gave them the necessary contacts across the whole organization, in order to utilize their power in the subsidiaries. Expatriates were mostly Norwegians or Scandinavians.

At the same time, several respondents mentioned that the expatriates should have "'T''s DNA". As previously mentioned, this metaphoric definition was created by a former member of the Executive Board, responsible for operations in several countries, who worked in the company for more than 40 years:

> It is important to have executives in subsidiaries whom we know well, that have "T"'s DNA. Good with the Norwegian culture abroad. We need to provide the same standards and the same business culture as at HQ. So, the expatriates were both executives and professionals and had the DNA from HQ. (Former EVP, responsible for international operations, conversation 2012)

Most respondents connected the expatriate with an established institution that has an important role, associating this role with a *"girder"* or *"mainstay"* in the subsidiary (SVP, responsible for operations in Central Europe) in order to enhance and help the key values evolve in practice from HQ, by doing the defined work, by watching the processes in operations, and by teaching the local staff how to do things the "T" way. The respondent explained the definition *"girder"* or *"mainstay"* in the following way:

> Expatriates have a key role; they should be in executive positions. They are active in projects and connect subsidiaries and HQ. They implement governance. They are mediators, who understand the local employees, and it is important that they provide information back to HQ. (Senior manager, who worked as an expatriate in several countries, interview, 2015)

> The expatriates had the task of establishing different control mechanisms in WOSs, corresponding with the needs and the goals of HQ (interview with a manger, who worked as an expatriate in Eastern Europe, 2016).

At the same time, several respondents shared the idea that expatriates themselves enhanced the *operational control*, as they were responsible for the operational results and reported to HQ about the WOS's performance (Interview with a former top manager, responsible for the projects in Europe, 2015).

In the same way, being Norwegians, the expatriates could show, by their own example, the principles of corporate governance, and they were also responsible for the implementation and strengthening of the corporate governance in the subsidiaries. Thus, the expatriates were responsible for the implementation of the corporate rules that were at the beginning of their development. The ethical platforms were important, in order to perform in an ethical way; being in the executive positions, expatriates could insist on the implementation and practice of the Code of Conduct. Hence, several respondents underlined the role of expatriates in the practice and implementation of the Code of Conduct – one of the central documents representing both the new international thinking and practice and focusing on the day-to-day dilemmas that were very relevant to the employees in subsidiaries, especially those from cultures which differed from the Norwegian business culture. One interviewee told an interesting story about the implementation of the Code of Conduct (CoC):

> We started to work with the Code of Conduct because we understood that it was important to have an ethical platform for our business abroad. The Code of Conduct had to be signed by each employee in WOS and JVs, where "T" owned over 50%. It is important, when implementing the Code of Conduct, that it is understood as it should be. We visited all subsidiaries, arranged seminars, and explained the code and ethical dilemmas. Norwegian executives had to reorient their thinking from just

business purposes towards the issues of governance and values. They had to be drivers in the process – not all of them understood this; we worked hard.

One of the CEOs who was very interested in… the process said: "If you can convince my local management in… thinking … [in accordance with the CoC] I will consider that it is the most important contribution to the business purpose. The local employees had to have the same standards in doing business as at home in Norway. Unfortunately, not all CEOs were like that, though". (Interview with a former EVP, responsible for HR, 2015)

CCR: "T" needed to create an ethical platform, reflecting its new role as a considerable actor in the international telecommunication business.

The Code of Conduct was adopted and implemented. "T" Way (TW) was introduced as a governing corporate platform: new images new branding strategy.

The rapid internationalization process in "T" and the new "international thinking" followed the growing need to develop the corporate rules that "T" could implement in the subsidiaries. "T" developed a Code of Conduct that was the first systematically collected Common Corporate Rules (CCR). All employees had to read the Code of Conduct and sign that they understood the code.

The establishing of CCR linked to the process of internationalization was a natural part of its development when "T" announced that it is important to construct the common corporate culture and rules. (Interview with a former executive, who worked with HR, 2015)

At the same time, the issue of national values started to be central for "T" at exactly the period of "T"'s new international thinking and identification of itself as a considerable player in the international market.

The question about the Code of Conduct came with "T"'s expansion abroad. We had to be clear about our values; that's why the question of the Code of Conduct came onto the agenda. (Top manager, who worked in the HR department, interview 2014)

> Before the Code of Conduct, "T" had the Ethical Guidelines and Ethical Council. They are almost the same. We understood that in Eastern Europe – Ukraine and Russia – the managerial style was different. We needed to be sure of our values; the Code of Conduct was established in 2000-2001 and based on Norwegian values. In order to present our managerial values to the organization, to the subsidiaries, and to be a part of the established international community, we had to have the value platform. And, in order for the partner to understand, we had to present our core values. (ibid.)

Hence, the interviewee emphasized that, for "T", as an owner in subsidiaries, and to position itself as an international player, it was important to present the value-based rules and its governing platform, according to established international practice; the presented CCR were built upon the national values of HQ and had to be presented in all subsidiaries abroad.

In order to follow further "the international thinking" and to set the Code of Conduct in the framework of corporate governance, "T" started to work on another document that represented the value-based employee's attitude and behavior across the whole of "T". This document was named "T Way" (TW) and can be defined as CCR. Historically, TW was initiated after the Code of Conduct was created and implemented.

> The idea to develop TW came after the Code of Conduct. We needed a kind of platform for governance, a behavioral platform to explain who we are and how we do business. Before internationalization, we had The Ethical Council, which didn't work. The council was just a meeting place for some concrete and separate cases without any platform or value. The Code of Conduct was a gathering of concrete rules that the employees had to accept. But we needed to go further and create a platform, like a philosophy. TW started as a managerial platform. I had the task of developing this new platform for the new international management in 2001, when the new CEO was appointed. We had a meeting with the top managers as a workshop; the LOTS[55] process was arranged in order to understand what kind of new managerial style we needed. I asked them again: "Do we need "T" as a young and promising but arrogant person who messes with others, and that's why he is

[55] LOTS® is" a leadership tool used for facilitating leader, team, and business or organization development" see: www.lots.se). Hereafter in the text, it will be used LOTS.

> intolerable…?” We needed to do something with that. (EVP in 2001, responsible for HR and TW)

Later on, several important elements were added to TW, such as “Values”, which became a central element; “Visions” and “Code of Conduct” were included in TW, as well as “Group Processes” and “Procedures”, as an important part of the framework. The concept of TW developed over several years and was implemented in HQ and the subsidiaries after it was approved at the level of “T”’s BoD in 2006.

> TW was presented to the BoD in 2006 as a comprehensive managerial philosophical platform in “T”. The CEO and TW team fronted it in the meeting for “T”’s BoD. (A former “T”’s BoD member, interview 2014)

Although TW was the main platform for managers and employees, the concept did not receive a precise definition. On “T”’s website, it just states that TW is “how we do business” (“T”’s website). Different managers in “T” understood TW in their own way and gave their own definitions, underlining their different ways of understanding how to use the concepts of CCR.

Some respondents link TW to *corporate culture* and how it is important to establish common rules, in both HQ and the subsidiaries.

> The subsidiaries have their own culture, but they should feel that they are a part of a common corporate culture. There was a positive attitude to TW when it was presented in all the subsidiaries, and all managers were educated in TW. (A manager worked with TW, interview 2014)

The respondents connected TW and the Code of Conduct, as a part of TW, to the corporate rules that could influence the subsidiaries. CCR have been linked to the control mechanisms, as behavior control.

> TW is a management control system in terms of to set the framework for the corporate behavior and important tools for the process for internationalization. We need common concepts and common understanding of how to manage. I could say

that TW represented behavior control in the organization. (Interview with a manager, who worked internationally, 2014)

TW is a control. The behavior had to be controlled; corporate rules help us, especially abroad. (Manager working internationally, short conversation, 2014)

We introduced "T"'s values abroad as a management style from Norway via TW. TW is a cultural platform or managerial platform. When we did not agree with the local employees on how to do business, we pointed to TW and the Code of Conduct and said, "Here are our common rules, representing business behavior and attitude in organizations. Please, follow the rules." (Interview with employee, who worked as an expatriate, 2016)

Later in the process of developing TW, the HR team insisted on starting with a common performance management platform (TDP – "T" Development Program). The purpose of TDP in a framework of TW was to combine the tasks and job activities with the question of "how we do business". This could offer support, focusing not only on the subsidiaries abroad, where employees are used to doing business in a different way because of the cultural differences, but also on employees in Norway. TDP became a part of TW as the practical tool, and the CEO supported it.

When the CEO was informed about TDP, he asked, "How much time does it take for a TDP conversation between a manager and an employee?" We answered, "One – two hours." The CEO calculated: "One hour and a half multiplied by 10,000 employees??? How much it will cost?" The TW team managed to persuade him and the BoD. TDP was improved. (ibid.)

Establishing and practicing the CCR is the strongest way for HQ to influence the subsidiaries, because it is through the CCR that we can communicate common values. If we can communicate common values, we can implement a common way to do business. But it is important to practice CCR and not to have them just as a pro forma. (Interview with a former executive, who worked in HR, 2015)

The interview with the former HR manager, who worked with TW, presents the idea of the importance of practicing CCR – not only in the process of implementation but also in daily business activities; otherwise, the CCR cannot influence the behavior in subsidiaries. In order to implement the TW thinking and practice, and almost to "live in the corporate governance", CCR should be accepted by top management in HQ and in the subsidiaries as a mindset and daily practice.

> CCR should be accepted by the BoD and at top management level, in order to create the atmosphere of common understanding of the values, missions and visions. We insisted that TW and the Code of Conduct should be handled at the highest level of "T" Group. There should be daily attention to the rules, or nothing will work. The top management should demonstrate the behavior through example. (Former TW responsible up to 2001, interview 2014)

According to the TW staff, they often asked themselves: "How does TW developed in HQ affects and change in attitude to 'how we do business' in the subsidiaries?" and "Can the rules, developed in HQ make the subsidiaries closer to HQ, and how can TW as CCR strengthen the HQ's influence on the subsidiaries?"

To illustrate that CCR worked in practice and really changed the behavior in the subsidiaries, despite the local cultural traditions, which were far from Norwegian culture, the following story is told.

A story from Malaysia – how the local employees were afraid to cross the line left from the eliminated office of the CFO (told by the former EVP, HR)

> *Malaysians respect authority and bosses. All bosses in "T"'s subsidiary in Malaysia had a separate office with a secretary in front of it, as it was in the old "T" building in the center of Oslo. When "T" gained its position in the company, the BoD decided to start implementing the concept of TW. One of the biggest challenges was how to change the attitude among the local employees towards the leaders and to each other, so that the principles of respect, equality and delegation could be implemented. The strongest symbol of the old power in the company was the office of the CFO. Those Malaysians who had to deal with the CFO had enormous respect, mixed with a good portion of fear, when they approached this office. The new Norwegian management decided to organize the working space in the company as*

an open landscape, following the model from Fornebu, where the HQ is located. In practice, this meant destroying all the offices, included the office of the top executives – the CEO and CFO as well. After several rounds of negotiations, the CFO's walls were eliminated. It provoked a shock among the Malaysians. Employees started to visit the executives' location to be sure that what had happened was not just gossip. It took time before the markings on the floor, from the destroyed walls, were painted over. Even then, the Malaysians did not feel comfortable crossing the stripes on the floor and went around: so powerful were the behavioral traditions among the local employees. Several years have passed, and the local employees smile about the situation. For many new employees who started working in the company later, being a natural part of the managerial and behavioral cultural platform called TW, the story told above can seem absurd. Thus, TW influenced the behavior of the local employees, changing the traditional established practice.

The story illustrates the effect of TW mediating for the local employees abroad, in order to influence their behavior as "T" employees. As a result of TW implementation, the new attitude towards business culture, which was established in "T" Group, started to change the national traditions and the new concepts, based on "T" values, were taken into use. The story shows that the new business attitude, important for HQ and "T"'s image as an international player with Western-oriented values, started to be understood across the whole "T" Group. The respondents related several examples from different situations of how the concept of being a corporate citizen should be practiced. In this story, the issue of behavior control is strongly connected with the issue of implementing, understanding and practicing the CCR from HQ.

The interviews presented above show that TW as CCR played an important role in establishing the "HQ" culture in the subsidiaries, utilizing influence in subsidiaries and being the mechanism of behavior control. It was indicated that CCR can work as a behavior control mechanism, on the condition that they are the practiced, that they are a part of the strategy, and that the CEO and top management in both HQ and the subsidiaries promote the practice of the CCR and demonstrate personal involvement.

__CEO__**: International team around, close contact with CEOs in subsidiaries in the established CEOs/Top management Forums, new routines, in which the CEO was strongly involved, in order to have detailed information about the subsidiaries abroad: business reviews**.

The new CEO was appointed in 2001. He understood that “T” needed to start the process of internationalizing the organization. In order to meet the new business environment, maximize synergy across the organization, including the subsidiaries in different countries, and to be capable of dealing with the challenges of working in a multicultural environment, the top management of “T” in 2001 initiated internal processes in the company; the ideas connected, first of all, with the issue of leadership expectations and common managerial processes. Several important arenas were established, to co-operate more closely with the CEOs in the subsidiaries.

> We needed to teach leaders to think internationally and to work internationally. As a top leader for the company, I had to build a new international team that could meet the challenges of the global world. I wanted to better understand the CEOs in the subsidiaries; we started MMB – Mobile Management Board: CEOs from the subsidiaries were invited to participate in it four to five times a year. They came with their closest executives. We met different subsidiaries, learned the experience, shared the knowledge. We took the best practice from the group and shared our know-how with our colleagues. (Interview with a former CEO, 2013)

The new CEO changed his focus from domestic to international issues. Traditionally, when “T” experienced, for example, technical problems in Norway, journalists and responsible people from the authorities called “T” CEO? It took time to change this tradition. The new CEO always tried to explain that, although he was the top leader of the company, the CEO of “T” Norway was in charge of such issues.

A story about the new role of CEO of “T”.

> *I remember one situation in particular, when, a short time after he was appointed, it was agreed that he would visit the local directors in the biggest cities in Norway. This visit was well prepared, and the new CEO had to start a visit on one particular day. Suddenly, we received a message that a partner from one of “T”’s subsidiaries wanted to come to Oslo: it was urgent, important, and he had several issues he*

wanted to discuss with the CEO directly. His schedule was very busy, and the partner wanted to come on the day that the CEO had to start his trip. The situation was not easy, and the staff around the CEO were divided in their opinion as to what the new CWO should prioritize. The head of communication, who had worked with the former CEO and was used to having a favorable focus on domestic issues, insisted on the trip, as it had been planned. It was not easy to get all the directors together on the same day. New people who always worked internationally argued that it was important to stay and to meet the partner. There were several meetings, several argumentations, the CEO was in doubt. Even I was asked for advice. After the CEO had heard arguments from all his advisors and his EVPs, he finally made a decision. For the first time, he really marked that the new culture was on its way to "T" – he stayed, met the partners, had very good discussions. This meeting, as we understood later, had significant importance for the future co-operation. (Personal observations from 2001)

This story illustrates that the CEO had a focus on the international and prioritized having a personal meeting with the CEO in a challenging and important subsidiary, in order to discuss business matters and influence the decisions that the local co-partners insisted on. The case is related not to a WOS but to a JV, where "T" had a majority, and, for the CEO, it was important to provide his direct opinion on challenging matters. At the same time, there were several other examples of the CEO's personal involvement in discussions with the local employees in WOSs; in particular, meetings with the authorities in the local markets were always prioritized.

The new CEO and his staff started to work to develop the concept, describing what the most important arenas worldwide were, where the CEO could participate, presenting "T" and influencing, first of all, the authorities from the countries where "T" had subsidiaries. Thus, the CEO could support and protect "T"'s business abroad, lobbying decision-makers, especially on the issue of legislation. The first big international event, in which the CEO participated, and where he had fruitful and constructive meetings with the politicians, authorities and partners in one of the most challenging "T" subsidiaries, was the St. Petersburg International Forum in 2005, which had an impact on "T"'s business in the subsidiaries. Thereafter in the text, CEO participated in all the St. Petersburg Forums, until he resigned in 2015.

In order to have greater influence on business performance, the CEO started to develop new business routines: business reviews related to each cluster and each subsidiary; close co-operation with the

CEOs in the subsidiaries; business trips to all the clusters, etc. (more information will be provided in Chapter 7). The new routines began at the end of 2005 and were finalized in 2006.

6.4. Perceived influence – challenges during the process of internationalization

1. "T" did not have sufficient control, despite the WOS ownership

Despite the developed and implemented strategy that conceptualized the idea that, with FC in 100% ownership in subsidiaries (WOS) or majority ownership in the important JVs, "T" did not manage to achieve the substantial influence in the subsidiaries and to build "the chain of control" as indicated in the interviews above. Some of the respondents indicated that HQ did not have sufficient influence or control over the subsidiaries, even where "T" (HQ) had obtained 100% of the ownership in its subsidiaries. Some respondents said that all forms of control and all mechanisms of influence from HQ towards "T"'s subsidiaries just happened on the surface. One respondent (an experienced employee, who worked with the procurement issues, interview, 2014) used the word "iceberg" as a metaphorical example to describe the processes of control in "T"'s subsidiaries. The respondent indicated that only the local employees knew the real situation in the subsidiaries, and they managed to hide it from HQ. The respondent meant that the local employees "had learned to report nice" as the HQ requested, but, in reality, they did what was suitable for them. "In Bangladesh, as an example, corruption was blooming, but the Norwegian top management could not discover it" (ibid.). The respondent underlined the importance of the cultural aspects in doing business and that "T" needed to understand how to do business in countries with a different business culture from that of Norway. The respondent also emphasized that "employees should be dedicated, well-trained and qualified in cross-cultural management issues, including the top managers from HQ. Only managers like managers can build new cultural business traditions in subsidiaries without being fooled" (ibid.).

2. Disagreements with local partners caused challenges in the BoD in JVs, even when "T" had the majority of ownership and thought that it had the FC and influence in the BoD.

In this period, "T" noticed the first serious disagreements with local partners in JVs, where "T" had the majority and should, in theory, have had substantial influence in both the framework of the BoD and the local company. Most of the discussions and disagreements with local partners were connected to the questions of control: who has influence in the company? During the period of active growth in JVs and transformation to WOS, it was important to implement "T"'s governing principles in doing business. Many private local partners were not ready to do that and continued to work as before. The partners behaved as if they still were the big bosses and wished to receive further support from "T". While business developed, "T" wanted to achieve more influence and utilize more control mechanisms.

> We had ownership, but we did not have influence. We started serious negotiations with our local partners in Eastern Europe. In one of the companies, we could not change the CEOs because of their connections to the political circles, but we could place our people in executive positions. Unfortunately, for the same reasons, we did not have the position of the Chairman of the BoD. We did not manage to increase our ownership to 100% and had to deal with the partners further. The problems became greater and greater; it was obvious to us that we stood for different corporate governance with different business targets. We had the FC, but we did not have control in the company, as long as we did not have other controls. (Interview with an EVP responsible for mobile operations, 2015)

3. The BoD did not see the challenges "on the ground", even when members reported them to HQ. Several issues were underreported; top management were not consistent in what was and was not reported.

Despite the fact that the majority of respondents connected the BoD to the mechanism of influence and SC and OC control, one respondent noted that OC is to "go onto the ground" and operate among all the segments in the subsidiary.

> The BoD did not function well in understanding the needs on the ground – the members of the BoD and the Chairman only dealing with the top management, and they did not report everything (conversation with a former experienced manager, who worked abroad in several countries, 2016).

> The BoD did not see the situation on the ground, does not do it, and didn't have control "on the ground". They accepted what was reported to them, and they read the documents. There are many things you can write in the documents; the reality can be different. Many of the decisions that were made by the BoD were made because they did not know the situation "on the ground". It was easy to hide many things,

> especially in marketing, where a company can have "sudden costs". (A former international manager, interview, 2014 and 2018)

Thus, the respondents underlined the gap between the perception of the situation by the BoD members and the real situation in the subsidiaries. Decisions that were made by the BoD were based on insufficient information from the company.

4. Continued problems with expatriates in JVs where "T" did not have the majority. Tuning of the expatriate staff where "T" had the majority.

In this period, there were two different causes of the problems with expatriates. The first was connected to the group of expatriates, who were in executive positions in JVs where "T" did not manage to transfer its ownership to WOS. The relationships with them were regulated by the MA, but companies were not enthusiastic about paying the high fees and tried to force "T"'s expatriates out, presenting them as unprofessional. For instance, according to the MA, "T"' had to cover five to six positions in Ukraine. At the end of this period, there was just one person in an executive position. He was married to a Ukrainian and had a good personal relationship with the local management and partners (Conversation with a former top manager, who worked in Eastern Europe, 2015).

Another possible cause for the challenges with expatriates in executive positions was connected to the level of their competence because of the traditional system of recruitment in "T". Thus, one of the managers, who worked internationally, expressed that the expatriates had low competence within how to work abroad, and "T" had a focus partly on the professional skills performed in Norwegian operations, or/ and on the factor of the personal contacts. The statement was supported by another manager that illustrated that the process of the recruitment in "T"

> It was enough to be Norwegian. Everybody knew everybody and appointed those who they knew. It was a low focus on the competence to work internationally (Interview with a manager, who worked internationally, not Norwegian by nationality, 2015)

The top management in "T" perceived that it was necessary to start *the targeted education of a new pool of expatriates and managers*. The Corporate University in "T" started module-based courses, where participants could visit several operations abroad.

> I myself participated in the first pool of selected managers; we were 20. Unfortunately, the choice of the program was not based on the deep evaluation of the business activities. We had a gathering in Barcelona in order to look at "T"'s activities in Spain; shortly after the course was over, "T" sold its operation in Spain. We had a gathering in St. Petersburg. This operation was incorporated later into one of the subsidiaries in Eastern Europe. This ownership gave "T" several serious challenges. We had a gathering in the USA that was not connected to any of "T"'s activities but to give a "lift" in education in modern international management. No one I met under this educational process got the position of expatriate. Later, the process of recruiting expatriates changed, but there were many strong opinions about this issue in "T", related to the topic of the transparency of the process. Who were recruited and why? (Personal experience)

5. CCR were just "paper rules and big words".

Several respondents stated that, after TW was introduced, it should "be practiced" daily, but TW was not practiced as intended; "TW was just a concept on paper" (Conversation with one of the a former TW managers, 2014).

Many respondents drew my attention to the fact that, in a short period, TW started to represent a gap between what stood on the website and in various other related documents, and how managers and employees really behaved in practice.

> TW is a process. If it is not being practiced, the process is dying. The new managers joined "T" afterwards, as part of the process to recruit the international team. They were not so interested in TW. There is no passion around TW. There are no ambassadors as there were at the beginning. I notice a gap between the words on the paper and what is happening on the ground. (Senior manager, interview 2014)

In a short conversation about how TW works, one respondent stated that " it stands fine words on the intranet, but managers do what they want" (Employee in HQ, 2014).

At the same time, one of the respondents mentioned that, in one of the JVs in Eastern Europe, where "T" could not demand the implementation of TW, but nevertheless introduced the concept, TW was enthusiastically accepted by employees, top managers, the CEO, and the Chairman of the BoD. This was despite that fact that the partnership in this JV was rather challenging because of the differences in attitude towards corporate governance. One of the employees explained why TW was accepted without any problems:

> For us, employees, there was a hope that we would get the Western style of business in the company, but for the top management TW was just a nicely written document that they could present to the authorities and publish on the website, showing that, as top managers, they were working in the Western way, in contrast to many other companies in the country. They wanted to position themselves as the pro-Western and modern managers. In reality, the written document was not meant for practicing, it was just a picture to be glanced at. We worked as we worked before, in the local way. (Interview with a local employee in a JV in Eastern Europe, 2018)
>
> To organize the location of the subsidiary in "Fornebu-style" (HQ in Norway –style) is to link the subsidiaries to HQ's culture and values. We liked it – we understood the Norwegian organizational culture of delegation, trust, respect, and flat structure, that was extremely important for the modern business, but life is life, and seminars are just seminars. (ibid.)

There were divided opinions about TW. Those who work or worked with TW are very enthusiastic about TW; at the same time, there are many employees who were critical of TW, saying that TW are just nice words. Here are some statements from different respondents:

> TW abroad is not TW but "T" Norway – I have heard it myself. TW is just words. Why is TW not on .com - just on the intranet? (Employee working internationally, traveling a lot, 2014)

> The CEO is not interested in TW. It should be a part of the Business Review process. The Code of Conduct should be practiced; it is meaningless to have a Code of Conduct just on paper and not read or practice it. Now the Code of Conduct is just for having on paper or to punish somebody if something happens. (Employee in Norway, conversation 2015)

> TW is a décor for the management. Almost nobody believes in it, even the top management. (Employee in Norway, middle manager, conversation 2014)

> *TW is nonsense, just words. But culture is important.* (Manager working internationally, travels a lot, meets different subsidiaries, conversation 2014)

> TW are just big words. I didn't notice any respect from the managers towards the ordinary employees. (Conversation with an ordinary employee, working in "T" Group in Norway, 2015)

The interviews presented above indicate that CCR, as TW and the Code of Conduct, did not engage people in HQ. Those top managers who worked with TW were positive, while top managers who were not involved in TW considered it as CCR, and some representatives of ordinary employees were negative. At the same time, some ordinary employees in "T"'s subsidiaries had a positive attitude to TW, as they appreciated an understanding of the Norwegian business culture and Norwegian values, proudly working for a Norwegian company. At the same time, employees abroad looked at TW from the "owner-perspective", underlining that the CCR are needed because the HQ is saying that CCR are important (Conversations with several employees in European subsidiaries 2011-2015). Many employees admitted that they practiced their own rules "on the ground". CCR were not yet functioning as the common governing platform and did not always provide the influence in subsidiaries, in order to enhance behavior.

In order to continue the further development in a process of internationalization and further position itself as the global company that "T" had become at the end of 2006, top managers in "T" perceived a need to improve the controls that had been created in HQ, to strengthen its influence in the subsidiaries.

Chapter 7: Phase 4. 2005/2006-2015: From International "T" to MNC: "Different companies – one group", further building of the system of corporate governance and management control

From 2005, "T" positioned itself as an MNC in strong international growth that continued to remain one of the fastest-growing providers of mobile communications worldwide.

The company put industrial ownership at the top of the agenda, emphasizing that the importance for "T" was to be an industrial investor that develops industrial competence in WOSs from a long-term perspective.

The company continued its international development, hunting "green fields"[56], supported by an active M&A strategy and targeting those investments with high possibilities for growth. Thus, in this period, "T" continued its international expansion, mostly in Asia and in a few projects in Europe, strengthening its footprint in global markets.

At the same time, "T" concentrated its focus on the processes of building corporate governance, a common corporate culture and a common managerial system:

1). "T" changed its name to "T" Group (in this research, "T" will be used), in order to underline the size of the company as an MNC, its global footprint and a new strategy: "Different companies – one Group" ("T" website, 2013). 2). "T" started to *define itself as an MNC* and announced organizational changes, aiming to be structured as an MNC. It can be defined as an *"internationalization processes inside organization"*: new internal routines were established, in order to have a greater focus on performance management. *Business Reviews* related to the performance in "regions/cluster" presented by the responsible manages to the CEO and CFO (Chief Financial Officer), were implemented; *"the best practice idea"* was announced, aiming to transfer the best "know-how" solutions from different subsidiaries across the whole group.

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[56] A green field investment is a type of foreign direct investment (FDI) where a parent company builds its operations in a foreign country from the ground up. In addition to the construction of new production facilities, these projects can also include the building of new distribution hubs, offices and living quarters https://www.investopedia.com/terms/g/greenfield

7.1. Antecedent conditions

1. Opportunities to make new investments in Europe and Asia.

There were several opportunities to obtain licenses for investments during this period, mostly for several reasons:

- "T" had enough capital to invest in the projects that were available for acquisition, according to develop and strengthen its Cluster - strategy

- Being a global player in the markets, "T" had gathered enough knowledge and competence, and could create value in international subsidiaries

- There were active processes of M&A, in both Europe and Asia that led to opportunities for investment, when "T" participated in auctions and won. As an example, in connection with the investments in Bulgaria in 2013, "T"'s CEO underlined the skills, beneficial for the development of the local markets.

Based on our experience in "T"'s well-performing operations in the region, we strongly believe that we will be able to create value in the Bulgarian market. By contributing with our scale and experience to Gl[57] competence and market knowledge, we can offer even better quality and more advanced services to Bulgarian customers. (Press release, website, 2013)

2. Technological development in telecommunications opened up opportunities for mobile operators to create advanced services and new products.

During this period, new services, like e-pay, e-finance, e-commerce, e-medicine, were developed. The traditional operators faced the new reality when the content providers started to be both important players on the telecommunication market and, at the same time, serious competitors to the established telecommunication operators in the mobile companies' markets.

[57] A company in Bulgaria, later on - "T" Bulgaria

3. Several new international arenas started to play an important role in discussions related to coordinating a common mindset to design

the further development of society, where the impact of mobile communication is significant. "T" became an active participant in these arenas as a global player, influencing the decisions of the telecommunication community, in relation to the technology, markets and legislation, and being influenced itself.

One of the most influential arenas, The GSMA[58] Mobile World Congress (hereafter in the text, GSMA), started to be one of the most important arenas for telecommunication companies aiming to create a network among the decision-makers in this field, in order to create synergy effects and to contribute to the development of telecommunication services, to meet the needs of the world society. GSMA is the world's largest exhibition for the mobile industry, incorporating a thought-leadership conference that features prominent executives, representing mobile operators, device manufacturers, technology providers, vendors and content owners from across the world (website, GSMA)[59].

The GSMA represents the interests of mobile operators worldwide, uniting more than 750 operators with over 350 companies in the broader mobile ecosystem, including handset and device makers, software companies, equipment providers and Internet companies, as well as organizations in the adjacent industry sectors. The GSMA also produces the industry-leading Mobile World Congress events, held annually in Barcelona, Los Angeles and Shanghai, as well as the Mobile 360 Series of regional conferences in different countries in the world (ibid.).

"T" became an active member of the GSMA, networking from the beginning of 2001, first as contributor to the working groups as an experienced telecommunication operator. The primary idea for the working groups was to provide competence, in order to support a forum for consensus building and harmonization among members, concerning the setting of frameworks and standards in respect of operational matters (ibid.). When the CEO of "T" was, first, the deputy Chairman of the GSMA BoD from 2010 to 2013, and the Chairman of the BoD from 2014 to 2016, "T"'s activities in the GSMA Forum increased; special staff were employed in HQ, to provide the maximum professional synergies

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[58] Arena that represents the interests of mobile operators worldwide, uniting the broader mobile ecosystem, including handset and device makers, software companies, equipment providers and internet companies, as well as organizations in adjacent industry sectors. Information is taken from: www.cdma.com

[59] Information is taken from https://mwcbarcelona.com

of the participation in GSMA organs. The close cooperation between "T" and other global operators, members of GSMA, concerned developing and maintaining the guidelines, recommendations and processes necessary to support efficient roaming, interconnection and interworking; providing the enablers necessary for the successful development and rollout of new services, and collaborating across the GSMA membership to provide expert input and contributions where necessary (ibid.). Such close co-operation between all GSMA members had a serious impact on the technological development of "T" and extended its horizons as an MNC.

7.2. International strategy during Phase 4: "A time to plant, and a time to pluck up that which is planted" (Paulo Coelho)

During this period, "T" was focused on building itself as an MNC – in both the continuing international expansion and strengthening of the cluster mindset, and the "internationalization of organization" at all levels – from top management to ordinary employees in both HQ and the subsidiaries.

1. "T" continued investing in the new markets and strengthened its cluster-based business strategy.

"T" strengthened its position in Asia and Europe, supporting the geographical "cluster-thinking" that was described in the previous chapter, to combine the operations in one geographic area and similar culture into one cluster. A head of each cluster was appointed and became a member of the Executive Board of "T", in order to link the activities abroad even more closely to the top level. In this period, "T" nuanced the previous cluster-thinking that was described in Chapter 6. Norway had been included in the Scandinavian cluster, making Scandinavia the domestic market. That led to closer co-operation and synergy-building among three Scandinavian countries. In Eastern and Central Europe, two WOSs or OpCos[60], as "T" started to call WOSs, were added to the Eastern and Central European Cluster: Serbia (2009) and Bulgaria (2010). The Asian cluster had experienced high growth, and several OpCos had been added to the portfolio: Pakistan (2006), India (2009), and Myanmar (2011). In 2012, the thinking on the cluster strategy "turned" again. "T" announced the "cluster-based business model" (annual report, 2013). This model included the use of *synergy effects*, a popular phrase among business

[60] WOS is a definition, used in this study, describing the 100%-owned subsidiary abroad. OpCO is an operational company. The definition started to be used in "T"'s HQ during the "Different companies – one Group" phase, in order to underline HQ's involvement in its subsidiaries abroad at the operational level. This study will continue to use WOS

companies, meaning a situation when several entities or companies working together bring a particularly fruitful effect, greater than the efforts of a single company.

In “T”, the synergy effect in the cluster meant close co-operation across national borders within a geographical cluster, in order to improve the operational excellence and business performance. That resulted in the opening of operational business centers that would coordinate the activities inside each cluster.

Although Norway was a natural part of the Scandinavian cluster. It was taken out of the Scandinavian cluster portfolio and cultivated as a pure domestic market, in order to underline the importance of having a focus on their own local markets and local customers. Thus, during this process, two operational centers were opened: one in Norway, looking for synergy in Sweden and Denmark, the second in Serbia, managing the operations in Central Europe. These operational centers were managed from HQ and coordinated the synergy of OpCos from operational perspectives across country borders; technology and marketing were the focus. The third cluster was the Asian one, which included the whole Asian portfolio.

The Asian portfolio was different from the Central European one; there were OpCos with different levels of ownership: there were JVs in Bangladesh and Malaysia (the rest of the OpCos were WOSs). This was a reason why an operational center was not opened in Asia: the OpCos of the different levels of “T”’s ownership did not give “T” the opportunity to build common technological and managerial skills, due to the limitations of the licensing conditions that regulated certain activities at the national level and did not allow activities to be established across borders.

Thus, in the Asian cluster, the “operational center” was replaced by the idea of building “a little” “T”’s HQ in the form of a large country office in Bangkok. The whole management team responsible for the Asian region – both Norwegians and employees from other nationalities – moved to Bangkok. Firstly, it was important to save travel expenses and the time taken for business trips for employees who traveled from Norway to Asia. Secondly, it a was a short way from Bangkok to India, Pakistan, Bangladesh, Malaysia and, later, to Myanmar, in order to manage all the operations as a cluster. Thirdly, the executives and managerial staff who administered the Asian office could utilize the local presence and build up the Asian organization, reaping the benefits of working in local environments. “T” could update experience and knowledge from the Asian market, build a strong network and connections with the authorities and decision-makers.

The only operation that was not in any cluster – and was operated as an important JV because of the size of the markets the operation included – was VCom: a JV with Russian co-owners that itself was constructed as a cluster-based operation, having clusters in Russia, the CIS[61] region, Western Europe, and Asia.

Table 7.2. The portfolio for "T"'s mobile projects, 2013

Company	Markets	Percentage owned
Scandinavian Cluster:		
T Sweden	Sweden	100%
T Denmark	Denmark	100%
Asian Cluster:		
DT	Thailand	69.3%
DG	Malaysia	49%
T Myanmar	Myanmar	100%
GRPh	Bangladesh	55.8%
T Pakistan	Pakistan	100%
UNI[62]	India	From 60% (2009) to 100% (2013)
CEE[63] Cluster:		
T Hungary	Hungary	100%
T Montenegro	Montenegro	100%
T Serbia	Serbia	100%
T Bulgaria	Bulgaria	100%
JVs without cluster:		
VCom LtD	HQ Nederland	33%

[61] CIS - Commonwealth of Independent States an alliance of former Soviet republics formed in December 1991, including Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russian Federation, Tajikistan, and Uzbekistan (http://www.cisstat.com/eng/)

[62] JV in India, and later on - the WOS

[63] CEE – Central Eastern Europe. Hereafter in the text, it will be used CEE.

2. “T” changed its name to “T” Group (in this research, “T” will be used), in order to underline the size of the company and a new strategy: “Different companies – one Group” (“T”’s website).

Membership of the “MNC executive club” demanded organizational changes in “T”. Internationalization of the organization.

“T” changed its name to “T” Group, underlining the importance of building one company, despite the fact that “T” had consisted of 13 mobile operations abroad and one operation in Norway. In addition to mobile operations, “T” had several operations in other business areas than mobile, such as broadcast and satellite communication. “T” proclaimed the strategy: “Different companies – one Group”, which included the following important activities:

1) “T” Group changed the language in the company: English started to be the corporate language. This means that mail communication was switched to English (mostly for Group activities, which included close co-operation with the subsidiaries; “T” Norway mostly used Norwegian). All the governing documents were produced in English. All presentations on behalf of “T” Group were produced in English.

2) A “chat” mode and Facebook were opened on the intranet that functioned “direct line” with voices from abroad. “T” started to arrange “Group campaigns” via the intranet, in order to create a “family feeling” across the Group, such as sending pictures from your holiday and telling about the favorite places you visited, quizzes, competitions for employees for the best name, or good ideas. Such activities via the common intranet were appreciated by employees of the subsidiaries and created a feeling of common values and one community: a citizenship of “T”.

3) Both intranet and extranet started to be built to the same design, created in HQ (with exceptions in the JVs). The common intranet functioned as an important tool regarding information from the Group, events, benefits for employees, etc. “T” Group intranet was produced in English and connected to the subsidiaries that had the intranet in two languages: local and English. “T” Norway also had the intranet in two languages: Norwegian and English. In this connection, employees across the Group could be updated on HQ’s and local news, order facilities where they were needed, apply for vacancies, and find relevant information about Group policy, etc.

4) Group-building was the central idea behind the development and implementation of "T"'s common governance. "T" realized that active international expansion, global presence and the size of the investments outside Norway demanded a strong and professional organization.

"T" started to promote itself as the MNC, understanding that that the company needs to start changes in the organization.

> We had joined the executive club of MNCs, and that placed MNC – thinking on the agenda for the top managers, and later it was transferred to the whole organization. We needed changes for the whole organization. (Interview with one of the executives, who worked in HR, 2016)

The staff of different professional services were organized across the subsidiaries under the management of the Group. For example, once a year, the head of the Group entity from HQ invited all colleagues from the same entities from the subsidiaries to an annual meeting to discuss important issues, such as strategy, good practice, etc. Thus, the Head of Group Communication invited all leaders for communication activities from all the countries, as did other heads of the corporate or Group entities: legal services, corporate affairs services, technical services, etc. The Head of Corporate Staff Services worked not only with his group in Norway, but with the staff in the subsidiaries. The same model was described in the previous chapter, in relation to the CEO's activities regarding TMB [64]. The Group Staff leaders started the same practice, as did the CEO. The described activities supported the building of common practices and common thinking, regarding business, and connected the subsidiaries more closely to HQ.

At the same time, the HR department developed a common platform for the shared services connected to HR issues, such as the "T" Development Platform – a performance platform to support the performance result for each employee in the Group. Other common services related to salary, trip-reporting documents, different leaves, etc. were launched.

[64] TMB – Top management Board – arena for the top management in "T".

3. Strong focus on ethical issues; the role of the state as an owner started to be visible when unethical issues became known. TW became important as a managerial platform.

As managerial governance in this period, TW started to have a greater focus on how to build a common corporate culture and governance, aiming to highlight the behavioral aspects of being a “T” employee in a global company. The issue of sustainability and corporate social responsibility (CSR) started to be in focus. The CSR department was established during this period in 2005.

Several critical publications appeared in the media, in relation to operations abroad: Bangladesh (a case related to the issue of ownership, which was discussed even under the ceremony for the Nobel prize in 2008 (a co-partner from Bangladesh accused “T” of not following the shareholders’ agreement); several cases were related to “T”’s use of child labor (Pakistan, 2008; Bangladesh, 2008; Myanmar, 2014); Health and Environmental Safety cases in Pakistan (2008) and Myanmar (2014). Following these, “T” started intense work on Health, Environment and Security issues; a special department was established that started working on the obligatory procedures and rules across the whole Group.

During this period, several serious issues of corruption were reported.

Thus, in 2011, an Indian co-partner and Chairman in UNI was accused of corruption in India and was arrested. “T” requested that he step down from his position.

On 19th October 2016, ABS News wrote that “T” “suddenly realized” that 96% of its customers live in countries with extremely high levels of corruption. Thus, according to the Transparency International Corruption Index (CPI), India is in 76th place, Bangladesh in 139th place, and Myanmar is in the 147th place in the world. This is compared, for example, to Denmark in 1st place and Norway in 5th place.

There is a question as to why this “realization” came too late and it took a very long time for HQ to implement a systematic control system that could prevent several serious cases of corruption, the unethical use of child labor and issues of unsafety during the work process for several subcontractors in Asia. Does it mean that the control mechanism had not functioned as intended? Several comments from “T”’s top management, in relation to the issues of both unethical work conditions in Asia and corruption, indicate that *"T" was not prepared for these issues and was surprised when the cases were disclosed by the media.* "We made some small mistakes before, but we never discovered such serious circumstances" (E24, 21.05.2008). It was stated that "T" entrusted its main contractors with how the work had been done. "The case shows that the main contractors were more occupied with the quality of the results than in checking the work conditions and work process" (ibid.). Based on a program made by Danish TV and shown on TV2[65] in Norway in 2008, E24 wrote that, when the inspectors from the JV in Bangladesh came to the working place where the local employees performed their tasks under the supervision of the subcontractors, the workers used helmets; after the inspectors had left, the workers took the helmets and other protection off. "The alarm regarding the fact that the security instructions were not being followed should have rung for us, but it did not," one of the managers in "T" stated to E24 (ibid.).

Second, "T" admitted that the constructors used child labor[66], when the pictures from the documentary showed that boys aged below 14 years were working in workplaces with dangerous constructions and without protective gear. "T" stated that its JV in Bangladesh immediately started investigations and identified that the child labor was used: not by a subcontractor to JV but by a subcontractor to a supplier of construction services.

This clearly shows the dilemmas we face when doing business in developing countries. "T" […] is systematically working to evaluate and develop health, safety and environmental issues with our subcontractors, but there will always be challenges in developing countries and we have in the past few months concentrated on those that we are in direct relationship with. When we or others reveal unacceptable conditions further down the value chain, we will of course respond. We are now on to the case. (Press release, 2008)

"T" stated that its JV in Bangladesh had more than 700 suppliers and had, as a part of its efforts to improve conditions, already conducted audits and courses at more than 160 suppliers. The progress of this work was good, and substantial improvements might now be observed in all these suppliers. The BoD in the JV was informed, and all the board members expressed great satisfaction with the progress of this work.

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[65] "Et tårn av løfter", a documentary by Tom Heinemann, 2008.
[66] "T"'s press release 4.11. 2008 (www."T".com)

“T” admitted that there are many countries in its portfolio, such as Bangladesh, Pakistan, Malaysia and Thailand, where child labor is a tradition, and this is a big ethical dilemma for “T”.

“It is a fact that our presence and long-term work in countries like Bangladesh yield positive spin-offs for the society as such. Dangerous working conditions, including child labour, are a major problem in Bangladesh. Neither [“T”’s JV] or “T” […], however, take responsibility for all social wrongdoings in Bangladesh, but we have taken our share of the responsibility to improve conditions with our suppliers and to work for long-term improvements in all the communities where we operate” (ibid.).

One of the executives in “T”, who worked with the cases in Bangladesh, said in an interview with NRK[67] (2008), that “T” had experienced *tremendous speed* in its internationalization and, in a short time, had developed from a state-owned monopolist, concentrating on domestic issues, to being the sixth largest telecommunication company, with 172 million customers in 14 countries with 40,000 employees (2008). That explained that “*T”’s routines were developed in the same tempo as the development of the international activities.*

Third, according to the report, “Governing Corporate Social Responsibility: An Assessment of the Contribution of the UN Global Compact to CSR Strategies in the Telecommunications Industry” (Runhaar and Lafferty, 2009), *“T” did not have control mechanisms over the subcontractors.*

The evidence presented above shows that “T” had to do more work on the issue of control: not just in relation to the ethical issues related to child labor and safety, but also on the whole scope of the control mechanisms related to operations abroad, especially in countries where the traditions of doing business are so different from Norwegian culture.

After the above-described challenging situations regarding ethical issues, the Norwegian state, as the main shareholder in “T” (53.97%), came with clear demands to implement the necessary measures for awareness in relation to the ethical way to do business. “T” needed to increase its work regarding questions of sustainability: an anticorruption policy, related to the guidelines and strict rules concerning the ethical way to do business.

[67] Norwegian state-owned TV channel

In 2008, “T”’s BoD established four committees: The People and Governance Committee, the Sustainability and Compliance Committee, the Risk and Audit Committee and the Innovation and Technology Committee, all of which were preparatory working committees of the BoD.

The Risk and Audit Committee supported the BoD’s responsibilities, with respect to financial reporting, internal controls, internal and external audit, risk management and risk framework, and was established in accordance with the requirements for Audit Committees in the Norwegian Public Limited Companies Act.

The People and Governance Committee supported the BoD’s responsibilities, with respect to governance, remuneration, strategic human capital management, diversity and cultural development.

The Sustainability and Compliance Committee supported the BoD’s responsibilities, with respect to addressing sustainability and the scope of compliance for the committee. In its work, the committee is guided by international conventions and guidance, “T”’s Code of Conduct, policies and manuals relevant to the scope of the CCR. The committee also supports the Board in fulfilling its responsibilities to specifically address climate & environment, human rights, labor standards, and anti-corruption.

The Innovation and Technology Committee supports the BoD in its responsibilities with respect to innovation and technology development.

“T” announced the strengthening of its practice, via the Code of Conduct, related, among other things to bribery. Corruption has always been in focus in the company, but, during this phase of internationalization, “T” started more systematic work dedicated to this issue.

The practice of giving and receiving gifts was tightened up (2012) and followed, later (2016), by the introduction of a *No Gift Policy*, which added to the company’s existing efforts to drive ethical standards throughout its operations. Under the policy, “T” and its employees are not allowed to receive gifts from or offer gifts to business partners and external stakeholders. Branded corporate merchandise items and activities related to corporate events are exempted, subject to certain criteria being met (“T”’s press release, 2016).

“T” announced the concept of “zero tolerance” to corruption (2012) and stated that ethics and transparency are central to “T”’s business. “T”’s zero tolerance regarding corruption and ethical standards is set out in its Code of Conduct and in its anti-corruption policies.

“T” also requires that suppliers and third parties that have a direct contractual relationship or offer products or services to the company must comply with its Supplier Conduct Principles, which define the minimum standards that “T” expects to see achieved over time, including on ethics and anti-corruption tests (“T”’s press release, 2012).

“T”’s BoD adopted the governance document related to ethical norms in doing business.[68] In addition, the anti-corruption whistleblower line was opened on the website in 2015, after the big corruption scandal in “T”’s JV, VCom.

7.3. Control mechanisms to achieve influence during Phase 4 of “T”’s process of internationalization

<u>Ownership</u>: compulsory WOS (100% ownership), with some exceptions, where it was not possible to achieve 100% ownership but, at the same, presence in the market was strategically important.

Several respondents mentioned that investing in countries with a high level of potential corruption and political risks made it important to follow the strict financial routines from HQ in respect of the subsidiaries. It was stated that “T” had even further strengthened the system of common reporting when the responsible staff from HQ’s financial department followed the approved procedures regarding each WOS and each JV. At the same time, each cluster had its own financial controller, to follow the WOSs and JVs in the cluster. This financial controller worked closely with the financial departments in the WOSs and JVs that prepared the first draft for the financial report per quarter, before this document was approved in the cluster and then forwarded to Group Finance. These reports had to be produced in a strict policy from HQ and presented during the Business Reviews for the CEO and top management. This means that the established financial reporting had several “rounds of control” that should secure the matter of influence from HQ and provide opportunities to discover unproper issues and unproper reporting. At the same time, the business controllers from HQ admitted that this

[68] (Redegjørelse for eierstyring og selskapsledelse, 2014).

system worked only because "T" both owned 100% in the subsidiaries and established corporate governance with the strict routines of financial control. In addition, it was mentioned that the whole process depended on real and proper information "from the ground", meaning that information from the subsidiaries should be reliable and based on real information from the operations, without anything being hidden (Conversation with one of the experienced financial managers, 2015).

A story of corruption in Uzbekistan can illustrate that the established financial routines from HQ picked up a large example of corruption in one of "T"'s JV systems. Although "T" was not the direct owner in Uzbekistan, but via a JV that had dedicated financial structures in the Netherlands that should have discovered the case of corruption, the corruption was not discovered. However, a controller from HQ in "T", checking the routine financial information about the subsidiary of "T"'s subsidiary in Uzbekistan, discovered payments that had not been properly reported. This example shows that the established financial control functions in HQ, as corporate governance for all subsidiaries, are extremely important in order to have influence, especially in relation to JVs. The whole "Uzbekistan" case illustrated that there should be established routines for when the controllers from HQ will get the information from WOSs, JVs and JVs to JVs, and other entities in the chain that follows. One of the respondents admitted that there are limitations on which level in the chain it is possible to utilize the control function. In the respondent's experience, this control stops at the maximum second or third level (Conversation with an experienced manager, 2015). Another respondent again confirmed the importance of having a proper Management Agreement in JVs, so long as it secures a practical approach in the framework for the protection of the rights of the co-owners and the principles of common governance in JVs, on which all the co-owners are agreed.

Thus, the ownership issue, regarding how to control subsidiaries abroad during Phase 4, shows that there are few JVs in "T"'s portfolio: all of them in strategically important markets, where legislation did not allow "T" to be an owner in WOS. While there are substantial challenges in controlling JVs, "T" should consider how important it is to be a co-owner in a JV, and whether HQ has enough mechanisms to establish influence. The mechanism of financial control via ownership should be supported by other mechanisms of control, using the whole scope of existing mechanisms in "T".

"T" concluded that WOS is the form of ownership in "T"'s portfolio that allows it to utilize the functions of control that could provide a total-control situation, where the matter of influence will be established. As mentioned in Chapter 6, the WOS should be supported by a strong governance system from HQ that will trigger the establishment of the scope or package of different controls, described by one respondent as: “a chain of controls”, so long as the FC leads to SC and OC and, further, to BC.

BoDs in subsidiaries: did they start to be a pro forma because of the strong centralization of the routines and mechanisms of control in HQ for achieving total influence?

One respondent (Interview, 2017) indicated that HQ had achieved strong influence and control in the subsidiaries via the BoD, by establishing the system described in Chapter 6.

> We had a good system when the Chairman of the BoD had a link to the top of “T”, also being at the top of “T” himself, and at the same time worked closely with the CEO in the subsidiary and top management. (Interview with a former manager in HQ involved in international operations, 2017)

But, at the end of this period, the direct link between the CEOs in the subsidiaries and the CEO of “T”, and the top managers in HQ, strengthened the role of the CEO in the subsidiary but weakened the role of the BoD.

> I understand that top management and the CEO from HQ wanted to have more influence and to be more involved in operations. But it is wrong when the CEO in the subsidiaries can be very close to the CEO of “T”, and the Chairman of the BoD can be simply bypassed. (Interview with an experienced manager, 2017)

This interview illustrates that the process of the strong centralization of power from HQ, in relation to the operational link to the subsidiaries, affected the established balance between the BoD in the subsidiaries – operations in subsidiaries and the involvement of the CEO and top management in operations abroad. During this period, such tendencies of such centralization were noticed, but the respondents emphasized that the role of the BoD in subsidiaries became weaker, and the level of influence and control from HQ became stronger. The respondents confirmed again that the strong centralization of power in HQ minimized the role of the BoD as an independent mechanism of influence and control. The respondent noted: “Everything started having to be decided at HQ” (ibid.).

The presented interviews were helpful in reaching an understanding of how the mechanism of the BoD's function during Phase 4 of internationalization changed, when the routines of strong centralization were established at HQ. The BoD lost its independency and became weaker, in terms of its influence in the subsidiaries. Some of its functions were transferred to the staff at HQ. The changes in the role of the BoD and the consequences for the operations were discussed with the respondents. One respondent explained the following:

> Despite that "T" had WOSs and expected to have influence that has been utilized through the control mechanisms designed at HQ, it is important to be sure that the corporate governance in the subsidiaries are implemented and practicing. Thus, it was important both for the HQ and subsidiaries which have the BoD as the supreme governing body, meaning to utilize the best solutions and decisions in the concrete company in the framework of the decided rules and routines, keep this practice. The subsidiaries should have opportunities to use the local approach and the local understanding of how to do business. The respondent used the example that, when TW was designed, in the period of active consolidation of JVs, "T" could use the model – which is used in many MNCs – to have a thick book with detailed guidelines. "T"'s HR staff decided that it is most important to not have so many rules but that these rules should be based on common values, and the practice should be local. The respondent underlined the importance of the local context (Conversation with one of the HR managers, 2016).

<u>Expatriates</u>: Expatriates started to be a pool of high professionals in the top positions in the subsidiaries.

The expatriates started to play an important role in establishing the processes of understanding and implementation of corporate governance and corporate culture in the subsidiaries abroad, in accordance with TW, to develop common corporate governance and culture, for both HQ and the subsidiaries. In this connection, each expatriate – now the CEO and executives of a "T" subsidiary – started to be significant key persons, playing an important role in the global business community that demanded special skills: professional, managerial and individual. Most respondents associated the institution of expatriates with the important role of being a "mainstay" in a subsidiary, in order to provide the key values from HQ and watch the processes in operation. This informant emphasized the importance of expatriates as carriers of HQ's *DNA* to the subsidiaries.

> Expatriates had a key role; they had to be in the executive positions. They were active in projects and connected the subsidiaries and HQ. They provided governance. Expatriates played a serious role in influencing the employees in subsidiaries, by representing the culture and norms from HQ and, at the same time, following the business. They were mediators who understood the local employees and provided information back to HQ. (Former SVP, interview 2016)

> … expatriates are supposed to be people of high competence who have a high level of professional skills and understand well the values of "T". In other words, expatriates should have "T"'s DNA", in order to implement the strategy, practice and values of HQ in the subsidiaries… It is important to have executives in subsidiaries that we know well, that have "T"'s DNA… We needed to provide the same standards and the same business culture as at HQ. They could choose the staff around them. Now they can communicate in English, it makes the communication better. (A former EVP, interview, 2017)

Local employees should get HQ's "DNA" via practice – working together with Norwegians at HQ and in the subsidiaries, being involved in different network arenas in a Group – HQ and subsidiaries together. The expatriates were forced to pay more attention to values and governance. The "institution of expatriates" is closely connected to the professional teams from HQ responsible for the different skills; these teams can always be used as high-level consultants or experts from HQ. Those employees are not long-term executive expatriates but temporary/short-term expatriates, used by the executive expatriates in concrete purposes, in order to train the local staff or to solve certain concrete problems. At the same time, the executive expatriates are closely connected to the top management on the issues of the development of strategy and the strategic development of "T". In addition, the expatriates are the executives in the subsidiaries themselves, providing operational excellence in the framework of the corporate strategy.

> When the expatriates were established as a team, we did not talk about DNA – this came later, when the institution was established – high professionals that understood and provided "T"'s values and "T"'s governance. You could call them a professional pool. (ibid.)

HQ either trained or hired expatriates as carriers of its DNA. “T” established a “DNA pool” of expatriates, in order to provide the right recruitment in the key positions. Special criteria to be a part of the “DNA pool” were decided among the HQ’s executives, who were responsible for the personal selecting of expatriates for the CEO positions in WOSs, one of which is experience working internationally. On the question of how the recruitment took place, a former HR Executive VP explained:

> “T”’s top executives were responsible for the recruitment of the CEOs in WOSs (other expatriates in WOS were recruited by the CEO of WOS in coordination with HR and executives responsible for the region). The photographs of the actual candidates prepared by HR and the executives responsible for the region needing the CEO/CEOs were placed on the wall as in a fair. The members of the Executive Board of “T” walked from picture to picture and put their remarks on a paper near the picture – both positive and negative comments. After several rounds, the discussion and opinion exchanges followed. The important criteria were that a person should have leadership experience and experience of working internationally. There were, of course, other important criteria as well, related to professional skills. This tool worked well, [but] sometimes the wrong person was appointed to the position – the personal skills were not paid much attention on, unfortunately. But we always managed to correct it. The CEO had the last word. (Former EVP, interview 2017)

Another interviewee confirmed that the principle of best practice also had an impact on the process of appointing expatriates.

> Proclaiming the idea of “Different companies – one group”, we meant having the common guidelines of doing business and our corporate governance and culture, but, at the same time, we wanted to transfer the best practice from all subsidiaries into common use. We could select what is the best not just for one country, or one region, but for the whole group. The same applies with expatriates – we take the best practice performed by expatriates to different subsidiaries. (Former executive manager, worked a lot abroad, 2016)

There were several interviews, which described that the expatriates should still be Scandinavians. One of the respondents explained:

> Foreigners who cannot represent "'T''s DNA"– being a good professional – could not be expatriates; they didn't understand the issue of culture, values and governance, being influenced by their own culture. (Interview with an employee in HQ, who worked abroad a lot, in both Europe and Asia)

At the same time, "T" started to include more and more non-Scandinavian-by-nationality employees in the "DNA pool" of expatriates.

> The company developed as a global entity; we had many executives working in different positions around the world. The top management decided that all employees who had the ambition to be appointed to an executive position, in either HQ or the subsidiaries, should have the experience of working internationally. This means that more and more expatriates of different nationalities came into the Group. But they had to have the same DNA approach, in order to transfer it to the employees in the subsidiaries: "T"'s DNA based on "T"'s governance. (Former EVP, responsible for HR, interview 2016)

During the last years of this period, more and more foreigners were included in the "expatriates' DNA pool"; they were invited from the different subsidiaries. "T" started to practice the principle of rotation: the expatriates could transfer the best knowledge and best practice from one subsidiary to another. The appointment of the executives to HQ started to be connected to the issue of being from the "expatriates' DNA pool". No executive was appointed to the position of executive, unless that person had worked abroad in the subsidiaries.

<u>CCR</u>: New "TW" is a governing platform for "T" that presents the new managerial relationship and behavioral framework from "T" as an MNC.

Here is how TW was presented on "T"'s website up to the beginning of November 2014:
The TW links the different elements of our culture and defines and structures how we do business through Vision, Mission and Values, Code of Conduct, Governing Documents and Leadership Expectations.

In “T” Group you are encouraged to make your own choices and to find the best approach to your work. You have freedom, but you also have a responsibility to act according to the standards we have in “T”. In other words, you must know what is valued and what is unacceptable. (“T”’s intranet, 2013)

According to “T” the following elements define the behavior that is expected of employees in “T” Group: Our Vision (Empower societies) – “we provide the power of digital communication, enabling everyone to improve their lives, build societies and secure a better future for all” (ibid.). Our mission – “we’re here to help our customers – we exist to help our customers get the full benefit of being connected” (ibid.); Our values (Make it easy; Keep promises; Be inspiring; Be respectful) “serve as a guide for our everyday work and describe how we should serve our customers and work together as colleagues” (ibid.); Code of Conduct defines the core principles and ethical standards by which we create value in our company; Leadership Expectations (Passion for business; Change and continuous improvement; Excellent execution; Empower people; Integrity and accountability).

TW was in the process of change from 2004. Thus, in June 2014, the EVP Head of People Development (PD)[69] presented for Group Executive Management (GEM) the revised concept of TW and a plan for its implementation that was approved by the leadership of “T”.

The concept was adopted and published on “T”’s website in November 2014. “TW is the foundation for our business, standards for how we do business” (“T”’s intranet, November 2014). The new version of TW now includes Vision, Mission, updated Code of Conduct, Values and new Leadership Attitudes. Leadership Attitudes now consist of four specific values that leaders in “T” must incorporate in their managerial style (4Es): **E**xplore, which means *Innovation* and encourages leaders to be innovative; **E**ngage, which means Collaboration and encourages leaders to be cooperative across “T”; **E**mpower, which encourages leaders to enable team members to find the best solution; and **E**xecute, which encourages leaders to retain “T”’s strong results orientation. *At the same time, the Policies and Manuals are no longer part of TW, which was explained by the need for simplification of TW (“this change was made to simplify the TW” (ibid.).*

Another adjustment in TW’s concept that has been introduced in TW is *TW Commitment.* As defined by “T”, *TW Commitment* “spells out what you sign up for when you join ‘T’ and allows all of us to reflect on this” (ibid.).

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[69] “T’’s Human Resources – HR

The Code of Conduct has been upgraded, in order to "reflect the development of 'T''s business and changes in society that require an even sharper focus on issues such as corruption, conflict of interest, terrorism, cybercrime and fraud" ("T"'s intranet, 2014).

The important part of the previous TW, such as *Policies and Manuals* has been taken away from the new version of TW. "T" explains that, since policies and supporting manuals are relevant just in certain internal processes or just for certain groups of employees or for all employees (like a sourcing policy, accounting policy and a brand management policy), it was decided to take them out of the TW (ibid.)

> As of the important elements in TW, as Governing Documents - presentation of minimum set of formal standards for how to be a good corporate citizen, has been incorporated in "T" Group. We did not need these documents in TW. (Interview with a former Director for TW process in "T", 2014)

The essential changes in the new version of TW were connected to the statement that "T"'s culture is connected to issue of values. Thus, if, previously, it was informed that TW was based on Scandinavian values ("In 2005, we pointed to our Scandinavian heritage in our messages") (ibid.), now "T" is an organization where "ideas, practices and people flow in many more directions" (ibid.). "T" did not explain in detail about the issue of values but further linked the information about values to the question of corporate culture.

What was the reason for the refocusing of TW?
We must continue to build a strong culture across all "T" markets as the basis for our long-term success. That's why we have now refocused the TW. (A former President and CEO of "T", "T"'s intranet, 2014)

Explaining the idea of establishing a common corporate culture, "T"'s management declared that, "We are moving from a *holding-company approach* to a more *collaborative united force*, where we will build a common culture and stimulate best practice sharing and co-operation between markets, while maintaining the local edge and market relevance" (ibid.).

The new "T" illustrates that the process of centralization was important for "T" in this period. "T" focused on the issue of *behavior*-based values, with the development of a kind of "'T' citizenship".

That's why implementation of the *Commitment* is a behavioral confirmation of belonging to "T"'s family. "T" linked TW to the behavior aspects of control, since employees had to sign a document, committing themselves to follow the approved rules and ethical conduct. At the same time, the new version of the Code of Conduct strengthened the behavioral attitude to the ethical question, making the employee responsible for not following the rules. Leadership Expectations had the same function: behavior control of managers in "T"; if top management proclaimed their commitment to follow the expected behavior as "T"'s leaders, they should follow it themselves.

Thus, the CEO of "T" stated:

> Management expectations are embodied and formulated on our website, and here everyone can enter and see that leadership in "T" will be exercised with transparency, integrity, clarity and passion. Management in a company such as "T", with so many employees, with so many departments, countries and cultures, is a demanding exercise. That's why it can be measurable, when everyone's expectations for good leadership in all contexts and expectations can be adjusted regularly with the company's development.
>
> We conduct an annual internal survey, in which all workers evaluate the company's management, vision and values. Periodically, we use ratings and reports on each individual manager. Also, as a senior manager, I get a score from the staff and the people around me, whom I have to deal with. So, I needed to change myself a little each time. (Conversation, 2015)

From the interviews presented above, it follows that, through TW, the corporate rules (CCR) started to be more focused on the issue of behavior, representing behavior control. TW aims to support its governing structures in building the corporate culture, that, as "T" proclaimed, will be built – not on Scandinavian values, as written in TW from 2004/5, but on universal values, since "T" is becoming an MNC, representing many national cultures, and should find a common basis.

<u>CEO</u>: new routines in line with MNC practice worldwide: business reviews, top management support institution, profiling in the VIP international Business and Political arenas (World Economic Forum, St. Petersburg Economic Forum, GSMA World Congress in Barcelona, etc.).

One of the priorities for the CEO was to establish new business practices that would give him an opportunity to be closely informed about all the business activities across “T”.

> The CEO and CFO have changed the practice of reporting. Business reviews were started when the financial controls, TMSs, leaders of cluster reported on the financial and other activities in WOS. It is a hard, but useful dialogue. The CEO is a front person in the quarterly reporting. He has to know everything. The same is related to Capital Day – a meeting with the business analysts, journalists, investors. (Conversation with a financial manager, 2016)

The institution of Top Management Support (TMS) (see Chapter 6) was strengthened, TMSs became obligatory members of the BoDs in the companies they were responsible for. The CEO strengthened direct contact with the TMS via the business review practice.

At the same time, several respondents described that the CEO and his staff established several arenas for the CEOs in the subsidiaries, in addition to MMB (Mobile Management Board), described in a previous chapter. The CEO himself visited subsidiaries; the CEOs were invited to all top management events that were established by the initiative of the CEO. The CEO included the CEOs in the subsidiaries in the pool of executives that he used, in order to rotate the executives abroad or to place in HQ.

Understanding the importance of the CEO’s role in promoting “T” as a global company, the CEO started his active participation in the international business arenas. He began to participate in the World Economic Forum, the GEM Congress in Barcelona, the St. Petersburg Economic Forum and the Asian Economic Forum.

The CEO was selected for the BoD of the Global Mobile Congress in Barcelona and used this arena to both promote “T” and establish good links between “T”’s executives and the executives from foreign MNCs. The CEOs in the subsidiaries, the staff in “T”, were a kind of “T” pool in this process. The

CEO knew the organization well and used informal ways to approach people, often ignoring the previously established procedures; he liked to obtain information from his conversations and meetings with the people he knew from his wide network.

> I participated with the CEO in the Economic Forum in St. Petersburg. The forum gave a unique opportunity to obtain direct information about the investor climate in Russia and, at the same time, to share information about "T" and attract positive attention to "T" as a global company. It was obvious that it was very important to build relations with the business community, politicians and authorities. The informal events gave such opportunities. At the same time, the CEO was very curious about all kinds of knowledge about such an important market as Russia. He took time for personal observations, liked to visit museums, walk around St. Petersburg – he wanted to understand many things himself and use this knowledge for business purposes. (Personal experience)

The evidence described above illustrates the process of strengthening the CEO's role in an organization that started to be more centralized.

7.4. Perceived influence - challenges in the process of internationalization during Phase 4.

1. Challenges in JVs even when "T" had the majority position. Ownership in JVs did not give the expected control. The BoD mechanism did not function optimally.

During this phase of internationalization, "T" met the first serious challenges connected to the issue of ownership in a cross-cultural context in Russia, Ukraine, Thailand, Malaysia, India, and Bangladesh. "T" was involved in several protracted juridical processes, especially in Eastern Europe – Russia and Ukraine. Disputes were mostly related to the ownership issues and governance principles and practice in JVs and brought considerable challenges for "T", in its relationship with its partners in JVs abroad. Here is a short version of the conflicts, which began in 2004 (detailed information can be found in the Appendix).

Start of a conflict - URS WCom[70]

In 2004, VCom's management proposed acquiring URS WCom, a small and loss-making Ukrainian mobile operator. After analyzing the company, "T" concluded that the price asked for the company, 231 million USD, was grossly exaggerated and that it would require large investments to make the company survive and grow – if even possible. Two months earlier, GT[71] had turned down an offer to buy the company for 100 million USD. "T" requested to know the identity of the sellers: information which, to date, has not been provided.

As a supermajority vote was required when the acquisition proposal was presented to the BoD, "T"'s "no" to the proposition stopped the plans. However, instead of accepting the decision, a longish fight started between co-partner Aa[72] (AG) and "T", which would later end in the acquisition being forced through by circumventing both Board and Charter.

This fight took 11 years; the arbitrations took place in different places in Russia (Krasnodar, Temruyk, Omsk, Tymen, Moscow), in Ukraine (Kyiv), and in New York, Geneva and Stockholm.

Later, in 2005, this conflict grew over the disagreements in Ukraine, and was focused on the issue of governance: settlement of BoD, appointment of top management, payments of dividends, acquisitions.

Aa started a number of litigations in Ukraine through its affiliate, Stm[73], contrary to the shareholders' agreement, which specified that any conflict should be settled by arbitration in New York. The litigation included invalidation of the KVS[74] Charter, as only shareholders can be Board members, according to Ukrainian law, and the selected Board members were not. This ruling eventually led to the Charter being changed three years later, when arbitration awards and court rulings in New York forced Stm[75] to again start appearing at shareholders' and Board meetings. Some of the 15-20 litigations were quickly overturned, such as attempts to nullify the service agreements between "T" and KVS, as well as the appointment of a local CEO and to nullify Board decisions made in 2005, to mention a few.

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[70] URS WCom is a company in Ukraine that "T" and a co-partner in JV in Russia had a conflict about
[71] GT is a "T" s JV in Russia that has been merged with VCom
[72] Aa changed its name later to AG, co-partner to "T" in CIS
[73] Co-partner in KVS in Ukraine
[74] KVS – "T"'s JV in Ukraine
[75] An affiliate of AG's company in Ukraine

In August, "T" won a total victory in the UNCITRAL Arbitration proceeding in New York against AG[76] subsidiary, Stm, in connection with S's violations of the Shareholders' Agreement in KVS. The award was unanimous, meaning that the AG-nominated arbitrator also voted against AG. The award ordered AG to return to shareholders' meetings and Board meetings in KVS and to reduce their stake in competing businesses (source: "T"'s website).

Conflicts with the co-partners

Conflicts have occurred in both Europe (Russia, Ukraine) and Asia (Bangladesh, India, Thailand, and Malaysia).

1. The conflicts mostly occurred in JVs, where "T" did not have the majority, such as in a company with Russian co-ownership.

"T"'s previous experience was that JV was not the best form of ownership abroad, and it had been prepared to deal with that, using its experience in the Russian market. One of "T"'s managers, who worked in the Eastern European projects, said the following:

> We thought that the Russian co-owners did not have any ambitions in be industrial investors, just financial. We were wrong. A short period after the Russians became our partners, they established a telecommunication company, employed several professionals from telecom, and showed us their industrial ambitions. We disagreed on strategic things, because two industrial investors with a different agenda met on the same BoD as owners. Nobody wanted to give up their influence in the company. (Interview, 2015)

At the same time, the respondent said that there were conflicts in the companies where "T" had the majority and had FC:

> We were in a long conflict in Ukraine and did not manage to stop it. The conflict escalated. At the beginning, we disagreed, and we managed to negotiate before coming to agreements. When the business became bigger, the interests of the each of us were also bigger. We reached an open conflict. For example, a PR agency that

[76] AG – "T"'s co-partner in Russia and Ukraine

> worked for “T”’s co-owner used different tricks to destroy “T”’s reputation. Once, when we came to Kyiv to have a BoD meeting, we saw that the center of Kyiv was decorated with posters with a message in Ukrainian: “Norwegians, obey the law!” The message was related to the new round of court hearing that were starting in Kyiv about the conflict between “T” and its co-owner, regarding strategic issues. (Conversation with a manager, who worked in Eastern Europe, 2015)

This interview demonstrates that “T” did not manage to utilize the mechanisms of influence through ownership in JVs. Despite holding the majority position as an owner, a disagreement over a long period led to the escalation of the conflict.

Juridical processes as a part of the conflicts with co-partners.
In Russia and Ukraine, “T” was involved in several court processes against co-partners, arguing about the strategy of the expansion outside Russia. Being in the minority position, “T” could not decide the framework of the BoD and protect its interests. “T” and its co-partners disagreed strongly on the strategic view. “T” experienced an attempt to arrest its shares and the threat of losing them.

In JVs in Ukraine, where “T” did not have the majority position, the disagreements were also strong, and its level of influence in the JVs was low.

> A co-partner was tough and wanted maximum control in the company. We had to fight in the courts of several countries. It was not pleasant; it took many resources, but we showed that we could fight and defend ourselves. We had the money for such a battle, but what about companies that were not as big as us? They could lose everything. (Interview with a former EVP, worked a lot abroad, 2015)

At the same time, there are several examples to illustrate the breaking of established stereotypes, such as that HQ has control and influence over the subsidiary, when HQ owns 100% of the subsidiary abroad.

Several respondents mentioned that “T” has operations in countries with high risks of corruption, such as Thailand, Bangladesh, Pakistan and India, and that it is extremely important not just to establish a good system of control in the subsidiaries but to work with good practice daily, explaining to the local employees that the corporate culture comes above the national local traditions. The respondents stated the following:

> HQ's routines were abused. I know that there was corruption in our subsidiaries, but it is so difficult to catch it. The local people did things their way; maybe they did not think that it was corruption or that they were breaking "T"'s rules. They perhaps thought that they were doing things based on the local traditions, national habits – such as gifts, protectionism, family services, keeping the information, not telling the truth… We needed to train and train the local employees, explain corporate governance, and warn about the consequences if the rules were not followed. (Interview with an employee at "T", who worked abroad as a manager, 2016)

Cases of corruption and disagreements with the co-partners

At the same time, "T" met the first serious challenges connected to the issue of ownership in a cross-cultural context in Asia (Thailand, Malaysia, India, and Bangladesh) and in operations in JVs in Uzbekistan.

In India, "T"'s co-partner was accused of corruption (2012). In Bangladesh, "T" was confronted by a co-partner, who accused "T" of changing the rules of the partnership agreement. The co-partner, who was awarded the Nobel Peace prize in 2006, even used the arena of the Nobel prize ceremonies to try to explain his disagreements with "T".

In Thailand, suspicions of financial crimes were reported. The investigations showed that some local partners were unable to provide sufficient documentation of ownership of the land where the base stations were located. The rental agreements were in accordance with common industrial practice in Thailand but not in line with "T"'s internal guidelines. "T"'s subsidiary, therefore, changed its rental agreement routines and initiated a process to ensure that ownership was clearly documented in all rental agreements ("T"'s website, 2015).

Another case was also discovered in Thailand. "T"'s audit uncovered matters related to suspicions of financial crimes and reported these to the local police (ibid.).

The first time "T"'s audit uncovered unacceptable sponsorships in Grameenphone in Bangladesh was in 2013. The most serious breach was the sponsorship of a sports tournament, related to the Bangladeshi military. The case was reported to the Head of the Asian cluster, who, at that time, was Head of Asia and Chair of the Grameenphone Board of Directors. The company initiated several measures, including a review of the sponsorship guidelines and the establishment of a sponsorship committee to approve all sponsorships (Website, 2013).

But, in 2016, "T"'s audit conducted a compliance review of the new guidelines and uncovered a new set of unacceptable sponsorships. It was uncovered that 11 of 250 sponsorship agreements breached the company's internal guidelines. "T" made a statement:

"Breaches of our internal guidelines are unacceptable, and corrective and preventive measures have therefore been initiated" (ibid., 2016)

In 2014, a big corruption scandal started in "T"'s JV, VCom, which had a business in Uzbekistan. The story is described in Chapter 4. As the consequence of this case, several top managers had to leave "T". Later, "T" announced that its ownership in VCom could not utilize the issue of control via either mechanisms of ownership or the BoD, or in any other way.

D[77]'s lawyers delivered their final report, with a review of how "T" had handled ownership in a JV partly owned (33%) by "T".

"The report states that no 'T' employees have been involved in corrupt actions. It gives 'T' partial credit for its handling of the ownership in VCom, but also points to weaknesses in organizational structure, communication and leadership in this matter. This is serious. The Board and the management recognize that we must improve how we work. It is obvious to follow laws and regulations, but we have to reach further. There should never be any doubt that we in 'T' are fully compliant with our ethical guidelines," says Chair of the Board of "T". (Website, 2016)

[77] D - law firm used by "T" in several cases

In 2015, “T” decided to sell its shares in the JV, VCom, where the Russian partners dominated.

“The VCom asset, where ‘T’ holds a minority position without the possibility to fully control the company, has been challenging. Based on a strategic review by the Board and the CEO, and after due considerations, T has decided to divest its shares in VCom Ltd. The disposal of our shares is in the best interest of our shareholders, and in accordance with ‘T’’s long-term strategic focus,” said Chairman of the Board of Directors of “T”. (Press release, “T”’s website, 2015)

VCom Ltd. has gradually contributed less to the value of “T. (ibid.)

The statement from “T” shows that the loss of the control and influence in the JV led to the loss of the values of the JV and had a negative impact on the value creation of HQ.

2. “T” needed to deal with the issue of the strong link between business and politics in some countries.

Can external factors, such as the political situation and investor climate, in the markets where “T”’s subsidiaries are, influence the relationship between HQ and the subsidiaries?

Substantial investments in several countries attracted special attention from politicians in several countries. Several respondents mentioned that external factors, such as the strong link between politics and business in some countries, represented issues that were difficult to deal with, and that could destroy “T”’s business existence. On the question of how politicians and authorities, who represent the external power for any owner and company, can influence the relationship between HQ (an owner) and the JV or WOS subsidiaries in a local market, one respondent said:

> Top management and local partners in Ukraine were closely linked to the top political level in the country. It was challenging. Sometimes it was difficult to understand – who decides in the company? (Interview with a former EVP, worked a lot abroad, 2015)

The respondent described the link between local management and/or local employees and authorities as an invisible link that can take away power from the foreign investor and re-shape the real influence and control in the subsidiary.

Several respondents told about cases in which the authorities in the local markets changed the conditions for the licenses (India, Hungary, Russia, Ukraine), and that, as a foreign investor, “T” had to deal with that. The changing of license conditions is one of the most common reasons for leaving the market. To protect the business, foreign investors need to influence local authorities, in order to create a positive investor climate. Without a predictable investor climate, it is impossible for the business to evolve. In this connection, the matter of influence in the subsidiaries is linked to the level of influence over the authorities.

> We always needed predictability in all markets; we understood that we needed to deal with that: have a dialogue with the authorities, convince them that it is important to have a good investor climate. We participated in seminars, conferences, forums. We were sponsors of the most influential arenas that could give us the right profile. We even created a special area for such activities – Business Environment Management (BEM). Several BEM people from HQ and the subsidiaries worked in all markets. BEM was included in the external affairs activities… We needed BEM from HQ, in order to have information from the local markets on the possible challenges. We used BEM as a tool, and that helped us to “keep track” in the subsidiaries. How could the sponsoring of the Bolshoi Theatre help us with the challenges in Russia? Ballet is a part of the national identity in Russia. We were asked to support it – we did it. (A manager, who worked in Eastern Europe, conversation, 2016)

The presented interviews show that “T” needed to pay more attention to the external factors that can be a matter of strong influence from the macro world, including politicians and authorities, and can have an important impact on the values of the company and, further, on the relationship between HQ and the subsidiaries.

3. Corporate identity challenges: TW as a governing document did not convince the employees and probably did not enhance behavior control as it was expected to.

Many respondents were surprised by the question about TW in the context of influence and control. They considered TW as something created to have on the intranet or website.

> There are too many beautiful words that do not mean something concrete… Several parts of TW are unclear. The most valuable part of TW is the Code of Conduct – it is clear, concrete and practical and can be used. (Interview with a manager in "T" Norway, 2014)

> TW does not mean much to me. I feel that these big words are needed by the managers, maybe top managers, to "get me" if I am doing something wrong. Top managers are working according the rules they proclaimed. TW only exists on paper. (Conversation with an employee, 2016)

> TW is "T" Norway – you from Norway want to teach us how to work; we also have our own experience. (Conversation with an employee from a subsidiary, 2015)

The reaction from several respondents on the statements from the new TW demonstrate that employees are not convinced about the value of this managerial platform. Some foreign employees reacted by saying that TW arrived as a governing platform from HQ, without taking into consideration any ideas from the subsidiaries.

At the same time, it can be underlined that managers were more positive to TW: "TW is important for the whole of 'T'"; " we need to use it in order to create a corporate culture"; "TW is a philosophy for us"; "TW is an important tool for creating a common feeling" (conversations with top managers and senior managers). Middle-level managers and employees looked more skeptically on TW, underlining that TW is not practiced and exists as a declaration on the website.

At the same time, the respondents underlined the generalization of the TW concept and were doubtful about its practical usefulness. Attention focused on the fact that many parts of TW are unclear, and that the most concrete documents were removed from TW. The Code of Conduct is still the most popular document that employees want to use.

> I like the Code of Conduct. I understand the concrete rules, and it is easy to follow them. At the same time, I have a feeling that the Code of Conduct was written in order to "get us". If I see something, I can say, "Look, here is the Code of Conduct; we need to follow it". (Conversation with an employee working in Norway, 2016)

> Many respondents working in Norway underlined that "TW is more needed abroad, in order to show the OpCos how HQ is doing, but it is not so important in Norway" (conversation with an employee, 2016).

The presented interviews show that "T" needs to work further with TW as a common managerial and governing platform, in order to convince employees, both in Norway and abroad.

One respondent said, *"TW is not corporate culture. It will take a long time before TW will be a culture that will represent all 'T' citizens*" (Conversation with an employee from Norway, 2016).

4. Challenges with expatriates.

At the same time, several negative comments regarding the role of expatriates were mentioned.

Firstly, the institution has become too powerful and difficult to get into.

> Expatriates have too much power; they are power-oriented people and want just to be abroad and be moved from country to country. They do not come back to HQ and do not share the competence but jump from chair to chair abroad… Some bad culture is established among "local Norwegians", covering many things. The whistleblower culture is not well developed. Some suspicious episodes were ignored. (Former manager, who worked internationally in different countries, 2014)

Secondly, several respondents commented that the process of recruitment to become part of the "DNA pool of professionals" is not transparent and not clear. There is very little information about it in "T".

> They started to be an exclusive group, and it is almost impossible to join this club! (Interview with an employee, 2014)

Thirdly, the institution of expatriates can be damaged by the "private driver syndrome". Local staff react negatively to the benefits that expatriates receive, compared to what is common locally. The expatriates are surrounded with luxury, with private drivers, huge apartments and household help. Many of them are not willing to return Norway and just "change chairs" from country to country.

The interviews show that "T" needs to work further with the development of expatriates' "DNA pool of professionals", focusing on transparency, inclusivity, meaning the inclusion of expatriates from different nationalities, providing the best practice across "T". "T" should include the issue of cross-cultural management in its training, in order to make a clear distinction between corporate culture and governance and national traditions. "T" needs to discuss what is more important – corporate culture or national culture – and how the practicing of common corporate rules can have greater influence on the behavior of "T"'s citizens across borders.

5. Media focus increased with "T"'s involvement in international operations and put "T" under pressure. The CEO is connected to the "T"'s image, his image can be damaged as well as that of "T". "T" could not control the media.

With the increase in international expansion, "T" media's focus on activities abroad increased dramatically. The focus was against "T" as a company, its management and its partners. Media training started to become an important part of the new practice for managers: and it was a challenging situation.

> I was responsible for the BoD trip in the CEE region. The BoD had to visit three countries. One of them was Russia. It was the period when "T" had finalized its negotiations with its powerful Russian partner, AG. A journalist from a Norwegian paper called me and tried to get information about the trip and possibilities for getting interviews. After discussions, it was decided to limit media involvement in the trip. No was not enough for the journalist. I received a direct message that his team would follow the group, take pictures and try to get comments. I had to work out a new "roadmap", including the details of safe arrivals and departures: where the buses should pick us up, that the group would leave the hotel from the backyard; how the

> Chairman of the BoD and the CEO should react if the journalists and the cameraman should suddenly appear on the street and try to stop them.
>
> The journalist and a cameraman appeared. They tried to follow the group: even when the group had a 30 min break from the tight schedule and wanted to see Red Square. They even followed the CEO to a church, trying to get comments. (Personal experience)

This story shows that, with the growing business abroad, the media focus also grows, and "T" needs to be aware of the issues of how to control the media as a strong factor that can influence the image of both "T" and of top management, which can have a direct impact on the values of the company.

6. The CEO and top management's course, directed to the strong centralization of all the functions and mechanisms of HQ, can weaken some functions in the subsidiaries.

Several respondents mentioned that, during this period, "T" started the strong centralization of power in the hands of the CEO and his staff. The CEO and "T" Group executives established direct contact and arenas across the whole Group.

The respondents mentioned that the processes of strong centralization could perhaps be referred to as a process of too much austerity, when, even at HQ, employees can feel themselves to be foreigners. One respondent mentioned that it is not easy to register a vacation now – all the processes are in American English! It is not as easy as before to book the company cabin – there is a long and complicated process, and in the old days, you just could call and talk to a person.

> We are all together in a digitalized world, where the HR personnel are sitting in India, and the processes in HQ are described as if we are in Chicago! Does that mean that we are global? (Conversation with an employee, 2017)

Another respondent shared his impressions from working in the subsidiaries:

> I saw that many initiatives that had previously been created in the subsidiaries were replaced by instructions and directives from HQ. I think that it can "kill" the initiative

> on the ground. We need to find a balance for how to combine the local approach and what HQ wants. (Conversation with an employee, who worked abroad, 2016)

The interview illustrates the need to "tune" the strategy focused on centralization that can be described as institutionalization of the managerial mechanisms and routines, in order to create a citizenship, based on common values and inclusive governance.

From the presented interviews, it follows that, during the 4th phase of internationalization, "T" reached a situation in which the WOSs constituted the majority in "T"'s portfolio, and "T" managed to develop and implement corporate governance, which united all "T"'s subsidiaries into one group, triggering strong influence and a large range of control mechanisms, such as FC, SC, OC and BC. However, there were several processes and tendencies in "T" that illustrate that the company still faced challenges in achieving influence in most JVs (the exception can be related to the JV in Malaysia, due to the way the ownership in this JV was utilized, and that, without having FC, "T" was able to achieve the SC, OC and BC). At the same time, the interviews show that the tendencies towards strong centralization around HQ during this phase of internationalization led to a situation of perceived influence, when many of the processes started to be a pro forma, which weakened the local initiatives and institutions in the subsidiaries. In addition, "T" understood that the external factors in the markets, such as political influence, legislation and investor climate, can have an impact on the relationship between HQ in Norway and the local subsidiaries.

Chapter 8. Discussion

This chapter is dedicated to discussing the key empirical findings presented in Chapters 4, 5, 6 and 7 regarding how the HQ of an MNC can achieve influence over its subsidiaries in the process of internationalization. Further, the changes of controls in the international settings will be explained, by focusing on how managers in the HQ of an MNC, during different phases of the internationalization process, have perceived the outcomes of the several control processes and how those perceptions have influenced changes in the configuration of the HQ's control mechanisms, in order for the HQ to achieve influence over its subsidiaries.

This study has particularly addressed three research questions: *1) How has the internationalization of "T" happened? 2) What control mechanisms were in place during different phases of internationalization? 3) How have managers and employees perceived and initiated changes to those controls?*

8.1. <u>The first research question: How has the internationalization of "T" happened?</u> "Learning by practicing" – from small steps to a global presence as MNC".

The content of the four chapters (Chapters 4 to 7) presents a picture of how the process of internationalization in "T" has evolved. The empirical findings illustrate that the process of internationalization can be divided into *four phases* and *four different international strategies*, affected by the *different antecedent conditions*. The empirical findings will be supportive in answering the first research question: How has the internationalization of "T" happened?

Use of the guidelines from process theory (Van de Ven and Poole, 1995; Poole et al., 2000; Mähring and Keil, 2008; Kraus and Strömsten, 2016) are supportive in identifying a sequence of events in a historical retrospective to define and distinguish conditions for the changes in an organization. Van de Ven and Poole (1995) identified such conditions as determining antecedent conditions in advance of sequences of events that influence the process of change in an organization. In the empirical part, conditions from the macro and micro worlds were identified that forced the need to create and tune an adequate system of controls, with the aim of the HQ achieving influence over its subsidiaries (Table 8.1).

Many of the processes during the four phases of internationalization changed, affected by antecedent conditions, as both macro- (external to the company) and micro conditions (internal within the company).

Table 8.1 Phases of internationalization, international strategy and antecedent conditions affecting it.

Phases of internationaliza-tion	Phase 1 1992-1996	Phase 2 1996-2001	Phase 3 2001-2005	Phase 4 2005-2015
Internationalization strategy	"Small company – small international steps"	"The "Viking strategy"	"Up or Out"	"Different companies – one Group"
Antecedent conditions: Macro	- EU's directive about liberalization - Possibilities for investments in Europe and Asia -Technological possibilities for mobile operators	-Positive experiences from 1st operations abroad -Rapid development of markets in Europe and Asia, and Eastern Europe	-Rapid international development of "T" -Listings on NASDAQ (NY) and Oslo Stock Exchange	- New markets in Europe and Asia -Strengthen the Cluster-based business -A membership in "MNC- club" -Focus on ethi-cal/CSR issues
Antecedent conditions: Micro	- "T"'s good technological competence	-Top management as catalyst of the rapid international expansion -"T" failed alliance formation twice	-New CEO as active initiator of the international orientation -Knowledge about the legislation on each market -1st CSR challenges	-From "T" to "T" Group as MNC -Strong centralization
Aspects of internationaliza-tion strategy	- "Not to be eaten" during EU's liberalization -Transformation from SOE to PLE -Small steps nearby home market -Industrial investor role -No clear strategy about internationaliza-tion	-International projects through "Passionate ambassadors" -No clear geographic strategy -Low costs projects -The attempts to set up the system of controls -Search for a strategic partner	- Several international projects due to positive results from internationaliza-tion -Influence and control on the agenda, either majority or sell out -Money is not an issue -Development of Common Corporate Rules (CCR) -Changes in routines because of the IPO process	-Clear internationalization strategy -Strong geographical preferences -Active processes of M&A -Further development and implementation of CCR in HQ and in subsidiaries

During “T”’s internationalization process, the antecedent conditions from the micro- and macro worlds[78] had an important impact on the development of “T”’s international strategy as a “catalysator” for the start of the first projects and further careful “international thinking”.

“Small company – small international steps - Phase 1

During Phase 1 of internationalization, an EU directive about the opening up of competition in Europe (macro condition) could have had serious consequences for such a small company as “T”, when the big European operators had the opportunity to start operating in Norway. Using the possibilities in the Western European, Eastern European and Asian markets, which started to be open to foreign investments (macro condition), and the technological advantage of mobile telephony that were in demand in this period (macro condition) and in which “T” had developed good competence (micro condition), “T” took its first steps in international expansion. However, as the empirical findings show, “T” started international expansion without a clear strategy of internationalization. Firstly, “T”’s first international projects were a part of a political process in the framework of Barents co-operation. It seems that “T” did not have clear plans for an international strategy, despite having been involved in several international projects. Thus, projects were “hunted” for by “passionate ambassadors” in the regions where it was possible to obtain them and, later, the activities were “tuned” to the strategy. At the same time, “T” had a goal of trying to participate in the first international projects and an ambition to implement a kind of practical solution in its realization.

Secondly, “T” was often invited by local partners to participate in different consortiums for investment, initiated by authorities or international operators who wanted to build up alliances because of “T”’s high technological competence (micro condition). This means that the markets for expansion were not clearly defined.

Thirdly, the technology for the investment projects was not clear: in some projects, there were investments in fixed network telephony, in others, mobile telephony. The ownership model of the international business was the joint venture (JV).

[78] In the text hereafter, macro conditions and micro conditions will be used, meaning the macro and micro antecedent conditions

Fourthly, several international small projects were "pushed" because of the organizational changes in "T", as the result of the transformation from being a part of the ministry to becoming a company. "T" was allowed to make "pilot international projects" in order to gain international experience. Nevertheless, analyzing the results of "T"'s activities abroad, the respondents reflected over the practice of "tuning" the strategy, in relation to the "tuning" of the geography of "T"'s activities and the technological platforms of the investments. In practice, the following "tuning" was carried out: projects from the area near the Norwegian-Russian border were "tuned" to the bigger area, such as the northern part of Russia, where "T" managed to build up a good network and, using the experience from the first steps in internationalization, could participate in tenders to be part of the bigger project. In addition, "T" extended its investments by "tuning" the fixed telephony in the Murmansk and Arkhangelsk areas to the mobile projects in the northern part of Russia. At the same time, a feeling of growing dissatisfaction was expressed in "T" because the company could not use its ambitions as an investor, putting in practice knowledge and positive experiences from working abroad.

"The "Viking strategy" - Phase 2

During Phase 2, "T" experienced increasing international expansion, by establishing several JVs abroad. From the period 1996-2000, using the new legislation that opened up possibilities for foreign investors (macro condition), a number of small acquisitions was made in Western Europe, Eastern Europe and Asia that built up the framework around the international expansions and the foundation for the further development of the international strategy.

"Passionate ambassadors" travelled where they could find available projects and "planted flags" as "Vikings", using the first positive experiences from the international markets (macro condition). During this period, JVs were still the preferable form of ownership, but both the first challenges related to the conflicts with partners and the unpredictability of the legislation climate meant that "T" faced a new strategy, based on the consolidation of its portfolio. For "T", it was important to convey its role as an industrial investor. At the same time, the empirical evidence shows that, despite the strong focus on the operations on the domestic market, the top management of "T" started to develop an international strategy, understanding the possibilities of the potential growth for "T" on the international markets. In these terms, "top management" functioned as a catalysator for "T"'s international expansion (micro condition).

To summarize, this period of internationalization was characterized by several aspects. For the first, despite the high risks and unpredictability, the emergent markets were considered good for investments because of the potential growth and the low entry price. “T” did not insist on the majority position in subsidiaries on the emerging markets, prioritizing the matter of learning how to do business in challenging markets and building up good relationships with local partners.

Secondly, despite the potential growth and the low entry price, the conditions of high risks and the unpredictability of the emerging markets represented a challenging business environment. “T” evaluated that JV ownership could reduce the risks in the challenging markets. At the same time, “T”, experiencing its first disagreements with local partners because of the lack of influence, started to “tune” the strategy, thinking from the long-term perspective, and began to consider the wholly owned subsidiary (WOS) form.

Thirdly, some of the top managers, wishing to achieve predictability in investments abroad, argued for investment in the mature markets in Western Europe, rather than in the emerging markets, which represented high risks and unpredictability. In this case, “T” should make a conscious decision to always be the minority stakeholder in its alliance with strong European operators.

Fourthly, the debate related to the development of international strategy reflected that there were several parallel processes in “T”, that were evaluated; then, by the process of “tuning” investments from mature markets to emerging markets, the new strategy was adopted. The wrong “tuning” could dramatically change the internationalization of “T” and the further development of the company. Thus, investments in mature markets, together with a strong partner, could give predictability in investments, but not 100% ownership and not sufficient influence and control, and probably not such high financial benefits, due to the low level of ownership. “T” chose a path for its internationalization that linked to the estimations of the potential growth, in both the emerging markets (increasing the market share) and low-cost subsidiaries (increasing the ownership). From the long-term perspective, this strategy gave higher income and the theoretical possibility of influencing the subsidiary in order to provide the strategy from HQ. According to several respondents, this model created “T”’s success in internalization. The examples used by the respondents illustrate that the particular qualities of some international markets, and even the geographical positions of the markets, can have an important impact as antecedent conditions on international strategy and on the form of ownership in the subsidiary, which, further, can link to the possibilities to establish the mechanisms of influence and control from HQ towards subsidiaries abroad. Decisions about the further development of the international strategy were made in Phase 3.

Fifthly, the majority of the interviews gave the impression that, to the end of this period, they experienced dissatisfaction from working in subsidiaries as consultants without having influence. The need to increase control over the subsidiaries was described. The respondents explained that the lack of influence and control they experienced in subsidiaries abroad has been understood by managers as a recognition of both the need to have influence and control, and, at the same time, the lack of ability to achieve influence and control over the subsidiaries that was wished for and needed to be established by HQ.

"Up or Out"- Phase 3

During Phase 3, to the end of 1999, "T" was one of the most rapidly developing European companies that moved outside the Norwegian borders, with 14 JVs abroad, using the possibilities of the evolving international expansion in Europe and Asia (macro condition). Using the knowledge from the previous period about legislation in the emerging markets (macro condition), the strategy was changed, and "T" decided to focus on the emerging markets in Eastern Europe and Asia. In this phase, the company recognized the need to develop a formal internationalization strategy and formal governance and to establish the mechanisms for the HQ to achieve a higher level of influence over its subsidiaries. The hope of building up a strategic alliance with a big Swedish company, in order to advance more quickly internationally and achieve a strong global position for the future, failed in 1999. In order to fulfill its new strategy, "Up or Out", "T" started an active process of mergers and acquisitions (M&A); the JVs in which "T" could not increase its ownership to 100% were sold. In this period, the WOS form of ownership was preferable. Following the practice of paying strong attention to the issues of corporate social responsibility (CSR) and an ethical attitude to doing business in the world (macro condition), the first governing platform for behavior appeared, as the Code of Conduct (CoC); later, the "T" Way (TW) was created. The newly appointed CEO started the process of "international thinking" (micro condition), aiming to create a suitable attitude in "T" that could support the international strategy; thus, "T" international was changed to International "T", marking the paradigm shift for "T" in the HQ and subsidiaries. New routines, based on the new governing managerial platform as TW, started to be introduced and implemented.

“Different companies – one Group”- Phase 4

During Phase 4, “T” continued its international expansion, mostly in Asia, and strengthened its footprint in Europe, following the possibilities in new markets (macro condition) such as Pakistan, India and Serbia. In 2005, “T” positioned itself as a company in strong international growth that continued to remain one of the fastest-growing providers of mobile communications worldwide, as an MNC and as a member of the “MNC-club” (macro condition), having put industrial ownership at the top of the agenda. WOS started to be the almost obligatory form of ownership, in order to have influence and control over the subsidiaries. A common corporate governing platform, called TW, was developed and implemented in HQ and the subsidiaries. The strong international focus on the ethical attitude to doing business strengthened “T”’s corporate governance in this issue (macro condition), such as zero tolerance of corruption, health-environment and security issues. “T” started the process of internal internationalization and structurally organized itself as an MNC: WOSs placed in geographical clusters (macro condition) reported to HQ. The empirical findings described the tendencies towards a strong centralization of power and in HQ, initiated by the CEO (micro condition) that changed several independent institutions, as BoD, administrative units, to be institutions that have the line subordination to HQ. This process made several central institutions in subsidiaries weaker and more depended on the instructions from HQ.

To summarize, the empirical findings presented in Section 8.1 highlight how the internationalization of “T” happened. The internationalization process was a search for compromises between opportunities in international markets but also heavy constraints like financial resources, lack of knowledge, experience, impossibility of changing local legislation and local cultures. A large part of the internationalization process was also linked to the HQ’s search for influence and control over its subsidiaries.

The next section will present a summary of the findings in relation to the control mechanisms that were in place during the different phases of internationalization.

8.2. <u>The second research question: What control mechanisms were in place during different phases of internationalization?</u> Use of the control mechanisms in order to achieve influence in the process of internationalization: empirical findings and findings from research domain.

The empirical evidence shows that internationalization happened as a process of change: from small steps in international projects to activities in global business as an MNC. This section presents the empirical findings of how control mechanisms were used during the process of internationalization; at the same time, it carries out a empirical analysis, by demonstrating a theoretical framework and previous research in the research domain, and answering the second research question: What control mechanisms were in place during different phases of internationalization?

8.2.1. Influence via Ownership – control mechanisms

The empirical findings summarized in Table 8.2.1 show how the mechanism of ownership provided influence from HQ towards subsidiaries. The following aspects have been in focus: 1) Influence in JVs and WOSs; 2) What kind of control represents ownership? 3) Have the ownership forms changed during internationalization? 4) How does the interplay between ownership and control influence the performance of the subsidiary

Table 8.2.1. Influence via Ownership – control mechanisms

Control mechanisms: Ownership	Empirical findings
What *ownership* is most relevant for MNC: WOS vs JV?	-JV form ownership gives less influence than WOC -Difficult to streamline forms of ownership in "T"'s portfolio according to strategy due to legal and political constraints
How ownership and control are connected?	-Ownership represents the Financial control (FC) -WOS via FC triggers further expansion in the scope of several controls. -WOS with the achieved FC represents the high influence -JV with the minority ownership and limited FC, can give high level of controls and influence (case Malaysia) -JV with the majority ownership and FC can give reduced controls and low influence affected by political macro condition (case Ukraine)
Ownership in subsidiaries during different phases of internationalization.	-WOS is becoming preferable compared to JV, but JV was kept in 3 subsidiaries due to either the importance of these markets or to the excellent operational performance of the concrete subsidiaries/ or both conditions.
Impact of ownership model on the performance of the subsidiary	-WOS gives the control impact on BoD, expatriates, CCR. -WOS gives positive impact on the performance utilizing the synergy effects

JV versus WOS

The collected data show that the issue of the international expansion of "T" during Phase 1 was clearly connected to the question of ownership in the subsidiaries, and that *"T" chose the JV* as a form of ownership: 1) to share the political risks in emerging markets; 2) to avoid tying up too much capital and, therefore, not having enough for further investment; 3) to secure the role as a small partner in alliances with a bigger partner, in order to better protect its investments in mature markets; 4) to be a co-partner with influential local partners in emerging markets where "T" did not have the right network or experience. One respondent mentioned yet another specific reason for "T" choosing the JV model: because "T" started its international expansion late, compared to other European operators, and there were no available licenses left in the European markets. However, while the research literature has established that the WOS is the preferable form of ownership for an MNC (Mutinelli and Piscitello, 1998; Barbosa, and Louri, 2002; Álvarez, 2003; Desai et al., 2004), limited attention has been paid to *companies in a change process*. Hence, "T" started internationalization as a small company and grew to become an MNC. During Phase 4 of internationalization, "T" still, and contrary to theory, chose JV ownership in India, affected partly by antecedent conditions and understanding that the size and possible challenges of the market could be easier to deal with in a partnership with local co-owners. In this respect, the findings from the study differed from those of the previous literature and illustrated that "*T" made a conscious choice to establish JVs, both during the first steps of internationalization and later. During the first steps of internationalization, "T" established JVs, mostly because of the lack of experience and knowledge about how to work internationally; in the later period of internationalization, the choice of JVs was made because of the challenging conditions in the specific markets, such as India, when "T" wanted to obtain the benefits from the local competence and contacts. When "T" understood that it could manage the challenges itself, the form of ownership "turned" to WOS.*

How ownership links to influence and/control?

Most respondents *connected JV ownership to the low level of influence and control,* explaining that low level of ownership gives a low level of influence. This empirical finding supports previous studies (e.g. Mutinelli and Piscitello, 1989; Barbosa and Louri, 2002; Álvarez, 2003; Desaia, et al., 2004; Chalos and O'Connor, 2004), which show that MNCs prefer WOS because JV- ownership means the sharing of residual control rights. WOSs also mean greater influence and control but also require a major commitment, in terms of resources, and imply both greater risk and less flexibility (Desai et al., 2004). However, it seems that "T"'s HQ was willing to take this trade-off between less control but also less resources committed that.

Most of the respondents who worked abroad in different positions were clear in their opinions that ownership is connected to financial control (FC) and that a low level of FC is linked to a low level of influence. The findings support the research literature, which states that the degree of ownership increases influence and control (Chalos and O'Connor, 2004). At the same time, by presenting the case from Malaysia, the empirical findings illustrate that, despite the fact that "T" had the JV ownership as a minority stakeholder without FC, "T" managed to establish influence in the JV, using the voting mechanisms under the meeting of the General Assembly and the implementation of a Management Agreement (MA).

The empirical findings reveal that the level of ownership is closely connected to FC and utilizes the mechanism of FC, meaning the control from the owners. That differs from the previous research, which shows that ownership utilizes strategic control (SC) (Chalos and O'Connor, 2004). At the same time, some scholars argue that the use of WOSs and JVs links to the utilization of various types of control mechanisms that include expatriate staffing, socialization practices, delegated decision-making responsibilities, parent company communications and manager performance incentives (Al Farooque et al., 2010), which increase the HQ's influence over its subsidiaries. The empirical findings reveal that FC does not operate alone and is linked to several controls in subsidiaries and reveal that WOS ownership can trigger the scope of different controls that constitute and can function as a package (referring to the Malmin and Brown (2008) framework).

At the same time, the empirical evidence shows that, in some situations, when the macro conditions start to be too influential and have a negative impact on the company's activities, *the owner/HQ, having the FC anyway, does not have the scope of controls, and loses influence.* Thus, "T" had such a situation in Ukraine, when the co-owners had strong political connections that challenged "T"'s ownership role as a majority stakeholder. Hence, "T" could not change the CEO, and some of the top managers; it could not implement the corporate rules, and the control over the decisions in the framework of the BoD was limited, as long as the local co-owners had the position of the chairman of the BoD. In this connection, the research literature could pay more attention to the issues of how to streamline forms of ownership in a company's portfolio, according to a strategy, taking into consideration the legal and political constraints that have a substantial influence on the choice of the form of ownership and the possibility of its utilization, aiming to achieve influence in subsidiaries. The research literature in management and strategic domain describes that a strong concentration of power and influence in subsidiaries can lead to the decentralized management systems (Dörrenbächer and Gammelgaard (2006).

The empirical findings reveal that as long as the ownership form can be changed in subsidiaries, the level of FC can also be changed or "tuned" to the level of utilization of the ownership (as was mentioned by the respondents). In this respect, the previous literature has paid limited attention to the issue of change of FC and its impact on the establishing of the HQ's influence over its subsidiaries.

8.2.2. Influence via Board of directors – control mechanisms

The empirical findings summarized in Table 8.2.2 show how the mechanism of the BoD provided influence from HQ towards subsidiaries. The following topics will be highlighted in this section: 1) What is the role of the board of directors? 2) What kind of control does the board of directors exercise, in order to influence the subsidiaries? 3) What is the link between influence and the role of the BoD, as control mechanisms in the subsidiaries

Table 8.2.2. Influence via BoD- control mechanisms

Control mechanisms: BoD	Empirical findings
What is the role of the BoD?	BoD is rather a link between owner and subsidiary
What kind of control the BoD exercise in order to influence subsidiaries?	BoD provides strategic control (SC) and influences on the operational control (OC) so long BoD appoints the top management
The role of BoD has been changed in the process of internationalization	BoD represents a controlling role in WOS but have the advisory role in JVs. "Proforma role" with the strong "centralization by decentralization" process.
What is the link between influence and BoD as control mechanisms in subsidiaries? What is the link between the ownership- form and the role of BoD?	-BoD providing the decisions from HQ to subsidiaries, reports the performance in WOSs, JVs and establishes influence. -Challenges with BoD's role in JVs, where the investment climate is not positive. -TMS[79] as an active mediator between HQ – BoD in WOS/JV in monitoring/ support/ influencing the subsidiaries.
How BoD influences on the performance target?	With a strong link to HQ, BoD can get the competences from HQ influencing performance.

The empirical findings reveal that the BoD has an important role in influence and control in subsidiaries, being the link between HQ and subsidiaries, and implementing the decisions from HQ in the subsidiaries. This supports the findings from the research domain both in accounting literature (Chalos and O'Connor, 2004) and in management literature (Bijman, Hendrikse, van Oijen, Aswin, 2012).

[79] TMS- top management support – a key manager in HQ responsible to follow up the subsidiaries in one geographical region

The study illustrates that in cases where the members of the BoD were appointed by HQ, the majority of them came from HQ, they were familiar with the organization in HQ, using the resources of HQ in order to provide the competence from HQ in the subsidiaries representing the interplay between influence, ownership and value creation (Ben-Amar, 2006 Andre et-al, 2004).

The role of the BoD has changed in the process of T"'s internationalization. Thus, during Phases 1 and 2 of internationalization, members of the BoD had limited influence and control in the framework of the BoD, as long as "T"'s operations abroad in this period were JVs, "T" was a co-partner with the local co-owners and held the minority positions. The Norwegian members of the BoD had a challenging situation in the framework of the BoD, while their influence was limited. The empirical evidence shows that the local co-partners behaved as if they were the only owners of the JVs, as long as they were both members of the BoD and local top managers at the same time or working chairman of the BoD, without separating these roles. In this challenging situation, "T"'s members of the BoD, in addition to their professional tasks as the members of the board, functioned as mentors or consultants for the local members of the BoD, as long as there was a lack of technical skills among most of the members of the BoD, and the members of the BoD from HQ were mostly people with technical skills. In this period, the main priority for the JVs was to build up the mobile network, and the local co-partners were not very experienced in modern telecommunication.

During the later phases of internationalization (Phases 3 and 4), the *BoD had a role as a mediator or link between the subsidiaries and HQ.* Most of the members of the BoD had economic or/financial skills and were professional managers. The empirical findings described the link between the BoD and HQ and support the findings from the previous literature in management control domain, which argues that the board's activities are linked to the processes used by organizations to measure, control and manage their performance, to implement strategies (Bisbe and Otley, 2004).

At the same time, the empirical findings reveal that the BoD had the intention of utilizing the control function towards subsidiaries as strategic control SC (Bisbe and Otley, 2004)), in terms of the fact that the BoD had responsibility for the strategic development of the subsidiaries, as was the normal practice in Western companies. That supports the evidence from the research literature, which shows that the BoD support for achieving their framework was related to the process of setting performance targets and represents strategic control (Bisbe and Otley, 2004). At the same time, the some previous literature in accounting domain looks broader on the role of the BoD as control mechanism, describing it as "bottom-line control" (Mizruchi, 1983) so long the BoDs hire and fire the CEO (Yan and Gray,1994).

However, the findings reveal that, in many situations, the understanding of the strategic development of subsidiaries between the local partners and "T" was not the same and was followed by tensions. The cases illustrate that the BoD's role had more challenges in JVs than in WOSs, illustrating, at the same time, the more nuanced picture of when the BoD had both sufficient influence in subsidiaries in JVs (cases of Malaysia and Bangladesh) and limited influence (cases of Russia and Ukraine).

Another important finding about the role of the BoD as the control mechanism is related to the topic of that *BoD provides the mechanisms of operational control.* As the research literature claims, the BoD can have indirect operational control (OC) (Geringer and He´bert,1989; (Yan and Gray, 1994). The empirical findings show the more nuanced picture, illustrating that, having the active role in subsidiaries in Phase 3 and Phase 4, *"T" was strongly involved in the operational activities in WOS but had limited OC in the JVs*. Thus, establishing in HQ the role of top management support (TMS) as a link between HQ, the BoD and the subsidiaries structurally supported the role of the BoD as a mechanism of OC. TMSs were both responsible for the monitoring of the subsidiary and, at the same time, reported to the BoD and executives of the HQ about operational excellence, involving the BoD more strongly in the operational activities of the subsidiary. However, the findings reveal that the challenges to utilizing OC in JVs, especially in the markets, where the external conditions from antecedent conditions, connected to legislation and political traditions, had too close links to business activities (the case in Ukraine and Russia).

The empirical findings demonstrated that, at the end of Phase 4 of internationalization, the tendencies towards strong centralization in HQ started to be implemented. Several respondents reported that, in this new situation, the *BoD in subsidiaries started to be weaker* and could function as pro forma. From one side, the strong centralization strengthened the governance and routine, but, at the same time, it provided possibilities for employees from subsidiaries to be more involved in the networks in HQ. The research literature in management and strategic domain argues that MNCs represent hegemonic influences over subsidiaries based on the significance of hierarchy (Watson S., Weaver G. R. 2003). However, the study reveals that the process can be called *centralization by decentralization and can lead to the changes of the established before practices of business culture in subsidiaries. Thus, the new tendencies of decentralization can make the role of the BoD weaker and with lower control.*

At the same time, the empirical evidence reported that perceived influence and control situations related to role of the BoD as the mechanism of control were experienced by respondents. These situations were connected to the activities in Phases 1 and 2, when "T"'s members of the BoD had the impression that they did not have enough influence and control in the subsidiaries. The episodes connected to the cases related to corruption, unethical ways of doing business or conflicts with partners were also experienced as perceived influence and control (corruption cases in Bangladesh and India; CSR challenges in Asia; conflicts with co-partners in Russia and Ukraine).

Thus, the empirical findings related to the role of the BoD as a control mechanism, mostly in the WOS form of ownership and limited in JVs (except in a few cases when "T" managed to utilize FC as an industrial investor), extend the knowledge from the previous literature about how HQ achieves influence over its subsidiaries, using the mechanism of the BoD, illustrating that the role of the BoD was not static and had undergone changes in different phases of internationalization, utilizing both strategic control (SC) and operational control (OC). Challenges for the BoD in JVs were affected by either the antecedent conditions, linked to the legislation and political situation, or the limitations of the JV as a form of ownership for industrial investors.

8.2.3 Influence via the role of expatriates – control mechanisms

The empirical findings summarized in Table 8.2.3 show how the mechanism of the role of expatriates provided influence from HQ towards subsidiaries. In this section, the following questions will be answered: 1) Who were expatriates in "T"? 2) Was the role of expatriates static, or did it change during the process of internationalization? 3) What kind of control has been utilized via the role of expatriates?

Table 8.2.3 Influence via the role of expatriates – control mechanisms

Control mechanism: Expatriates	Empirical findings
Who are expatriates?	- "Pre-expatriates" – a new role in organization that were not expatriates but had an important role in establishing the contacts, got the knowledge about the markets abroad and brought it to HQ. Had influence on the learning process in "T", influenced top managers.
Who are expatriates in MNC?	- Expatriates are "the girder"/mainstay - Expatriates transfer knowledge
What kind control can expatriates utilize?	-Expatriates represent the operational control (BC, OC) being on key positions. -Expatriates can utilize the behavior control via implementation the CCR
The role of expatriates has been changed during the process of internationalization	From consultants to the local executives, 'to the institute of DNA professionals of key executives

The empirical findings illustrate that the role of the expatriates has not been static, but it was changed by tuning during the internationalization of "T". The process at the beginning of internationalization showed that the expatriates had a role as "passionate ambassadors" (as a pre-expatriate role), who established the first contacts abroad, provided HQ with knowledge, influencing top management, and participated in important networking arenas in the markets where "T" had its interests, in order to influence the decisions of the local partners or authorities. During the phase of the first investments abroad, when "T" established its activities in several JVs, the expatriates were the individual consultants, aiming to support the local top managers in solving problems. During this phase, the expatriates were the "problem-solvers". The study agues with the previous literature in management and strategic domain which present expatriates role as is a manager deputed from the MNC's HQ to overseas JVs (Delios and Bjorkman, 2000), and reveal that expatriates in "T" exercised the different roles, and that the role of the expatriates was in a dynamic development during the process of internationalization.

During the next stage of internationalization, when "T" developed the strategy of consolidating its activities abroad, the expatriates started to play an important role in establishing the new strategy. They received roles in subsidiaries as top managers that could bring the necessary professional expertise from HQ and establish a team of professionals around them in the subsidiaries. Most of the expatriates were experienced employees in HQ, who had worked in the company for a long period, and Norwegian by nationality. The previous literature in management domain presented the phenomenon of the "ethnocentricity" in staffing policy, when the expatriates' team are culturally dominating in WOS/JV (Brannen and Salk, 2000; Toh and Dennis, 2005). The study supports this, but at the same time reveals that the picture of the issue of ethnicity of expatriate's stuff should be nuanced. Thus, in the period of the strong consolidation the function of expatriates was described as "*a girder"/mainstay, which underlined the fact that HQ represents its strategy and implements its policy in subsidiaries, using the position and professional skills of expatriates and their good understanding of the behavioral issues, based on the corporate culture*. That explains the dominance of Norwegians by nationality among the expatriates who were key managers represented cultural and social level of communication (Charlos and O'Conner, 2004).

Finally, during the mature phase of internationalization, the institution of expatriates became a pool of highly profiled and powerful managers that were supposed to establish in subsidiaries "the company's DNA", i.e. carriers of the HQ's values, culture and governance – a way of how to do business. During this phase, "T" started to recruit expatriates for manager positions from subsidiaries abroad and outside

“T”. People from different nationalities represented “the expatriate’s pool”. The findings in the study show that the role of expatriates was “tuned” with the needs of the internationalization strategy and that the institution of expatriates was gradually established, adapting the changing business conditions and relationships between HQ and the subsidiaries.

The empirical findings reveal that the changing role of expatriates is strongly connected to the issue of the internationalization process of “T”, when the question of the development of management control mechanisms started to be the critical conditions of success abroad.

Thus, this study shows that there is a close link between the role of expatriates as one of the mechanisms of HQ’s influence and control over the subsidiaries and the form of ownership in subsidiaries. Hence, being consultants in JVs, the expatriates did not manage to utilize the functions of influence and control and had just an informal role as the “eyes and the ears” in the JV, with the possibility of reporting informally to HQ. Thus, the findings support the previous research in management domain expatriates had two primary functions: influence/ control and transfer the knowledge from HQ (Delios and Bjorkman, 2000). At the same time, being the expatriates in WOSs, they could utilize the functions of influence and control, providing the policy and strategy from HQ. The study contributes to a broad examination of the system of control in the MNC, where the interplay of different forms of controls was the main trigger for the process of internationalization and the establishing of the HQ’s influence over the subsidiaries.

The empirical findings illustrated that *expatriates provide the operational control (OC),* which differs from the previous literature that pays limited attention to the issue of control connected to the role of expatriates and concentrates mostly on the role and tasks of expatriates. Thus, attention is paid to the fact that expatriates can influence organizations abroad in behavioral, cultural and social level of communication (Chalos and O’Connor, 2004). Scholars argue that expatriates are conceptualized as performing two primary functions – influence and control – and transfer the knowledge from the parent company/HQ (Delios and Bjorkman, 2000). At the same, several scholars linking the role of expatriates to influence on employees’ performance in subsidiaries (Groot and Merchant, 2000; Harzing, 2001; Legewie, 2002; Chalos and O’Connor, 2004; Peterson et al., 2000). This the findings reveal that the role of expatriates is more nuance as it was described in previous literature in management domain and management control domain, and suggest that expatriates provide both OC and BC.

The findings reveal that, while at the start of the internationalization process, and demonstrate that “T” experienced the changing patterns of staffing of expatriates in the MNCs (Harzing , 2001). HQ decided to use expatriates on a short-term base, as long as there worked as consultants on temporary positions and had the temporary tasks - to train the local employees in a limited time, the HQ’s policy changed in the mature phases of internationalization (Phases 3 and 4), leading to the permanent order in organizational structures of having a close link between HQ and subsidiaries and utilizing control function via the institute of expatriates, in order to achieve influence.

The collected data illustrates that HQ started to use “DNA-trained expatriates from the existing executive pool” that were not Norwegian by nationality. Thus, if at the beginning of Phase 3 of internationalization there were only Norwegians in all executive roles in WOSs, then, in Phase 4, many non-Norwegian executives were recruited. Nevertheless, several respondents working with the matter of expatriates are in doubt as to whether it is right to recruit non-Norwegians and those who did not grow up in Scandinavia as executives in WOSs because they think that, to a considerable extent, “T”’s “DNA” is built on national values and traditions.

Another important conclusion relates to the discussions in previous literature about the issue of “ethnocentricity” in staffing policy, when the manager’s or the expatriate team is culturally dominant in subsidiaries (Brannen and Salk, 2000; Toh and Dennis, 2005; Chung et al., 2006). The empirical findings illustrate that the question of nationality during the mature phase of internationalization is slowly transforming into a discussion about the understanding of values, or – as formulated by several respondents – it is important to have “T”’s DNA, meaning to live and practice the values of the company. In this case, we see that the values of the company started to be a more important issue than the values of the country.

At the same time, attention was paid to some negative attitudes related to the status of expatriates, for example that the recruitment process for expatriates was not sufficiently transparent; that expatriates should pay more attention to sharing their experience and knowledge, as the organization started to become big, and it was difficult to find channels and arenas for informal communication; that HQ should be more professional in the recruitment process, as there were several negative examples, related to expatriates, mostly due to people not being sufficiently trained in “T”’ DNA” and not able to understand the values and culture; that expatriates started to be people with too much luxury in their packages of benefits.

The study's findings also contribute to the literature on expatriates, in which limited attention has been paid to *development, such as the "tuning" of the role of expatriates*, from the established role of expatriates in each phase of the internationalization of "T" according to the adopted strategy, to the new/"tuned" role that is more suited to the "tuned" strategy influenced by the antecedent conditions and the recognition that "T" could not achieve its desired level of control. Such "tuning of the role of expatriates" can give a more nuanced understanding of the processes of internationalization, in connection with the role of expatriates in it.

Thus, the empirical findings about the role of expatriates extend the knowledge in the research literature in relation to the role of expatriates in the process of internationalization, illustrating the changes in their role in different phases of "T"'s internationalization, and that the role of expatriates provides as well the operational in HQ's search the most optimal system of control mechanisms in subsidiaries.

8.2.4. Influence via Common Corporate Rules– control mechanisms

The empirical findings summarized in Table 8.2.4 show how the mechanism of CCR provided influence from HQ towards subsidiaries. The following topics will be presented in this section: 1) What is the role of CCR? 2) How did the development of CCR happen during the process of internationalization? 3) What kind of control was utilized by CCR? 4) What are the challenges connected to the role of CCR as the control mechanism?

Table 8.2.4. Influence via Common Corporate Rules (CCR)– control mechanisms

Control mechanisms: Common Corporate Rules	Empirical findings
What kind of control the CCR are utilizing? Knowledge transferring that are not technical knowledge, but behavioral/ ethical/ cultural –has been transferred to subsidiaries	- CCR represent behavior control, even behavior control sounds negative in Norwegian culture. -TW functions as a governing platform for behavior, - HQ transfers knowledge about how to be a citizen in "T".
CCR have been changed during the process of internationalization	- CCR in has been changed/ "tuned" in a line with the needs of "T" in its expansion of business abroad (first, paper brochures, then Ethical Council and later a TW platform)

The collected data show that CCR was not a static platform during the internationalization process but changed according to the needs of "T". hat differ from the previous literature both in accounting and management control literature, and in management literature. Thus, during Phase 1, "T" developed ethical rules in a brochure form in Norwegian, with general recommendations for employees who would go on business trips abroad. During Phase 2 of active internationalization, the Ethical Council was established, in order to work with concrete cases and form a more general ethical attitude.

During Phase 3, the Code of Conduct (CoC) was developed as the first common document for HQ and subsidiaries as an ethical framework. All employees had to sign to confirm that they had read the document. Seminars were organized for the employees in HQ and the subsidiaries, explaining the ethical dilemmas in international business. Later, TW started to be a platform for the new managerial governance in "T" as an MNC.

During Phase 4, TW was developed into the cultural platform of being a citizen in a global "T", where the behavior aspect of being an employee in "T" started to be in focus. To the end of Phase 4 of internationalization, the CCR were more than a TW platform. There were several parts in CCR, such as CSR, sustainability of business, anti-corruption policy, issues related to health, environment and security, "whistleblower – line" on intranet for employees, etc. The findings support the previous research in management domain (Kurucz et al. 2008) and reveal that the development of the common rules was important for the global identity of "T" as MNC (Tayeb, 1998).

The empirical findings show that TW was aiming to create a common way to work in "T" Group, as it needed the tools to *control how HQ and subsidiaries work, based on the governing principles of "T"*. The respondents stated that it was important to implement the common way of thinking and the common way of doing business. The findings support the research literature that claims that establishing corporate rules and norms, in order to increase the influence from HQ towards the subsidiaries and JV operations, is linked to "the stakeholder interests, when seeking win–win outcomes through synergistic common value creation across the whole MNC" (Kurucz et al., 2008, p.91). The findings illustrate the important role of one corporate language in MNC as an important element of influencing from HQ towards subsidiaries and support the knowledge from the research literature in management domain (Lincoln, 1995; Kim, 2001; Harzing and Feely; 2007). At the same time, the findings reveal that the CCR are connected to the competence, learning and knowledge transferring from HQ towards subsidiaries (Birkinshaw and Fry, 1998; Birkinshaw and Hood, 1998; Birkinshaw, 2000; Geppert, 2005), and that it is important for the relationship between HQ and subsidiaries.

The empirical findings reveal that the *CCR represent behavior control*, aiming to build the shared vision and individual commitment (Bartlett and Ghoshal, 1989), even if there is no information about it on “T”’s website, because behavior control sounds negative in Norwegian culture. At the same time, the TW documents and other CCR-related documents were focusing on the issue of how to be a citizen in “T”, from an ethical point of view, and how to behave in “T”. The procedures described in CCR also underline the ethical side of governance and the way to do business; taking into consideration the aspects of zero tolerance of corruption and child labor, a CSR/TW video was introduced for employees as material for learning purposes, as well as addressing the ethical dilemmas related to the behavior of employees from different countries in challenging business situations. The findings support the research literature in accounting and control domain which links the development of corporate rules to the issue of behavior (Chow, Shileds and Wu, 2010,) paying attention to the topic of how internationalization influences corporate ethics and affects both formal structures in the MNC and informal management behavior (Watson and Weaver, 2003).

The empirical findings illustrate that CCR have a role in influencing the subsidiaries, via the implementation of the rules and norms that HQ stands for. According to the empirical findings, the most important part of CCR was connected to the issue of understanding the CCR and practicing them in daily business situations, in order to be a part of the HQ’s international thinking and behavior. That is in line with the previous literature, which confirms that the platforms from HQ have an important impact on relationships between HQ and subsidiaries in terms of influence (Chow, Shields and Wu, 2010). Nevertheless, the empirical findings differ from the conclusions of the research literature, underlining the importance, first, of finding the right platform for the common corporate culture, and then establishing the relationship between HQ and subsidiaries, in order to avoid these relationships causing a feeling of not-equality (Doz and Santos, 1997). Thus, empirical evidence highlights that “T” experienced a transformation in its understanding of what kind of CCR and later cultural platform “T” needed to practice “learning by doing” in its development from an incumbent of the domestic market to a global MNC. Hence, during Phase 4, when it positioned itself as an MNC, “T” started to be aware that CCR, and TW as a common cultural platform, could not be built on one national culture and the national values representing this culture. When the TW concept was presented in 2004/2005, it was announced that the platform was built on Norwegian values. Later, TW wrote that it was based on Scandinavian values, and, just in 2013, when it presented the new version of TW, “T” introduced it, stating that common global values formed the governing managerial platform in “T”. This supports the research literature in management control domain conclusions that influence via the establishment and practice of corporate rules is very much connected to the process of creating common global corporate values and culture (Chow, Shields and Wu, 2010), implementing company rules, in HQ and in subsidiaries and JVs abroad, and practicing these rules. However, the empirical evidence shows that the *TW team suggested that the subsidiaries could create their own practical rules, based on the TW platform,* and that a strong centralized platform with concrete rules and norms was not needed to control the behavior in subsidiaries, as several other Norwegian companies did. *Anyway, as the data collection shows, the employees from HQ supported having several rules and norms in a written form, based on Norwegian norms, traditions and values,* in order to remove any possibility of utilizing the gap between HQ's attitude and practice in the subsidiaries in informal management behavior (Watson S., Weaver G. R., 2003) that can be a part of the culture in the subsidiaries,

At the same time, the managers, in opposition to the employees, meant that TW was important in the development of the behavioral attitude in HQ and subsidiaries, while the employees experienced the declarations on "T"'s website as being far away from what was needed in daily business life, both in HQ and WOSs. However, the employees had strong support for the Code of Conduct, as a part of TW/CCR, as long as there were concrete rules and norms that were easy to follow, but the TW concept as a cultural platform, in the opinion of the respondents, was not concrete and it was difficult to see the relevance of it in practice.

The empirical findings illustrate that the WOS is important in order to implement and practice CCR in subsidiaries. The case of Malaysia is unique, as "T" managed to implement CCR as the modern and sustainable way to think as a benefit for the JV. From the other side, the case from Ukraine showed limited controls via the BoD in the JV, despite the FC, which affected the implementation of CCR, created by HQ. The Ukrainian JV agreed to publish the information about CCR (CoC as a central part of it) on the website, describing it as a new Western culture in the company, and benefiting from it in the positioning on the market, in order to be more attractive to customers. However, in practice, the Ukrainian JV did not pay sufficient attention to the issues of CSR, sustainability and ethical attitudes to doing business. In this respect, the CCR rules, introduced by "T", as a majority co-owner in JV, and approved by the BoD, were not followed up in practice. The empirical evidence, however, illustrated that practicing of CCR in this case was far from what was declared on the website. "T" could not change the situation because of its lack of control and influence in the JV, leading to dissatisfaction on "T"'s side. At the same time, the findings show *that employees in "T" were confused over how to understand the CCR in "T"* and explained that CCRs are presented nicely on the website, but, in real life, there is either a gap between practice in HQ and subsidiaries (as in several cases of corruption in Asian subsidiaries where the CCR were implemented), or there is a gap between the proclaimed ideas and practice, as in examples illustrating the leadership expectations described in TW and the experience of real business life. Thus, the empirical findings illustrate the situation of the deprivation of control related to the behavior control, when the managers have established the system of the corporate rules that has not worked optimally.

In addition, the findings illustrate the lack of practice of CCR; at the same time, several cases were described, *connected to corruption, child labor and lack of ethical attitude,* which were discovered in WOSs and JVs in Asia, despite the implementation of TW norms and rules there, represent "the stakeholder interests through synergistic common value creation across the whole MNC" (Kurucz et al. 2008, 91) At the same time, the topic of the cross-cultural paradigm and cross-cultural control mechanisms that link to the process of influence in the multicultural context (Bhimani, 1999; Scheytt, Soin and Metz, 2010) also linked the issue to the practice of CCR. Even though the managers explained that it should be the same rules and the same norms across the Group, the empirical evidence illustrates that the local employees in WOSs and JVs could understand the CCR from their cultural background. In this connection, the necessity to find control mechanisms to monitor the practice of the rules and having a focus on the rules on a daily basis in HQ and subsidiaries was expressed. The practicing of CCR in subsidiaries was linked both to the strong role in the key positions of expatriates, who could ensure a better understanding and practicing of CCR and, in general, to the importance of having a strong FC via ownership that could give a guarantee for the whole scope of controls in subsidiaries.

The findings illustrate that the process of knowledge transferring does not refer to knowledge for technical skills, but *knowledge related to cultural, social and behavioral skills* – in order to develop a common corporate culture that could strengthen HQ's influence over the subsidiaries – that the top managers in subsidiaries should stand for. This means that the expatriates are playing the central role, not just in transferring professional knowledge but also in providing the HQ's behavioral standards and norms. The research literature claims that the transference of common competence is important but does not nuance who should play the central role in it (Birkshaw, 2000; Geppert, 2005).

The empirical findings reveal that, in "T", they established the "best practice" attitude by establishing common corporate norms, as "T" declared, such as "do good by doing what you do best" (from "T"'s website), which has a positive impact on subsidiaries, supporting the establishment of good communication from the subsidiaries to HQ in order to bring in their own positive practice and practical findings that can be used across the Group. The research literature gives another interpretation of the process of spreading best practice: as the establishment of the global diffusion of "best practices" (Meyer, 2000) and the spreading of global best practices in MNCs, which are called "global organizational effects" and will override national institutions and cultures (Mueller, 1994).

Thus, the empirical findings contribute to extending the understanding, then the research literature in the knowledge related to the role of CCR as a control mechanism, in order to achieve influence in these terms: 1) CCR has been changed in the internationalization process because they exercised different tasks and different strategies in different phases of "T"'s development. The above-mentioned differentiation is strongly connected to the form of ownership of subsidiaries abroad; 2) CCR utilize behavior control from HQ towards subsidiaries and provide a link between HQ and subsidiaries, based on a common cultural platform, even though there are different opinions about the values on which the cultural platform should be based (common human values versus Scandinavian values); 3) It is challenging to implement CCR in JVs, and WOSs are needed in order to implement and follow the practice of CCR in subsidiaries. At the same time, several cases were illustrated: JVs with minority ownership, JVs with majority ownership with the FC and without the FC, implemented CCR and not implemented CCR from HQ as the governing platform. In these different JVs, the CCR were practiced in different ways, affected by both the antecedent conditions from the macro world and the limitations of the JV form of ownership. These cases extend the existing knowledge about CCR as the control mechanism by giving a more nuanced picture of the use of CCR, both in HQ and towards subsidiaries. At the same time, different opinions are highlighted in relation to the needs of the CCR for both WOS and JV, in terms of the fact that concrete rules are appreciated by employees, in opposition to managers, more than the general cultural platform.

This section illustrated that the dissatisfaction with influence and control related to CCR is connected mostly to the gap between the declarations and practices in HQ, WOSs and JVs.

8.2.5 Influence via the role CEO– control mechanisms

The empirical findings demonstrate that the *role of CEO in achieving influence from HQ towards subsidiaries was not always visible in relation to the control mechanisms* and does not always have an impact during the process of internationalization. The summary of the empirical findings focuses on the following topics: 1) Why does the role of CEO differ in different phases of internationalization? 2) How does the CEO represent the control mechanism, in order to achieve influence? 3) What kind of control mechanisms are connected to the role of CEO?

Table 8.2.5. Influence via the role of CEO- control mechanism

Control mechanisms: CEO	Empirical findings
The role of CEO is different in different phases of internationalization CEO represents influence, and coming strong in the period of changes/transitions	-CEO's role is visible for respondents in a period of transition. CEO is a visible institute of influence and decision-making.
What kind control represents CEO?	-CEO represents new institutions/routines as an "all over control" - Utilization of FC; SC; OC; BC- from HQ towards subsidiaries -CEO starts the new international mindset both related to" all over control process", specially control related to the behavior control. CEO initiated a new version of TW with a focus in behavior.
"Centralization via decentralization"	-CEO experiences influence from CEOs and other employees in HQ and in subsidiaries because of the strong ties between him personally and the executives and employees in HQ and subsidiaries. -The strong cross-cultural impact links to a Norwegian organizational culture as networking and flat relationship structure in "T" HQ and subsidiaries

During the interview process for this research, interviews were conducted with the CEOs who worked in this position during the whole period of "T"'s internationalization, described in this study (1992–2015). *The empirical findings reveal that the role of CEO in the process of internationalization did not stay the same, it changed and was not always visible to the respondents as a driving force for the international expansion of "T".*

The empirical findings describe that, during Phases 1 and 2 of internationalization, the CEO mostly concentrated on domestic issues, even though, as the data collection shows, the CEO had started the important reorganization process for "T" and was the driving force behind the transformation of "T" from being a part of the Ministry as a SOE to becoming a state-owned public company. At the same time, there is considerable evidence illustrating that the CEO in Phases 1 and 2 was personally very much interested in operations abroad, but the structure of "T" as a company and the business focus of "T" at that time pushed his attention as CEO more onto the domestic issues.

When the new CEO was appointed in 2001, he started the processes of "internal internationalization" of the organization, in addition to the "external" internationalization towards subsidiaries and developing "T" as an MNC, in order to establish the new governing system in "T". Thus, "T" international became International "T", aiming to make the whole organization, in both HQ and the subsidiaries, think internationally. New routines were implemented that connected the CEOs from the subsidiaries to the CEO in HQ with a target of monitoring the operations abroad. Thus, Mobile

Management Boars (MMB) had meetings 4-5 times a year to share knowledge across the Group and share experiences, establishing personal contacts. A strong centralization was implemented during the last phase of internationalization. At the same time, it was reported that the executives from HQ and the executives from the subsidiaries also participated in these meetings, which created a kind of informal network for the top management in the Group. The meetings were organized in different countries, where "T" had subsidiaries, leading to the establishing of an informal relationship with the employees in subsidiaries. In a period of strong centralization of influence and control in HQ, many informal contacts across the Group had the effect of decentralization, where the personal contacts were important, having a strong impact on the influence at the personal level, bypassing the line subordination. The management research literature pays attention to this topic and shows that the MNC's subsidiary managers are able to influence HQ decisions regarding the implementation of decentralized management systems in ways that go beyond the immediate interests of corporate headquarters and are counterintuitive to the traditional view of organizational power and hierarchy (Watson S., Weaver G. R. 2003; Dörrenbächer and Gammelgaard, 2006). In this respect, the findings highlight the impact of the cultural context in this issue, as the Norwegian organizational culture is characterized by the networking attitude and flat structure (Hofstede, 1980).

At the same time, the CEO started the Business Reviews, where, together with the CFO[80] and managers from the financial department, TMSs and managers responsible for the geographical units focused on the detailed monitoring of the performance in subsidiaries.

In this period, the CEO started to be a visible leader in the global telecommunication world, participating in different arenas worldwide as a top manager of an MNC, positioning himself as a visionary executive, focusing on global challenges and the ethical issue. These arenas were related to both the telecommunication industry, such as the GSMA Mobile Congress in Barcelona, and the economic development of societies, such as the World Economic Forum in Davos. The empirical findings support the knowledge from the previous literature about the top management in MNC, claiming that executives of multinational firms do recognize the ethical complexities presented by the internationalization of business (Watson and Weaver, 2003, p.76) and their own responsibility.

At the same time, *the empirical findings link the role of CEO to the issue of control.* The respondents had difficulty in defining the kind of control that the role of CEO was utilizing. Many of the

[80] CFO – Chief Financial Officer

respondents, underlining the important role of the CEO in issues of influence from HQ towards subsidiaries, nevertheless could not link this role to the issue of specific control. One of the former managers in "T" stated that the *CEO has control over all the controls in the company, as he appoints executives in the key positions and follows the performance in subsidiaries very closely*. The interview supports the observations from the management research that show that the CEO personalized the control routines (Collings, Morley and Gunnigle, 2008) from HQ towards subsidiaries and acted as a control institution in relation to the group of the executives and to the several network arenas in the company. These findings partly support the research literature that points out that leadership style influences the use of planning and control systems as predicted (Abernethy, Bouwens, van Lent, 2010) and that the CEO as a person with power is able to influence the course of organizational development, through both control over valued resources and the use of symbols by which organization members mediate their experience (Smircich, 1983). The collected data reveals that the CEO's role in influencing both the HQ and subsidiaries was more nuanced and had at least dual functions. In addition, the line subordination was supported by personal contacts from the participation in different networks arenas, both inside and outside the company.

Summarizing, the empirical findings show that: firstly, the role of *CEO was connected to many forms of control, such as behavior control* (he focused on ethical behavior in "T" Group); *strategic control* (he initiated the processes of the new strategic thinking in "T" regarding internationalization); *financial control,* as he represented HQ as an owner, visiting subsidiaries; and *operational control* (the CEO was very much detail-oriented in the process of the Business Reviews). Secondly, the role of CEO as a mechanism of control was not always the same and was not always visible in all phases of internationalization. This role was strong in the transition processes, especially when "T" changed from being a Norwegian company with international subsidiaries to a global MNC. The CEO fronted this process, was strongly personally involved in it, and represented the scope of several controls, having a role as an "owner" of the subsidiaries. Collings, Morley and Gunnigle (2008) underlined that, in the modern global environment, senior managers play a critical role in the implementation and influencing of organizational strategies, structures and processes, the establishment of the subsidiary the staffing composition in the subsidiary. Thirdly, the empirical findings highlight that there are *no good mechanisms for influencing and controlling the CEO.* Thus, the findings show that, in some processes, the CEO had strong personal opinions related, for example, to the appointment of some of the executive managers, even when many other executives in the company warned the CEO about the consequences. The situation shows that the CEO, having the wrong perception in relation to several key persons, influenced in a negative way the development of some departments in "T", that later were corrected. These processes were presented by the respondents as examples of dissatisfaction during the process of changes in "T".

Another important conclusion is connected to the new understanding of the role of CEO as a part of the antecedent conditions (Van de Ven and Poole, 1995; Poole et al., 2000), having a significant impact on the development and changes of the international strategy of "T". Thus, the CEO represents *a human condition* in the antecedent conditions (Van de Ven and Poole, 1995; Poole et al., 2000) from the micro world that have a strong influence on the process in the company. This differs from the literature on process theory which does not include *the human factors* in the antecedent conditions.

8.2.6. Summary

Based on the discussions presented above, Table 8.2.6 summarizes the important findings from the empiric part in relation to the research question: What control mechanisms were in place during different phases of internationalization? As was also discovered, the phenomenon of the perceived influence and control are related to all mechanisms of control described in this section. The findings are presented in the table. The discussion related to this aspect of the control mechanism follows in Section 8.3.

Table 8.2.6 Changes in several control mechanisms during the process of internationalization and their impact on influence

Internationalization strategy	Phase 1 "Small company – small international steps"	Phase 2 "The "Viking strategy"	Phase 3 "Up or Out"	Phase 4 "Different companies – one Group"
Influence via ownership utilizes financial control (FC) and triggers the scope of controls. The role has changed from Phase to Phase	-JV is the dominating form -Low FC and influence	-JV is a dominating form, but recognition of the limitations related to lack of influence via FC (low), BoD (limited), expatriates	-WOSs preferable due to improved FC that links to the scope of controls and high influence -JVs are still present in portfolio, due to	-WOS is compulsory, due to 100% FC and high level of influence -When WOS is not possible (low FC), use of MA[81], AGM[82]

[81] MA – Management Agreement between "T" as a co-owner in a JV abroad and the management of the subsidiary

[82] AGM – Annual General Meeting: gathering of the directors and stockholders (shareholders) of every incorporated firm, required by law to be held each calendar year. The main purpose of an AGM is to comply with legal requirements, such as the presentation and approval of the audited accounts, election of directors, and appointment of auditors for the new accounting term. Other items that may also be discussed include compensation of officers, confirmation of proposed dividend, and issues raised by the stockholders. http://www.businessdictionary.com/definition/annual-general-meeting-AGM.html

		(limited), CCR (limited)	the importance of the markets	
Influence via BoD: SC. Possible OC. Has changed as tuning from Phase to Phase	-Via role to teach/ transfer professional experience/knowh ow. -Low influence	-Via role to teach/ transfer professional experiences/know how combined with a monitoring role. -Low influence	-Via active decisive role, link to the HQ's competence. -High influence in WOSs, various level of influence in JVs	-Via established SC, OC and implemented corporate governance. - High influence in WOSs, various influence in JVs
Influence via expatriates: BC, OC. Has changed as tuning from Phase to Phase.	-Via "passionate ambassadors", who did not have a formal status. - Low influence	-Via individual consultants to local executives. Low influence	-Via "mainstay" in subsidiaries; only Norwegians in the top positions. High influence	-Via "DNA pool" of professionals, people of different nationalities. High influence
Influence via implementation of CCR: BC. The role has changed as tuning from Phase to Phase	-CCR are not on the agenda as common rules, just recommendations. -No BC	-Via Ethical Council linking to JVs. -Low BC. -Low influence	-Via created and implemented CoC and TW -BC in WOSs. -High influence in WOSs. -Various BC in JVs. Various levels of influence	-Via a system of CCR supported MNC image in HQ and subsidiaries, utilization of BC. -WOS: high influence; in JVs: various levels of influence
Influence via CEO/top management: "all over controls", focus on BC	-Via the role of a new CEO in transformation from SOE to PLE influenced the start of first international projects -Control functions are limited in international issues. -Low influence	-Via CEO's role in transformation to a listed company -BC functions are connected to international projects, not developed well. -Low influence	-Via the role of a new CEO in the "internal inter-nationalization"- -Establishing a control system of monitoring of operations abroad. -High influence in WOSs. -Various levels of influence in JVs	-Via CEO's role in developing system of values, -BC is in focus. -"All over control" in HQ and WOSs via "centralization - decentralization" (high influence). - -Various levels of BC and "all over control" in JVs. -Various levels of influence

In summary of the discussions related to the question of what kind of control mechanisms were utilized during the different phases of internationalization, the following is highlighted:

Firstly, the empirical findings support the claims from the literature review (e.g. Chalos and O' Connor, 2004; Wickramasinghe and Hopper, 2005; Ahrens and Mollona, 2007; Scheytt et.al., 2010; Bourmistrov & Kaarbøe, 2013), in management and strategy literature (Banai et al., 1990; Child and Yan, 1999; Birkinshaw, 2000; Geppert, 2005). Butler and Anchor, 2000; Watson S., Weaver G. R. 2003; Tahir and Larimo, 2004; Karhunen, Kosonen, and Leivonen, 2004; Dörrenbächer and

Gammelgaard, 2006; Karhunen, et al, 2008;) and finance literature (Desaia et.al., 2004; Al Farooque et.at, 2010) that HQ achieves influence over subsidiaries in the process of internationalization through the mechanisms of control, such as ownership, the BoD, the role of expatriates, CCR and *partly via* the role of CEO. It was discovered that the role of CEO functioned as a mechanism of control in the period of transitions, when "T" started active internationalization on the way to becoming an MNC.

Secondly, the above-described *mechanisms of control changed carefully/" tuned"* during the process of internationalization, in small steps. The changes were interrelated by the new international strategy from phase to phase. This issue, to our knowledge, has not got enough attention in the previous research literature. The influences from antecedent conditions (Van de Ven and Poole, 1995; Poole et al., 2000), from the macro world (external conditions, such as legislation, new licenses, political investment climate) and the micro world (internal conditions in the company, such as top management's engagement in the processes of internationalization, personal engagement and the active role of the CEO) were important. The role of CEO was described as a strong *human condition*, which influenced the changes in the organization and can be presented as a human condition in antecedent conditions (Ibid.). This differs from the teleological change literature (Ibid.) and reveals that the CEO has a strong impact during the transition periods on the changes in HQ, influencing the subsidiaries.

Thirdly, the empirical findings presented a more detailed and *nuanced picture of each control mechanism* that evolved in the process of internationalization, the empirical findings have extended the existing knowledge in the research domain of accounting and management control and management in relation to the effect of the mechanisms of control in the process of internationalization. Thus, the study reveals that BoD can represent both SC and OC, the expatriates can exercise both OC and BC, and that CEO can represent a scope of controls, having a special strong role during the period of the comprehensive organizational changes. At the same time, practical implications from the study will be important for both the research and the practitioners.

Fourthly, the empirical findings reveal that the ownership is important for the issue of influence and support the previous research in management control literature (Chalos and O'Connor, 2004) and finance literature (Desaia, et.al., 2004; Al Farooque et.at, 2010), and highlight *a special role of ownership as a mechanism of control* that triggers the scope of control mechanisms and has a strong impact on the issue of influence.

Fifthly, the findings reveal that the issue of perceived influence and control (Bourmistrov and Kaarbøe, 2013) had a strong relationship to changes in the international strategy and creating a new improved system of management control that will be more suitable for the new strategy in the new phase of internationalization.

Sixthly, the empirical data illustrates challenges related to legislation and political impacts that minimize influence in both WOSs and JVs with different levels of ownership. Thus, JVs with the majority ownership in markets with restrictions against foreigners owning 100% can give both low influence – because of the negative impact from legislation and political climate for the investors – and high influence if the political climate in the markets is supportive for the investors. Empirical findings reveal that these important for the successful investments *factors* can be *latent* and can suddenly be active and influential and have a considerable impact on the business results for the company. In this connection it is important to evaluate these *factors which have imp*act on the realization of the chosen strategy, nd include them as issue management for the strategic work.

Seventhly, the empirical evidence provided a reason to look at the presented control mechanisms from the perspective of the interplay between the control mechanisms and to develop the configuration of control mechanisms that has, as its outcome, the indicator of the level of influence in different configurations (see Model 8.2.7).

8.2.7. Changes in control configurations during internationalization

The above-presented empirical findings and the integrated analyses of the control mechanisms in the framework of the research domain highlight the importance of considering the control mechanisms as a package, where the interplay between the different control mechanisms can be presented as a configuration. The analyzing of the empirical evidence from "T"'s portfolio in 14 countries on different markets in a period of 23 years led to the observations that the level of influence in different subsidiaries depends on the configuration of different control mechanisms and *factors* both from the macro world and that had an impact on the possibilities of realizing the strategy.

The empirical findings suggest that, in order for the HQ to achieve influence over the subsidiaries, it is necessary to use *several control mechanisms synchronically as interplay between different control mechanism*, as ownership, BoD, the role of expatriates, CCR and the role of CEO (e.g. Chalos and O' Connor, 2004; Wickramasinghe and Hopper, 2005; Ahrens and Mollona, 2007; Scheytt et.al., 2010; Bourmistrov & Kaarbøe, 2013), in finance literature (Desaia, et.al., 2004; Al Farooque et.at, 2010), and in management and strategy literature as well (Banai et al., 1990; Child and Yan, 1999; Butler and Anchor, 2000; Tahir and Larimo, 2004; Karhunen, Kosonen, and Leivonen, 2004; Karhunen, et al, 2008). That differ from the previous research in accounting and management control literature which, to our knowledge, has more focus on each separate mentioned above mechanism. Hence, this study suggests that in order to strengthen the HQ's influence over subsidiaries in the process of internationalization it is needed to configurate different controls in packages that illustrate the different outcomes related to the level of influence. The study reveals the importance to pay attention on the issue of the interplay between different control mechanisms. The second-order findings of the changes in the packages of control mechanisms in the process of internationalization, based on the discussions of the previous sections, can be conceptualized in the presented.

Model 8.2.7 that shows the configuration of the different control mechanisms in different packages that illustrate the different outcomes related to the level of influence.

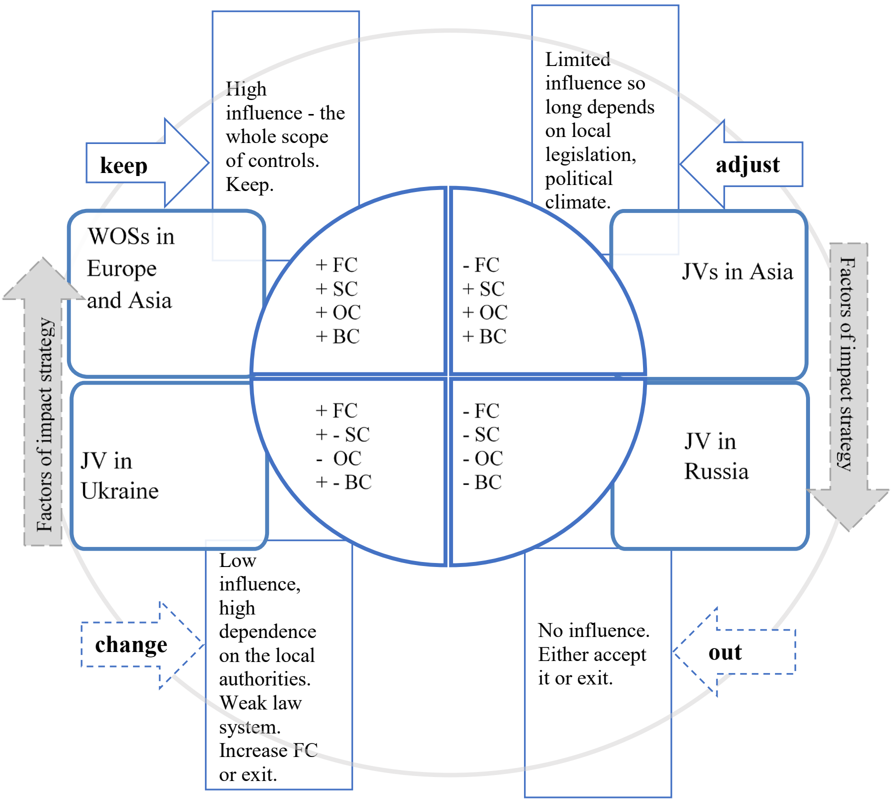

Figure 8.2.7 (build upon the data collection up to 2016)

Both the empirical findings and the literature from the research domain describe different controls used during the process of internationalization, such as FC – financial control, SC – strategic control, OC – operational control, and BC – behavior control. As the findings show, in order to achieve influence, it is necessary to utilize several control mechanisms as a package.

Although the previous literature in the research domain did not pay enough attention to the issue of FC, it states that the level of ownership is connected to the level of influence (Chalos and O'Connor, 2004). The empirical findings illustrated the importance of FC in the process of internationalization. Thus, the FC can be utilized via ownership. A bigger stake in ownership gives FC in the framework of the General Assembly and the possibility to decide the composition of the BoD.

The findings reveal the issue of strategic control (SC) as a control that the owner needs, in order to realize the strategic goals and strategies (Bisbe and Otley, 2004) in approving business plans, profit distribution, investments, important financial decisions (Geringer and He´bert, 1989), and in appointing key executive positions (Yan and Gray, 1994). Higher levels of the owner's control link to higher levels of influence (Chalos and O'Connor, 2004).

The findings reveal that operational control (OC) is involved in the day-to-day operations in a company and can be utilized via the top management team and/or expatriates that are appointed by the BoD or HQ (Mizruchi, 1983; Yan and Gray, 1994). Using OC, expatriates as key managers can influence, exercise control, and transfer knowledge from HQ (Delios and Bjorkman, 2000; Chalos and O'Connor, 2004). At the same time, they can provide control functions from the MNC's HQ to overseas JVs (Delios and Bjorkman, 2000), protecting the stakeholders' interests (Kurucz et al., 2008).

The findings reveal that behavior control (BC) represents the stakeholders' interests, through synergistic common value creation across the whole MNC (Kurucz et al., 2008), and is based on a common global control system, included in the culture-based preferences appealing to local employees (Chow, Shields and Wu, 2010). BC can be utilized via corporate rules (CCR) that reflect the changing cross-cultural context of the global presence (Tayeb, 1998) and support the transference of competence, learning and knowledge, which is important in the relationship between HQ and the subsidiaries/JVs (Birkinshaw and Fry, 1998; Birkinshaw and Hood, 1998; Birkinshaw, 2000; Geppert, 2005). The findings reveal that BC is strongly linked to the idea of building a "strong" organizational culture, creating "pluralistic definitions of corporate global values" (Kurucz et al., 2008, p. 91), based on a shared vision and individual commitment (Bartlett and Ghoshal, 1989).

At the same time, it is necessary to mention that the empirical findings suggested a nuanced picture in relation to each of the described control mechanisms. Hence, ownership can utilize FC and partly SC (Chalos and O'Connor, 2004); the BoD can utilize SC (Bisbe and Otley, 2004) and partly OC, by appointing key executive positions (Yan and Gray, 1994). At the same time, the BoD exercises "bottom-line control", via its hiring and firing of the CEO (Mizruchi, 1983); expatriates can utilize OC and partly BC, providing a standardized approach to international assignments (Collings, Scullion and Morley, 2007); CCR can utilize BC and partly OC, by building a common control system that is based on the global cultural preferences and appeals to employees in HQ and the subsidiaries (Chow, Shields and Wu, 2010); the whole scope of controls can be utilized via the institutional role of the CEO, which represents all forms of controls, influencing structures and processes, the establishment of WOSs and JVs, and the staffing composition in WOSs (Collings, Morley and Gunnigle, 2008).

The model also gives the status of influence in each presented package, the outcome related to the international strategy and the possibilities for changes in relation to either increasing the level of influence, where it is possible, or leaving the market, where it is not. In addition, the model presents important *factors* that had an impact on the opportunity to realize the chosen strategy, with the configuration of the control mechanism packages in the different markets of "T" having the central place. The factors that had an impact on the realization of the chosen strategy where the configuration of the control mechanisms packages are central are: legislation and political climate in the markets for investments, especially in the emerging markets; established legal systems and practice that were supportive to foreign investors; partners in JVs that "T" could professionally co-operate with and that had the same understanding of corporate governance; a level of qualified knowledge about the international markets in HQ among managers and employees, where the investments were made in relation to the technology; national culture on the markets abroad; "bad practice of doing business" as a tradition in the local context; the development of "maturity" in the central "institutions" in HQ, important for international activities, such as whistleblowing, anticorruption policy, HSE functions, CSR functions, the Code of Conduct and its practice, institutions connecting to the issue of governance, anticorruption policy; lack of capital for the investments. It is necessary to mention the differences between the *antecedent conditions* described in Section 8.1 and the *factors of the possibilities for realizing the strategy* presented in the model. As described in the previous section, the antecedent conditions are a sequence of events in a historical retrospective to define and distinguish conditions (Van de Ven and Poole, 1995), in order, as interpreted in this study, *to create a strategy* in each phase of "T"'s internationalization process. *The factors* that are presented in this model can be described, based on the empirical findings, as possible underestimated obstacles, influencing the realization of the approved strategy. The factors are present in the markets and inside the company; both can lie latent and, at the same time, can be active and influential and force changes in the configuration of the control mechanism packages.

In addition, it is necessary to underline that the empirical evidence points out "T"'s role as an *industrial investor*. Thus, the presented model is suitable for illustrating the situation in different markets with the different forms of ownership and different forms of control for *industrial investors*. For the financial investor, probably, it will be another outcome, and there will be a different model of the configuration of control mechanisms.

The model presents the following configurations of control mechanism packages:
Configuration -FC-SC-OC-BC as a package (Financial Control; Strategic Control; Operational Control; Behavior Control: "No influence, no control – accept it or get out") gives almost no influence, and, in this situation, a company should reconsider the existing strategy and create a new one that will include substitutional changes. In this connection, a new configuration of the control mechanism package should be presented. If the company will not make the necessary changes, it should either accept a situation with no influence or leave the market. The presented model supports the findings described in the processes of internationalization during Phases 1 and 2, when all the JVs in "T"'s portfolio were almost without influence. In order to change the situation, "T" worked separately with each of the configurations of control mechanisms, aiming to make the packages of control work"; thus, the idea of MA appeared during Phase 2. Hence, using the framework of MA, the members of the BoD in JVs could insist on some decisions, working with the local co-partners to achieve compromises, placing the consultants from HQ in JVs, and arranging different seminars in order to present the values of "T" and its governing principles. Discontent with the low level of influence started to be felt strongly at the end of Phase 2. This configuration of controls demanded changes, as was noted in the empirical part.

JVs in this configuration were very vulnerable to the unpredictable situations that can influence business in a negative way. The dashed-line arrow in the model illustrates the indicator of the necessity to make substantial changes in the configuration of the control mechanisms or to leave the market. As an example, for this configuration, "T" did not manage to increase its ownership in Russia (global presence), having 43%, in a JV where several factors played an important role in not realizing the strategy. These factors were: lack of capital (in the first phases of internationalization); legislation (telecommunication rather became a strategic business area, and foreign investors were not permitted to own more than 50%); the legal system was challenging, and its practice had a local impact – “T” experienced between 10-15 court cases in different parts of Russia with various outcomes; the relationship with the local partners was influenced by different business agendas, different ways of doing business, and different understanding of corporate governance, resulted by disagreements and judicial proceedings, initiated by local partners, and by “T”. In addition, “T” experienced serious corruption in a Russian subsidiary in Uzbekistan, which is described at the beginning of the study. “T” admitted later that management did not have enough knowledge about the local markets and underestimated the complexity of being a foreign investor in challenging markets, where the culture is far from Scandinavian (NRK - nett, 08.01.2019). As a result of the above-mentioned processes, “T” had to take the decision to sell its shares in this JV.[83]

Phase 3 of “T”’s internationalization started with the consolidation of “T”’s portfolio, aiming to achieve a situation where the following configuration could be presented: +FC+SC+OC+BC (“Both influence and control, keep as long you can”). During Phase 3, almost all JVs, where “T” managed to increase its ownership, became WOSs; these companies were kept in the portfolio. Other JVs were sold (except for a few JVs on markets that were important for “T”). Configuration +FC+SC+OC+BC gave a high level of influence and utilized the whole scope of control mechanisms. At the same time, the empirical evidence pointed out the factors that can have a strong impact on the conditions for the realization of the chosen strategy: EU directives and policy in the EU markets that influenced the local legislation and, in some situations, can dominate the local legislation (the case of Denmark, when EU legislation did not allow the adjustment of the strategy and merge “T”’s and “ TA”); challenging situations with local partners and accusations of corruption that “T” managed to deal with; “T” underestimated the rapid development of the markets’ demands for the new technology and could not manage to provide new licenses for advanced services (due to the lack of real knowledge on the market, “T” had to leave the market in 2017/2018 with the loss of approx. 30 billion NOK); the situations in other WOSs in Central and Eastern Europe: Serbia (100%); Montenegro (100%); Hungary (100%); Bulgaria (100%) showed organic growth, but, at the same time, the “maturity” of these markets became possible earlier than estimated, and the situation of the profitability of the markets could change in the very near future, which resulted in “T” selling its subsidiaries, concentrating its strategy mostly on the emerging markets in Asia. “T” decided to leave the CCE market in 2017/2018. In another case, in India, “T” “tuned” the package of control mechanisms to the configuration +FC+SC+OC+BC, with the full scope of controls, but, being affected by the *factors* of

[83] “T” announced the sale of the JV in Russia in 2017

the possibilities for realizing the strategy, had to leave the market, as *the existing factors,* which, at first were more or less latent (as the respondents implied), then started to be visible. These factors are, as the following: not sustainable way to do business; the underestimation of the complexity of some markets, when the market's conditions have been changed underway, when it was not possible to "tune" the license conditions; the underestimated rapid technological "maturity" of the markets. Hence, "T" decided to leave the market[84].

At the same time, there are two other configurations in the model, that are present in the markets where "T" did not manage to increase its ownership to the majority position because of local legislation. Making the choice to keep both models of JV (with the minority and the majority positions) in its portfolio, "T" had to find solutions for how to deal with the management control system in each JV and co-operate with its local co-partners.

Configuration -F+SC+OC+BC ("Limited influence, high control, up with the FC, be careful, and adjust if possible") describes, for example, the JV in Malaysia (see Model 8.2.7), when "T", without FC because of the limitations in legislation related to foreign investors, achieved the full scope of controls in these JVs, using the mechanisms of voting under the General Assembly and later the framework of MA. The title of the model contains the warning "to be careful", underlining the possible impact of the antecedent conditions that can be changed, influencing "T"'s strategy, and factors that allow "T" to realize this strategy, such as the possibility to utilize the majority in the BoD, and implement the system of controls in JVs. JVs in Bangladesh and Thailand have the same configuration of control mechanisms, satisfying "T" in the level of influence and control, despite some tensions related to the main co-partner in the JV in Bangladesh and the challenging political situation in Thailand, although "T" achieved a sufficient level of influence and control in the above-mentioned JVs. At the same time, it is important to mention that "T"s position as a foreign investor on the above-mentioned markets was vulnerable because of the dependence on: the legislation and political climate in the markets; supportive co-operation with partners and a deep understanding on "T"'s side; and the cultural traditions and practices that were described in the empirical findings as the factors necessary for success and the realization of the strategy.

The configuration +FC+- SC-OC+- BS ("Low – influence", " change") illustrates the situation when "T" formerly had FC via ownership in Ukraine but could not utilize it fully, influenced by factors that

[84] "T" announced the sale of the WOS in India in 2017

had a strong impact on the possibility to realize the planned strategy, such as a close link between the top management and\co-owners in the JV and the political elite in the country. This situation created substantial limitations for “T”, such as the appointment of the CEO and other key managers in the JV, the implementation of the principles of corporate governance. “T” could not establish BC so long the local management in subsidiary did not allowed to provide the BC through the implementation of the CCR. At the same time, it is necessary to mention that “T”’s position in the framework of the BoD was not without influence, as the local partners trusted “T”’s competence and expertise and utilized “T”’s connection in their relationship with vendors. The local partners also benefited from the trainee process for local employees in “T”’s HQ and increased the employees’ competence in the company. This explains the modus +- SC. As long as “T” did not have the OC, the local managers established absolute control, which explains -OC, and the power of the expatriates was limited; “T”, as an investor, did not have enough information about the activities “on the floor” and could not change the situation. At the same time, the empirical findings show the paradoxical situation, as presented in this configuration related to +- BC. In this case, the modus +- BC illustrates that the local management and local co-partners wished to position themselves as a modern Western-oriented company with a modern system of corporate governance. Thus, the above-described JV presented the CCR in the company that were created in “T”’s HQ, but the CCR were not practiced, even though they were on the website. The arrow in this configuration is drawn in a dotted line, showing the necessity for substantial changes in the JV in order to increase the low level of influence. The factors that influenced the possibility to succeed in this JV, according to the empirical findings, are as follows: the legislation and political climate in the markets was more supportive for foreign investors and most important is how the laws work in practice; the struggle with corruption was the highest priority for the political authorities, but nevertheless there was the strong link between the political elite and business; the improvements in of the existing legal system and practice that were not corrupt and did not discriminate against the foreign investor; partners in JVs that had the same understanding of business agendas and corporate governance; the level of qualified knowledge in HQ about the local conditions and culture in the market where the link between the political elite and business was too close; the development of the “maturity” of the central “institutions” in HQ as business controllers understanding the challenges in control reporting, zero-corruption activities, Code of Conduct and transparency in HQ. JVs in Ukraine (56%) was merged with “T”’s subsidiary in Russia, and became a part of its global presence; later, the subsidiary in Russia was sold[85].

[85] “T” announced the sale of the JV in Russia in 2017

To guide the discussion in relation to the configuration of control mechanisms in the process of internationalization, it is important to point out that the accounting literature did not pay enough attention to the issue of the configuration of different control mechanisms having an impact on the level of influence in subsidiaries during the process of internationalization. However, the management literature paid more attention to this issue and suggested models for ownership of JVs abroad (Karhunen, Löfgren and Kosonen, 2008), where the different degrees of ownership and different degrees of control in the entities with foreign ownership were linked together. The research studied four types of international business practices in transition economies and presented four types of relationship between the above-mentioned parameters (see Chapter 2). The model of configuration of control mechanisms in the process of internationalization presented in this research (see Models 8.2. 1, 8.2.2 in Appendixes) can be an addition to Karhunen, Löfgren and Kosonen's (2008) model, by suggesting packages that illustrate the processes of the interplay of controls in both JVs and WOSs as subsidiaries of the MNC in different markets, in different phases of internationalization. This differs from the packages presented by Karhunen, Löfgren and Kosonen (2008), which described that several small and medium-sized enterprises (SME) worked at the same period on the same market.

Summing up, answering the research questions about what control mechanisms were in place during different phases of internationalization the empirical findings reveal that control mechanisms in internationalization settings by describing use of mentioned above controls mechanisms related to ownership; related to the role of BoD ; related to the role expatriates; related to the corporate rules: and the role of CEO of HQ. The findings of the current research reveal that these controls are interplaying with each other as the configuration of control packages and that each of the control mechanisms presented in the configurated package is not static and has been carefully changed during the process of internationalization.

8.3. <u>The third research question: How have managers and employees perceived and initiated changes to those controls?</u> Analysis of the empirical findings in the framework of the teleological motors of process theory. "Deprivation of control" and "tuning" as driving force of changes in the process of internationalization.

Using the framework of process theory (Van de Ven and Poole, 1995; Poole et al., 2000; Mähring and Keil, 2008), which supports identifying a sequence of events in a historical retrospective as antecedent conditions, the reason for the changes in an organization will be defined and distinguished, answering the third research question: "How have managers and employees perceived and initiated changes of those controls?" As described in Chapter 2, according to teleological theory, the progression in the organization happens as a development towards a goal that is socially constructed and cognitively shared as a common goal. "The purposiveness" (Van de Ven and Poole, 1995) is an important part of the teleological theoretical concept, which sets the premise for the understanding of how changes can be triggered, aiming to achieve the decided goals. Van de Ven and Poole (1995) identified the following important processes in teleological changes: the sequences of events as antecedent conditions that influence the establishment of the strategy that leads to the creation of the system of controls, the evaluation of the goals in the framework of the system of controls, dissatisfaction with the results and further processes of change in the organization. Taking into the consideration the teleological motor of changes inside process theory (Poole, 1995), the findings summarized in Table 8.2.6 and Model 8.2.7 will illustrate how and why the control mechanisms being configurated as packages have been changed during the process of internationalization, triggered by the chains of "dissatisfactions" (Van de Ven and Poole, 1995; Poole et al., 2000) in the context of this study.

Thus, the empirical evidence describes the "interpretation" of the theological process of changes presented in this study, showing that changes to the packages of control mechanisms in the process of internationalization have happened, such as "tuning".

The definition of the phenomenon of "tuning" came from the empirical findings, when the respondents reported that the whole process of the internationalization of "T" had a "tuning-mindset", meaning the careful adjusting of the processes, avoiding "ups or downs" or "rollercoaster" swings, in order to improve the existing way of doing business and to find the most efficient system of controls for the HQ to achieve influence over the subsidiaries.

The respondents underlined that the Norwegian business culture is based on a network principle, including employees in discussions, having a flat structure in organizations and communication between managers and employees as members of one team (Hofstede, 1980). They explained that, based on this approach, the managers in "T" were open-minded and available for feedback from the employees working abroad. The small "tuning" steps *were* supportive in developing the company and in implementing changes in a smooth way.

At the same time, the empirical evidence shows that processes of change, such as "tuning", always happened with delays, meaning that, during the four phases of internationalization, "tuning" was needed in each phase and was linked to all control mechanisms and to the packages of control mechanisms.

As data collection from the previous sector shows, the process of internationalization defined several mechanisms of influence from HQ towards subsidiaries and showed its "tuning" in each phase and described the processes connected to these mechanisms: the tuning of the ownership structure (from JV to WOS); the tuning of the role of the BoD (from a supporting organ to a controlling organ); the tuning of the role of expatriates (from "passionate ambassadors" and individual consultants to "a pool of professionals"); the tuning of common corporate rules related to behavior (from no rules and the use of common sense to TW as a common platform for attitude, relationships and behavior); and the tuning of the role of CEO. The findings show that the "tuning" model in doing business – the "tuning mentality" – has its roots in formal and informal communication and reporting between employees and managers, leading to the processes of adjusting or "tuning" the business strategy and changes in the system of the control mechanisms that give the opportunity to utilize the model of "doing by practice" or "learning by doing", as "best practice model", which was in a constant "tuning mindset", in order to give the best result when several important control mechanisms did not work.

According to the respondents, situations, when managers experienced a lack of the control that was considered a necessity to gain influence and the recognition that they were not getting what was needed, will be defined as a deprivation of control.

The empirical findings mapped the phenomenon of the perceived influence and control connected to each of the above-described control mechanisms. What were the drivers or motivations for the shift between different activities and events from phase to phase of internationalization in "T"?

To answer the question, "What was the driving force for the changes in the process of "T"'s internationalization?", the empirical evidence illustrated that the outcome of chains of change processes in control packages is a "deprivation of control".

"Deprivation of control" is a phenomenon that describes a state of affairs: the management situation that is characterized by HQ's inability to get what is considered a necessity – in this study, a high level of influence over its subsidiaries. Hence, "deprivation of control" is a phenomenon of the recognition of the needs and what is absent and the outcome of the change processes in the configuration of control mechanisms. The phenomenon is closely connected to the managers perceptions which influence the managerial judgment and beliefs about how the control system affects the relationship between the organizational behavior and its outcomes (Dermer & Lucas, 1986; Koeing et al., 1992; Bourmistrov and Kaarbøe, 2013; Seal & Mattimoe, 2014).

The literature in the research domain has focused on the need for greater use of the approach from the psychological sciences. The literature review illustrated the call for, for example, the concept of perception related to management control (Hall, 1995). At the same time, the empirical evidence in this study demonstrates examples of the situations with the perceived influence and control, when none of control mechanisms work in reality, and the existing system of mechanisms should be reconfigured, in order for the HQ to achieve influence over the subsidiaries, as the main strategic goal.

As the empirical evidence described, *the phenomenon of deprivation of control* led to the lack or low level of influence in subsidiaries, obstructing the realization of the established strategy. These processes were experienced during all the phases of "T"'s internationalization. Thus, deprivation of control, as an outcome of a chains change processes, when control packages were "tuned", is a driving force for achieving influence and the result of the chain of dissatisfactions.

Applying teleological lenses in order to analyze the empirical evidence from this research, and answering the question, "How have managers perceived and initiated changes of those controls?", Van de Ven and Poole's (1995) extended framework will integrate the phenomena of "tuning" and "deprivation of control", and, as suggested in Model 8.2.7 the configurations of the controls as packages and the factors explained why HQ's managers were deprived of control in the different phases of "T"'s internationalization. In this respect, the discussion in the framework of the teleological motor of changes will be supported by Model 8.3.1.

Model 8.3.1: "The wheel of change": The extended model of teleological motors of changes, combined with Research Model 2.2, explaining the process of the internationalization of "T".

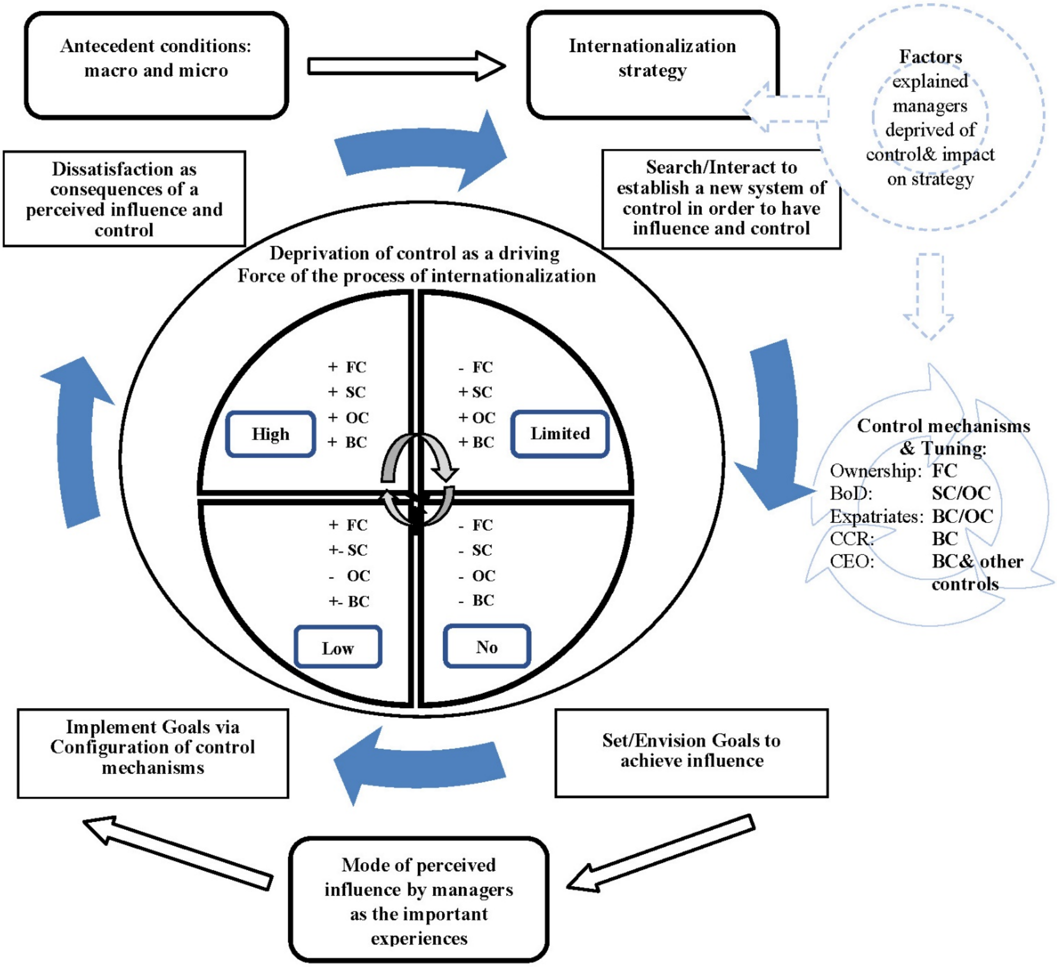

Figure 8.3.1. (Source: the author built on the model of Van de Ven and Poole, 1995 (model 2.1) and a research model 2.2 by the author)

Model 8.3.1 explains the process of "T"'s internationalization as the chain of changes. Influenced by the antecedent conditions from the macro and micro worlds, "T"'s HQ developed an international strategy and, from the control perspective, based on the relaying of different control mechanisms configurated as packages. The control packages are designed as a configuration of control mechanisms, such as ownership, the BoD, CCR, the role of expatriates and the role of CEO. The primary goals of T's management were that HQ should strive to achieve a high level of influence in operations abroad (e.g. subsidiaries). The changes happened by the *"tuning"* of the developed packages of the configuration of controls. At the same time, the empirical data shows examples of how the control system affects the relationship between the organizational performance and beliefs and the goals the organization has because of the managerial perceptions of controls, influence and the managerial judgment. The empirical findings illustrate that, when managers experience a state of dissatisfaction with the control outcomes, they introduce changes in the configuration of control mechanisms, including the analyzing of the new antecedent conditions and the design of a new international strategy.

Understood as a teleological motor of change, "the tuning" was triggered by *these dissatisfactions at not being able to achieve the expected high level of influence*. That motivated new searches for and the introduction of a more sophisticated configuration of control mechanisms. The situation of a lack of ability to achieve the desired level of influence and control, in spite of "tuning", and the recognition of this, made the *"deprivation of control"* the driving force of the changes, while, on one side, "T"'s managers tried to "tune" the packages of control mechanisms in order to gain maximum influence in the subsidiaries, on the other side, they experienced deprivation of control, recognizing that they were not getting what was needed. The recognition of the deprivation of control initiates the process of changes and leads again to the analyzing of the antecedent conditions, the development of an international strategy and of new packages of control mechanisms by tuning. The process functions as *a constant rotation*, which gave us the reason to call Model 8.3.1 a *"wheel of change"*. The appearance of deprivation *of control* can be explained as the outcome of the chains of change processes build up om the configuration of the control packages by tuning.

The empirical findings described, and the *factors* explained why HQ's managers were deprived of control in different phases of "T"'s internationalization. Most of the *factors* came from how the HQ's managers analyzed, "interpreted" and understood the *perceived factors from the macro and micro worlds* that could have or had had an impact on the realization of the established strategy and forced the "tuning" of the control mechanisms, in order to develop an international strategy and, further, to create the new configuration of the control mechanisms. The box presenting the perceived factors is drawn in both dots and lines, as the factors can be *latent and active*, which explains the constant delays in the processes of experiencing "tuning" and "deprivation of control".

To summarize, the above-presented Model 8.3.1 described several important interacting elements that illustrated the process of changes and explained the internationalization process of "T". The empirical findings illustrating the presented theoretical and research model are collected in Table 8.3.

Table 8.3. Collected empirical findings that illustrate and explain Theoretical Model 2.1 and Research Model 2.2.

Phases of internationalization	Phase 1 1992-1996	Phase 2 1996-2001	Phase 3 2001-2005	Phase 4 2005 - 2015
Internationalization strategy	"Small company – small international steps"	"The "Viking strategy"	"Up or Out"	«Different companies – one Group»
Antecedent conditions: Macro:	-EU's directive about liberalization -Possibilities for investments in Europe and Asia -Technological possibilities for mobile operators	-Positive experiences from 1st operations abroad -Rapid development of markets in Europe and Asia, and Eastern Europe	-Rapid international development of "T" -Listings at NASDAQ (NY) and at Oslo Stock Exchange	-New markets in Europa and Asia -Strengthen the Cluster–based business - "A membership in "MNC- executive club" -Global focus on ethical/CSR issues
Antecedent conditions: Micro	-"T" has good technological competence - Lack of capital -Lack of the international experiences	-Top management as catalyst of the rapid international expansion -Lack of capital - "T" failed alliance formation twice	-Knowledge about the legislation on each market -1st CSR challenges -New CEO as active initiator for the international orientation	-From "T" to "T" Group as MNC -Strong centralization
Goals/internationalization strategy	- "Not to be eaten" during EUs liberalization -Transformation from SOE to PLE -Small steps nearby home market -Industrial investor role -No clear strategy about internationalization	-International projects through "Passionate ambassadors" -No clear geographic strategy -Low costs projects -The attempts to set up the system of controls -Search for a strategic partner	-Several international projects due to the positive experiences in internationalization -Influence and control on the agenda either majority or sell out -Money is not an issue -Development of Common Corporate Rules (CCR) -Consequences of listing for the routines in "T"	-Clear internationalization strategy -Strong geographical preferences -Active processes of M&A -Further development and implementation of CCR in HQ and in subsidiaries

The perceived factors explaining why managers in HQ were deprived of controls on different phases of its internationalization	- Legislation & political climate; and practice and practice of it -Lack of experiences to work internationally -Lack of the capital -Believe in JV as an optimal form of ownership -Partners in JVs that "T" could professionally co-operate with -Level of knowledge in HQ about international projects -Established central "institutions" in HQ, important for the international activities	-Legislation & political climate; and practice -Lack of capital in order to go for WOS -Believe in JV as an optimal form of ownership -Partners in JVs that "T" could professionally co-operate with -Level of knowledge in HQ about the international projects (technology, culture, "bad practice of doing business") -Established central "institutions" in HQ, important for the international activities	-Legislation & political climate; and practice -CSR challenges -Regulation on some markets -Partners in JVs that "T" could professionally co-operate with -Level of knowledge in HQ about the international (technology, culture, "bad practice of doing business") -Established central "institutions" in HQ important for the international activities	-Legislation & political climate; and practice -Regulation on some markets -Partners in JVs that "T" could professionally co-operate with -Level of knowledge in HQ about the international (technology, culture, "bad practice of doing business") -Improvement in acting of central "institutions" in HQ, important for the international activities
Control packages				
	-FC; -SC; -OC; -BC	-FC; -SC; -OC; -BC	+FC; +SC; +OC; +BC -FC; +SC; +OC; +BC +FC;+-SC;-OC;+-BC -FC; -SC; -OC; -BC	+FC; +SC; +OC; +BC -FC; +SC; +OC; +BC
Changes in perceived influence and control				
Related to Ownership /FC	-Connected to recognition that "T" can do more, but have the lack of money (coming in the end of the Phase 1)	-Connected to the recognition that JVs are not suitable for "T" because of the lack of influence control (coming in the end of the Phase 2)	-Connected to the dilemmas: how to manage JVs when WOSs were preferable. -Conflicts with the co-partners in several JVs -Corruption in Asia and Eastern Europe -Challenges in legislation and political impact	-Connected to the governance in JVs -Cases of corruption in Asia, Russia, Ukraine -Conflicts with the co-partners in several JVs -The underestimation of impact of legislation issues and political influence
Related to BoD (SC; OC)	-Connected to recognition about low influence and control via BoDs in JVs (coming in	-Connected to recognition of limitation of BoD's role in JVs and that it is needed more	-Connected to the governance of JVs where there was limited influence and control	-Connected to the recognition of the impact of legislate-on and politics on business activities

	the end of Phase 1: very)	influence control (coming in the end of Phase 2)		-Conflicts with the co-partners in JVs -Corruption in JVs and WOSs -Challenges with "decentralization"
Related to the role of expatriates (BC; OC)	-The recognition that managers and employees lacked international experience -The lack of the financing in order to take big steps internationally	-Several negative experiences with minority ownership and use of consultants that could not provide influence and control	-Recognition of challenges to establish a common platform for companies under the same "umbrella" with many different traditions and cultures	-"Dissatisfaction" because of negative attitude towards expatriates as "DNA-executive pool"; Scandinavian or international expatriates (not Norwegians as during the previous Phases)
Related to CCR (BC)	-Connected to dilemmas – how to work abroad. Recognition of needs for ethical guidelines (coming in the end of Phase1)	-Connected to the issue of the same understanding for "T" and the co-partners in JVs of business culture and governance, "activities on the floor" in JVs (coming at the end of Phase 2)	-Connected to the issues of corruption in JVs, cases of child labor, Health Environment Security issues -Establishing of BC -Practicing of CCR after implementation	-Corruption in JV in India, WOSs in Asia -Conflicts with co-partners Russia, Ukraine, India
Related to the role of CEO (the scope of controls)	-The role is invisible related to the international operations	-The role is not much invisible related to the international operations	-Recognition that CEO is not having the complete control over situation in subsidiaries, the new corporate governance is needed as centralized system	-Recognition the dualism of CEO's role as an institution of all over control has two sides: 1.the established system of all controls as a system for a central governance; 2. personalization of established system of control as decentralization

During *Phase 1*, internationalization started with small international projects. The *antecedent conditions* (EU directive and opening the markets in Eastern Europe and Asia) were supportive to the established strategy to achieve the decided goal. *The goal* was to get international experience for a company that was going abroad for the first time. At this stage, the major *control mechanism* employed was the predecessors of expatriates (passionate ambassadors). Other mechanisms were not present in the first stage. As a result, the number of projects and JVs expanded, with the focus on "T" as an industrial investor. That gave "T" important first-hand international experience, leading to new investments abroad. Although there were some control issues, there were few control problems at that stage. Using the model of *configuration of the control mechanisms,* the configuration of *-FC-SC-OC-BC* can show that "T" had practiced the model, without realizing that the company did not have a system of controls. *The dissatisfactions* in this period were connected to the understanding that the "goal" during the first steps in internationalization had been achieved, and "T" needed either to go further in its internationalization and "tune" its international strategy, by reconfiguring the existing system of the controls or to refocus its international ambitions. "T"'s understanding of the *perceived influence and control* was an important experience – despite the fact that "T" achieved its goals in this period, the influence during the first projects was very limited, and "T" wished to do more in the international arena. *"Deprivation of control"* was a failure to establish the system of controls that was considered to be a necessity for the HQ to achieve influence over the subsidiaries and, at the same time, a recognition that "T" was not getting what it needed: the established system of controls did not give a high level of influence, and "T" needed to reconsider the antecedent conditions, interpret them, develop a new international strategy and "tune" the package of controls. The factors that "deprived" HQ's managers from getting what they wanted to achieve (a sufficient level of influence) were: legislation, political climate and how the laws were practiced in reality on the markets for investments; lack of experience in working internationally; lack of the capital to avoid going for big international expansion; at the same time, a belief in JV as the optimal form of ownership; partners in JVs that "T" could professionally co-operate with; the level of knowledge in HQ about international projects; established central "institutions" in HQ, important for international activities.

During *Phase 2* of internationalization, a number of JVs were established as a consequence of "Vikings planting flags strategy". *The antecedent conditions* (further opening up of the emerging markets to foreigners, and that top managers were a catalysator for expansion) were supportive to the establishing of the new strategy. *The goals* in this period were to increase the number of JVs abroad, where it was possible to "hunt" for projects, without thinking about the geographical areas. "T"'s "passionate ambassadors" transferred to becoming "Vikings" and achieved the *goal*, by establishing JVs (because of the lack of capital to invest in WOSs) in Western Europe, Eastern Europe and Asia. The issue of the technological platform for the investments was not on the agenda during this period, and "T" tried several technologies – from mobile, fixed and paging communication.

"T" had established a system of control in this period; FC was established via the registration of documents, attention to the professional skills of the members of the BoD (the opposite to the same issue in Phase 1, when the "passionate ambassadors" were the members of the BoD). The configuration of the controls was -FC-SC-OC-BC, meaning that, in JVs, "T" had limited influence and control but the advantage of being the leading and highly competitive industrial investor in telecommunication: in these terms – a highly appreciated co-partner abroad. Expatriates were sent as consultants to the local executives, and some governing documents/institutions were created in HQ (the Ethical Council and the CoC were adopted at the end of Phase 2). So, during this period, even though the configuration of the controls was -FC-SC-OC-BC and provided very low influence, "T" tried to create a system of controls that was suitable for the situation and support it with mechanisms that could strengthen the influence, such as MA. Nevertheless, the dissatisfaction was a part of the experience in this period, connected with the limitations of the challenges of ownership in JVs; that the role of the BoD was dedicated mostly to the advisory tasks and the monitoring activities; that expatriates, not being in the top positions, could not utilize sufficient influence; and that the governing principles in JVs were far from the Western practice of doing business. Perceived control was experienced in several situations, mostly connected with the recognition that JVs were not suitable for "T" because of the lack of influence and control (coming at the end of Phase 2) and the limitations of the BoD's role in JVs. At the same time, "T" experienced negative practice, being a minority owner trying to achieve influence via consultants that could not provide it; the first conflicts with co-partners were registered in relation to different understandings of corporate governance. The lack of finance was an important element, having an impact on perceived control. Dissatisfactions started to be a trigger for the changes, such as "tuning", in the further search for a new goal, new strategy and new configuration of the controls as a package. The deprivation of control as an outcome of this process was a recognition of the needs of "T", and what was needed in order to achieve influence in the subsidiaries and go further in the process of internationalization functioned as a driving force in this process. At the same time, it is important to mention that there were some factors that deprived managers from getting what they wanted: a high level of influence. The factors came from the managers' interpretations of the macro impacts on the markets and micro impacts inside the company, such as lack of capital in order to go for WOS; limited ability to fund the investments; belief in JV as an optimal form of ownership; investment climate on the markets, legislation, and how the lows are functioning in practice ; partners in JVs that "T" could professionally co-operate with; higher level of knowledge in HQ about international projects, as in Phase 1, and establishing "institutions" in HQ, important for international activities, such as HES, CSR and Code of Conduct.

During *Phase 3*, "T" started the strategy, "Up or Out", and, in order to achieve its new *goal*, the company started the process of consolidation, meaning to achieve 100% ownership and develop JVs into WOSs or to leave the JVs where it was not possible to "go up". It was considered in advance that there were five JVs from the portfolio (in Russia, Ukraine, Bangladesh, Malaysia and Thailand), where "T" could not increase ownership to become a WOS because of the local legislation. *The antecedent conditions* that affected "T"'s strategy were (from external conditions): listing on Stock Exchange; knowledge and experience from international projects; rapidly developing company; and (from micro conditions): a new CEO was appointed, starting the "international thinking in HQ". "T" needed *to establish a new international strategy* with the *goal* of how to administer the change in foreign subsidiaries from JVs to WOSs, based on ideas about influence and control (100% ownership started to be the important criterion).

The changes were also related to other *control mechanisms, such as the BoD, expatriates, CCR and the role of the CEO*. The BoD established corporate governance in the WOSs, providing decisions from HQ. The role of expatriates was changed under the processes from that of consultant to that of expatriates with a clear mandate to administer the WOS as executives. The expatriates were described as a "girder" in organizations abroad, providing the HQ's culture and governance. The first presentations were made in "T" with the idea that "T"'s DNA should be implemented in WOSs. CCR started to play an important role in the establishment of corporate governance, based on the CoC and, later, TW. In this period, using Model 8.2.7, the configuration can be presented as +FC, +-SC+OC+-BC in WOSs. Thus, "T" started to have FC, which led to the situation where "T" gained influence in the BoD, such as SC; expatriates, representing the OC and BC, were appointed in the executive positions; CCR, representing BC, were created in HQ, such as CoC and TW, and started to be implemented and practiced in WOSs; the role of the new CEO was important in establishing the new governance in "T" and its subsidiaries, and as the starting of the reconfiguration of the controls mechanisms which the new CEO wanted to utilize via establishing the new routines, such as Business Reviews.

At the same time, there were still some JVs in "T"'s portfolio; the reason that they were kept in the portfolio as JVs was that the local legislation prevented "T" from increasing its share to FC. The markets, Russia, Ukraine, Malaysia, Bangladesh and Thailand, were considered important for "T", and the company decided to keep the JVs in its portfolio. *The configurations of control in JVs were* -FC+SC-OC-BS in the situation with limited control and influence (Malaysia, Bangladesh, Thailand) or +FC+-SC-OC+-BC (Ukrainian case) in the case of low control and influence, and -FC-SC-OC-BC (Russian case) where there was no control or influence. "*Dissatisfaction"* in JVs with the scope of controls provided by HQ (Malaysia, partly the Bangladesh case, because of the tensions with the main co-partner) created the potential unpredictability for "T" as an investor, and was connected to the limitations in legislation and in the ability to achieve 100% ownership. This situation could lead further to the position when the new system of controls was not possible to established, despite the fact that "T" had a sufficient level of influence and control.

The perceived influence and control led to the "*the dissatisfaction"* because the decided strategic goals were not completely achieved. Thus, JVs, where the scope of controls was not established (Russia, Ukraine), were connected to *limited* or no influence and control and were characterized by serious conflicts with co-partners and tensions with the authorities. At the same time, the evidence shows "the dissatisfaction" in WoSs was related to those situations where "T" could not adequately control the way business was done, such as the case of unethical ways of doing business in Asia, unreported deviation in governance, cases of corruption. "*The dissatisfactions" intuitively* enhanced the development to a new phase, by "tuning", establishing the *new strategy* and *configuration of the controls*. The findings of this study showed that managers of "T" had the recognition of the necessary changes with the configuration of control mechanisms and understanding of what was absent in the control packages, in order to avoid the situation of perceived influence and control and trying to increase the level of influence. In these terms, *the deprivation of control* was both the outcome of the chains of change processes and the driving force for the change processes. *The factors that "deprived" managers* from getting what was considered necessary – the establishment of a system of control and the recognition of what was needed in order to achieve influence – were mostly the same as in previous phases, except for the lack of capital. At the end of Phase 3, "T" started to have sufficient capital for further investments. The most crucial challenges were connected to legislation and regulation on the markets with an unpredictable investor climate in Eastern Europe and Asia, where "T" used substantial resources. In addition, "T" experienced CSR challenges, especially in Asia, both in JVs and WOSs, that negatively influenced "T" s image as an investor. At the same time, there were growing conflicts with co-partners, who had their own business agenda in JVs and had a strong link to the political authorities (these tendencies were widespread in both Asia and Eastern Europe). "T" still needed to improve the level knowledge in HQ about international projects and work further to establish and implement central "institutions" in HQ, important for international activities, such as the anti-corruption policy, CoC, HES, transparency and TW.

Phase 4: During this phase, "T" experienced the strong impact of the *antecedent conditions* (external conditions), such as being a part of the "MNC club", presenting a full international focus, cluster-based business, the strong impact of ethical governance, and the strong role of the CEO as an institution for the new system of controls as an MNC, and started the processes of centralization of power in HQ in providing the strategy, "Many companies – one Group". *The goal* in this period was strong centralization for WOSs and JVs (where it was possible) around the governing managerial routines at all levels of the Group and around the governing cultural and behavioral platform, TW, aiming to make subsidiaries closer to HQ and create the feeling of being a citizen of "T". At the same time, "T" utilized cluster-thinking and expanded its business in WOSs in both Asia (Pakistan, India) and Europe (Serbia, Bulgaria), that led to the further process of change and development of the configuration of the control mechanisms in the framework of strengthening the governing platform in "T".

Thus, WOSs were strengthened by centralization routines, including all levels of executives in formal and informal networking arenas administered by HQ. The research calls this process "centralization by decentralization". In these terms, the role of the BoD started to be weaker and more dependent on the decisions in HQ; the traditional subordination in subsidiaries started to be more decentralized because of the close contacts between executives at all levels across the Group, in the framework of both the formal and informal network arenas, administered by HQ. The role of expatriates was developed further as a "DNA-pool of professionals", supporting the processes of careful analysis of variations in the different practices of the expatriates by different nationalities, collected from different markets, then selecting the best practice, and finally retaining the best practice and its implementation both at the Group level of "T" and in WOSs abroad. CCR was strengthened and developed into a managerial and cultural platform of HQ and subsidiaries. The role of the CEO started to be central in developing the control routines over top managers in HQ and in WOSs and JVs (the establishing of arenas for formal and informal communication, aiming to have possibilities to monitor and influence the performance in WOSs and JVs). The CEO also started to build "T" s image as a global MNC, being personally involved in these activities. The model of *configuration of control mechanisms* suggests the following configuration of controls in this period: +FC+SC+OC+OC in WOSs. The configurations for JVs in Malaysia, -FC+SC+OC+BC, and for Bangladesh and Thailand, +-FC+SC +OC+BC, show a satisfactory level of influence and control in these JVs. The JV in Ukraine, with the configuration +F+-SC-OC+-BC, was merged with the JV in Russia with the "No influence, no control" configuration, -FC-SC-OC-BC. Because of strong disagreements with its co-partners, "T" tried to find the optimal solution, in order to solve the conflicts and to establish a compromise, although the new configuration of controls in the merged JV continued to be -FC-SC-OC-BC, without influence and control. During this period, the top management of "T" also had *perceived influence and control*, in relation to markets where implemented configuration of control mechanisms was not sufficient to achieve influence and needed to be "tuned". Most of these subsidiaries were in the markets with JVs; some of the subsidiaries were WOSs (India). During this period, "T" had to find out where it was possible to “tune” the control mechanism packages and where not. Thus, the importance of keeping the JV in Russia in the portfolio was considered important. At the same time, the big corruption scandal in the subsidiary in Uzbekistan led to substantial *“dissatisfaction”* and forced “T” to reveal its own understanding of the importance of keeping this JV in the portfolio, showing recognition of what was necessary. Affected by the understanding that it was not possible to achieve influence in this JV, and experiencing the negative impact from antecedent conditions on the markets in Russia and Ukraine, and on the markets of the former Soviet Union, such as Uzbekistan, and being *deprived* by conflicts with the co-partners, several court cases and the case of the large-scale corruption, which started to be known about both in Norway and worldwide, “T” decided to sell this JV from the portfolio, as was mentioned in the previous section. The *experienced “deprivation of control”* was the driving force for rethinking, in relation to the new international strategy, and for establishing the “tuning” of the new package of controls.

At the same time, the empirical evidence also illustrated “the chains of dissatisfactions” in WOSs. These situations were connected to the issues of increased conflicts with co-partners (cases in India), jurisdictional disagreement with the partners in Bangladesh, and cases of corruption in Bulgaria and Asia.

In order to avoid the destructive influence of several *“dissatisfactions”* in the further development of “T” on some markets, “T” faced a decision to either create a new system of controls or leave the markets where all tools that were necessary to use, had been used, and due to *the factors* that influenced the realization of the strategy. Understanding that the failure to achieve the necessary level of control and influence, and the recognition of the need to make changes were experienced as “*deprivation of control” was important for decisions regarding the future strategy.* The situation *when* “T” *could not further “tune” the package of controls* led to the strong reconsideration of the strategy, analyzing the situation, and trying to answer the question: Was it possible to change *the factors* that had an important impact on the realization of the strategy? The changes by *“tuning”* were made in WOSs and in JVs with the scope of controls; the ownership in India was increased to WOS; a strong focus on ethical issues was established in the Group, as the results of understanding the situation in some markets in Asia and Eastern Europe that *“deprived”* managers of the ability to get what HQ needed, and wanted and missed was made up of regulatory and legislative issues, conflicts with co-partners and the situations in CSR. Nevertheless, *on some markets* (India, Russia)*, “T” continued to experience “deprivation of control” because of the* strong impact from external forces, such as regulation and legislation, and conflicts with local partners. In this connection, *being further deprived of control, “T”* *decided to leave the operations, understanding that it was not possible to change the factors needed for the realization of the strategy.* "Deprivation of control" was both an outcome of the chain of the "dissatisfactions" that forced "T" to acknowledge the needs and ability of "T" in order to achieve influence, and a driving force for the necessity of changes in international strategy. The described situation showed that *"deprivation of control"* had a serious impact on the strategic decisions and led to consequences for the changes, by "tuning", in the process of internationalization.

The empirical findings show that use of Model 8.2.7 of the configuration of the control mechanisms as packages can contribute to a better understanding of the implications of the teleological motor of process theory and can give the practitioners tools for understanding and action that will be supportive in avoiding a negative impact on business. The chain of "dissatisfactions" was the trigger of changes in the established and "tuned" packages of the configurations of control in the process of internationalization. The phenomenon of the "*deprivation of control"* can be an important outcome after the "dissatisfactions", such as recognition of the need to "tune" the inability to achieve influence in the subsidiaries, and as a driving force in explanation of the changes in the organization. From a control perspective, "deprivation of control" at the same time is a *controlling intimation* that will be supportive in avoiding a negative impact on the business results, when the wrong strategy or the wrong system of control can bring the organization into the modus of an "illusion of control" (Dermer and Lucas, 1986; Seal and Mattimoe, 2014) that is not implying the process of change. Thus, *deprivation of contro*l in this connection supports the idea about the strengthen of corporate governance and its practice in WOSs, as an important support for a well-functioning managerial system and the system of control mechanisms that will still play the most important role in the HQ achieving influence over the subsidiaries.

We are aware of the limitations of the above-described teleological motor of changes. According to Van de Ven and Poole (1995), "The process of organizational change and development are more complicated than the ideal types" (Van de Ven and Poole, 1995, p. 526). One of the reasons for the complexity of organizational change theories is "the inherent incompleteness of any single motor" (ibid., 526). Van de Ven and Poole (1995) argue that theories of organizational change and development "seldom include the ideal types in its pure forms" (ibid., 524), underlying the importance of the "theoretical practice and … their utility" (ibid., 525). Having said that, we nevertheless apply the presented framework, in which the teleological motor serves as theoretical primitives and the complexity of the developmental process, and can be analyzed as the interplay among these primitives (ibid., 532), which offers us the possibility to examine such interplay, using “theoretical practice” (ibid., 525), and utilize it as the foundation for empirical research (ibid., 533).

At the same time, Van de Ven and Poole’s (1995) extended framework of the changes in an organization based on the teleological approach, where the phenomenon of “deprivation of influence and control” has been included, and supported by the model of the configuration of controls related to influence, can contribute new knowledge about the process of how to achieve influence and establish an adequate system of control mechanisms in the process of the internationalization of an MNC.

Dissatisfaction, as a consequence of perceived influence adjusted by “tuning”, is a trigger for changes.

The findings of the study demonstrate that the design of control mechanisms, and how these mechanisms worked in different situations, affected by antecedent conditions, and the international strategy based on these conditions, are connected to the matter of influence and have an impact on how controls are perceived (Tessier and Otler, 2012). Thus, following the stream in the research domain, which suggests that managerial perceptions of controls influence managerial judgment of how the control system affects the relationship between organizational performance and beliefs and the goals the organization has, the empirical findings confirm that, when managers experienced a state of mental “discomfort” with the control outcomes, they introduced changes in the control system configuration or design (Bourmistrov & Kaarbøe, 2013). From the first-order findings, it becomes evident that the system of management control mechanisms established by HQ towards the subsidiaries was changed by “tuning” during the process of “T”’s internationalization. One of the reasons for the changes, according to the empirical findings, supporting the knowledge from the research domain, happens when the manager’s perception of “discomfort” is characterized by a higher level of discontent because of the noncompliance of the decided goals (Bourmistrov & Kaarbøe, 2013). That can develop the substantial redesign of the management control system (Kira and Korpelainen, 2012; Bourmistrov and Kaarbøe, 2013). Using the framework of process theory, the definition that is described in research literature as “discomfort” will be nuanced as “dissatisfaction” (Van de Ven and Poole, 1995), focusing on and underlying the “purposiveness” of the process connected to situations with perceived influence and control. This means that, in this study, researching the empirical findings illustrated the impression of “dissatisfaction” describing the situations where the expected influence and control were not achieved, but, at the same time, were managed by the envisioned goal.

Based on the empirical findings, the role of managers experiencing a state of mental "discomfort" (Bourmistrov and Kaarbøe, 2013) or "dissatisfaction" (Van de Ven and Poole, 1995) can be argued as *starting the changes in an organization and system of control*. The empirical findings demonstrate that, in some situations, the managers' perception can prevent changes in the system of control, and this happens because managers overestimate the degree of the control system's contribution to the achievement of the organizational outcomes (Seal and Mattiome, 2014). In the research literature, this situation is termed an "illusion of control" (Dermer and Lucas, 1986; Seal and Mattimoe, 2014). The empirical evidence described that, in some subsidiaries (especially in countries where the business culture differs greatly from the Norwegian business culture), managers can develop a link to the managerial perceptual failure to recognize that the established control mechanisms used by subsidiaries do not control the actual behavior, and this leads to the "illusion" of the perceived situation. Analyzing the empirical evidence and using the discussion in the research domain about the "illusion of control" and perceived control, it can be mentioned that, in the case studied in this research, managers from HQ did not have the situation of the "illusion" of control" but *perceived control*, which led to the wish to change the situation. "Illusion of control" does not encourage changes, as long as everything is "under control" (even though it is not) and provides little incentive to change. In terms of "illusion of control" literature, managers of the MNC "T" seemed to have had few of illusions that they experienced lack of influence because of the different imperfections of control mechanisms. In terms of Seal and Mattimoe (2014), "the illusion of control" can be understood as the situation when a "T" manager, having an illusion, did not have the intention of changing anything, as in Phase 1 of "T"'s internationalization. Nevertheless, this disillusion did not help "T" in its struggle/search to design an appropriate configuration of control systems that would secure an appropriately high level of influence.

Thus, using the teleological process as a theoretical lens it is important to say that the mindset, "deprivation of control", based on "dissatisfactions", forced managers to search for a better system of influence and configurate/re-configurate the package of control mechanisms. The story of "T"'s internationalization shows 1) analyzing and taking into consideration "dissatisfactions" that can be considered as "triggers" of change; 2) the willingness of "T" to really change by "tuning" the strategy and the configuration of control mechanism packages, based on a recognition of the need to change, as "deprivation of control" is an outcome of "dissatisfactions"; 3) "deprivation of control" functions as a driving force for change, underlining the recognition of absence of what is needed to change/"tune"; 4) empirical evidence illustrates that "deprivation of control" can function as an indication and controlling mechanism as an intimation, forcing managers to start revealing the existing strategies, packages of control and goals.

At the same time, achieving full influence and control over subsidiaries and avoiding "deprivation of control" is probably another "illusion" – an impossible act − and therefore it is important to define what is good and acceptable enough. The empirical findings show a number of "dissatisfactions" during the process of internationalization, as "T" could not manage to achieve what it wished: to establish in time a managerial system, combining the scope of the controls, suitable for the antecedent conditions and based on its international strategy. Some of the important processes of change, such as *"tuning"*, in "T", happened after perceived influence and control was realized, and *the intimation of "dissatisfaction" and "deprived control"* was strong, which forced "T" to make the *necessary changes,* by *"tuning"* both the strategy and the configuration of the control mechanisms, aiming to establish the most efficient and suitable system of control, in order for the HQ to achieve influence over the subsidiaries. At the same time, the empirical evidence shows that the "deprivation of control" happens, despite the "tuning" released by "dissatisfactions". Why was "tuning" not successful and resulted in deprivation and dissatisfaction? The factors, described both in the previous section and above in this section, that impacted on the realization of the strategy (the factors of perceived influence; see Model 3.1.1) had a strong effect on the "tuning" of the control mechanisms, which released the mode of "deprivation" and, further, the mode of dissatisfaction that triggered the next step in the search for the most efficient configuration of the control mechanisms, in order to achieve influence in the subsidiaries. Hence, the combination of "tuning" of the control mechanisms and "deprivation of control" led to the new turn of the "wheel", presented in Model 3.1.1. Thus, the processes of "dissatisfaction" and "tuning" and the phenomenon of "deprivation of control" are closely connected and are important parts of the so-called *"Wheel of Change"*, presented in Model 3.1.1 , when several processes are happening one after another as a constant rotation, affecting each other and aiming to achieve influence from HQ toward subsidiaries in "T"'s internationalization.

In these terms, "deprivation of control" had important consequences for the company, as "T" had to reconsider its investments and leave some of the markets. Hence, "T" had to exit some important markets, realizing that it was not possible to have influence and control over the factors that had an impact on the realization of the decided strategy when they started to be an impetus, after they had been latent in the market and/or inside the company. This described situation highlights the careful and serious focus on both antecedent conditions and impetus factors that impact the realization of the strategy that can trigger "deprivation of control" and lead to negative consequences for the company. Thus, "deprivation of control" can both mobilize changes in the organization and, at the same time, be an important intimation of the need to change, in terms of a pragmatic and realistic attitude to the antecedent conditions and factors affecting the strategy.

Summing up the discussions about the process of change in the process of internationalization and answering the question how have managers and employees perceived and initiated changes to those controls and why the control mechanisms were changed during internationalization, *the chain of dissatisfactions* was described as *a trigger of changes by "tuning"*, and *deprivation of control* is the outcome of chains of change processes in control mechanisms and *the driving force of the process of internationalization.*

Chapter 9. Conclusions, contribution, implications and further research

The study has investigated the phenomenon of influence in the process of the internationalization of the Norwegian MNC, aiming to find out how has the internationalization of "T" happened; what control mechanisms were in place during different phases of internationalization and how have managers and employees perceived and initiated changes in those controls.

This study contributes to the scholar literature in a number of ways, more specifically, the study makes *three major contributions*.

Firstly, the study contributes to literature on control mechanisms in internationalization settings by describing *use of mentioned above controls mechanisms related to ownership* (Chalos and O'Connor, 2004; Al Farooque et.at, 2010); *related to the role of BoD* : (Bisbe and Otley, 2004; Bijman, Hendrikse, van Oijen, Aswin, 2012; *related to the role expatriates*: (Delios and Bjorkman, 2000; Chalos and O'Conner, 2004); *related to the corporate rules*: (Kurucz et al. 2008; Chow, Shileds and Wu, 2010) and *the role of CEO of HQ*: Watson S., Weaver G. R. 2003; Collings, Morley and Gunnigle, 2008), and reveals that *these controls are interplaying with each other as the configuration of control packages.*

Secondly, the study shows how the configurations *of controls as packages have been changed by tuning* during the process of the internationalization aiming to achieve the high level of influence in subsidiaries.

By examining how the internationalization of "T" happened and how and why the managers in the HQ of an MNC, during different phases of its internationalization process, used different control mechanisms and how and why these mechanisms can be changed during internationalization, in order to enhance headquarters' (HQ) influence over subsidiaries in the process of internationalization the, current study contributes with new knowledge about the phenomena of internationalization and control in internationalization. The role of control mechanisms in international settings and changes in management control systems have been studied over decades, mostly in accounting and control literature (e.g. Chalos and O' Connor, 2004; Wickramasinghe and Hopper, 2005; Ahrens and Mollona, 2007; Scheytt et.al., 2010; Bourmistrov & Kaarbøe, 2013). This study draws on the previous research, which enables the author to analyze the mentioned above the scope of controls in the context of internationalization of the Norwegian MNC, as ownership, BoD, the role of expatriates, CCR and the role of CEO of HQ. The empirical findings support knowledge from previous research introduced in the literature review in defining that, in to achieve influence, a system of controls is needed. By exploring this, the study concludes that influence can be achieved through the implementation of interplay of different control mechanisms as, ownership, BoD, the role of expatriates, CCR and the role of CEO of HQ. Based on the empirical findings, this study contributes by presenting four configurations of different controls – FC: financial control; SC: strategic control; OC: operational control; BC: behavior control – as packages that were utilized for the HQ to achieve influence over the subsidiaries (Model 2.1). The findings in this study differ from the literature on the phenomena of influence and the control mechanisms in international settings, in which each mentioned above mechanism is explored separately. This study concludes that in order to enhance HQ's influence over subsidiaries in the process of internationalization it is needed to look carefully on the interplay of the controls and suggests the configuration of control mechanisms in different packages that illustrate the different outcomes related to the level of influence. The findings of this research thereby provide the new knowledge related to the phenomena of influence and control in the context of the process internationalization, and contribute to an increasing attention towards extending the literature on influence by experiences from different cultural contexts, where both the antecedent conditions and the factors of impacts on the realization of the defined strategy are linking to the changes on configuration of controls as package and can trigger the reshaping of the packages. In this sense, the current research *contributes to accounting and management control literature by describing the process of "tuning" the configuration of control packages*

The findings in this study show that to achieve influence over HQ's subsidiaries, it is necessary to use several control mechanisms synchronically. As the empirical findings illustrate that each of the control mechanisms presented in the configurated package has been changed or carefully changed by "tuning" during the internationalization process.

Previously, the literature in accounting and control (e.g. Chalos and O' Connor, 2004; Wickramasinghe and Hopper, 2005; Ahrens and Mollona, 2007; Scheytt et.al., 2010) and management literature (e.g. Banai et al., 1990; Child and Yan, 1999; Butler and Anchor, 2000; Tahir and Larimo, 2004; Karhunen, et al, 2008) has the tendency, to our knowledge, to present the controls mechanisms as a static phenomenon. This study differs from the previous studies about the role of the control mechanisms and how these mechanisms act and contributes by offering new knowledge to the research domain by showing the dynamism in readjustments of the mechanisms of control and the process of changes as “tuning” in the context of internationalization process. This study presents the process of “tuning” the configuration of control packages as one of the important processes in internationalization of “T” (see Model 8.2.7) and contributes by that to the research domain in management control and management literature in better understanding of the change processes in organizations.

The Model 8.2.7. gives the status of influence in each presented package, the outcome in relation to the international strategy, and the possibilities for change in respect of either increasing the level of influence, where it is possible, or leaving the market, where it is not possible. The study concludes that, during all four phases of internationalization, the international strategy has been changed by careful “tuning” from “T”’s existing strategy in each phase of internationalization to a new strategy, both influenced by the antecedent conditions in different markets and corrected by the recognition that the influence and control that “T” wanted to achieve had been lost but was still needed. Thus, the process of “tuning” aimed to develop an adequate system of influence from the HQ towards the subsidiaries and to establish a matching system of control.

The study is differing form the previous research and contributing also with 2 important paradigms which have been discovered during the research process. The first paradigm is *factors that had an impact on the opportunity to realize the chosen strategy*. This study has discovered the following factors are central : legislation and political climate in the markets for investments, especially in the emerging markets; established legal systems and practice that were supportive to foreign investors; partners in JVs that “T” could professionally co-operate with and that had the same understanding of corporate governance; a level of qualified knowledge about the international markets in HQ among managers and employees, where the investments were made in relation to the technology; national culture on the markets abroad; “bad practice of doing business” as a tradition in the local context; the development of “maturity” in the central “institutions” in HQ, important for international activities, such as whistleblowing, anticorruption policy, HSE functions, CSR functions, the Code of Conduct and its practice, institutions connecting to the issue of governance, anticorruption policy; lack of capital for the investments. These factors are often *latent,* i.e. empirical data shows that it is important for the successful investments that the factors are not active and that their negative influence is hypothetic. At the same time, the empirical findings illustrated that the latent factors suddenly can be active and influential, representing the considerable threats on the business results for the company. Thus, in this case *the activity of the latent factors* demands from the managers to be taken into consideration in order to “tune” the control packages further aiming to achieve the better result. This research has demonstrated that it may occur the situations when the “tuning” the configuration of the control mechanisms doesn't work, because of too strong impact from the factors. That's why it is important to evaluate these factors in advance and include them as issue management for the strategic work, as the so called, "unknown -knows factors". It is important to mention, that the phenomenon of *latency*, has been discovered in this study, but did not researched well, leaving this opportunity for further research.

Thirdly, this research contributes to a renewal of the existing management control literature by examining how the development of a control system as the configuration of control packages is a result of top managers' perceptions of the outcome of control activities (Dermer & Lucas, 1986; Koeing et al., 1992; Bourmistrov and Kaarbøe, 2013; Seal & Mattimoe, 2014) , by discovering and presenting the phenomenon of "deprivation of control" as a driving force in the changes of the organization.

In order to understand the mechanism of change by "tuning", it is necessary to understand how the changes are happening, what are the triggers of the changes, the driving force and outcomes that can influence both the strategy for investments and de-investments and the way the corporate governance is built up and implemented, from a control perspective. In addressing this, the study is built upon, and contribute to literature on changes in management control systems (e.g. Dermer & Lucas, 1986; Koeing et al., 1992; Adler and Borys, 1996; Bourmistrov & Kaarbøe, 2013; Seal & Mattimoe, 2014; Otley, 2016; Arend et al., 2017). This literature emphasizes that the change of control system is a result of top managers' perceptions of the outcome of control activities. At the same time, it is necessary to mention this study also is drawn upon psychological research in understanding management accounting and control system change (Hall, 2016). There are previous studies that focus on how managerial perceptions of controls influence changes in the design of the control system (Bourmistrov & Kaarbøe, 2013). In terms of it, the study findings demonstrate that HQ managers experienced much "discomfort" (Bourmistrov & Kaarbøe, 2013) or "dissatisfaction" (Van de Ven and Poole, 1995) when they described their perceptions of how the use of configuration of control and employees had contributed to improving the degree of influence over subsidiaries during different stages of internationalization. Based on the empirical findings, this research discovered and explored the phenomenon of *"deprivation of control",* experienced by the top managers at HQs and employees, working abroad in subsidiaries, who could influence the top managers. The findings show that the managers of "T" have "tuned" the control mechanisms in order to achieve influence towards subsidiaries and were driven by a "deprivation of control", i.e. the recognition of the lack or low level of influence in subsidiaries, obstructing the realization of the established strategy. In this term, this study differs from the previous literature and contributes by presenting the new phenomena in the research domain. The new paradigm highlights the new managerial perceptions of controls and gives a more nuanced picture of changes in the organization aiming to achieve influence in the process of internationalization, as :1) the role of deprivation of control as an outcome of the change processes in control mechanisms that can mobilize change in the organization and, at the same time, be an important intimation of the need for change; 2) the role of deprivation of control as the driving force of the process of change in the control mechanisms during internationalization.

In this respect, the empirical data shows that “T” experienced “deprivation of control” and left several important markets (India, the cluster of Central Europe), even where a high level of control had been achieved. The reason for that can be explained by the fact that HQ experienced deprivation of control in relation to the operations because of the recognition of a strong deprivation of control and influence over the antecedent conditions on the macro level that “T” wished to solve but could not manage. Examples could be the legislation situation in India, cluster refocusing related to the operations in Central Europe because of the high level of maturity of the markets and the limited ability to increase profitability. In both examples, “T” achieved a high level of influence, the whole scope of the controls was presented, and it was not possible to “tune” more.

At the same time, “T” did not manage to “tune” the impact from the “antecedent conditions", as well as the factors that negatively influenced the operations, and left the markets. Thus, when the “antecedent conditions” and impetus factors that impacted the strategy started to be a dominating factor that it was not possible to control and/or “tune”, and when these conditions started to be destructive for the operation, and the modus of the “deprivation of control” started to be dominant in the consequences for “T”, it was necessary to develop a new strategy as the outcome. The research findings suggest to look at the described above *factors of impact on the realization of chosen strategy with the lens from the managerial perceptions of controls.* These findings conclude that these factors explained managers deprived of control and the mindset of top managers in HQ, regarding their perceptions of the actual state of the degree of influence they felt the HQ has or should have over its subsidiaries, meaning how the implementation of the configuration of controls and its “tuning” should be design or reshaped.

However, the expressions of dissatisfaction were shown by the fact that, irrespective of what they did, HQ managers were never able to achieve a full degree of influence by reshaping stage of internationalization presented its own and unique challenge that has never been fully solved by a particular configuration of a package of controls.

This means that the phenomenon, “deprivation of control”, should be considered as well *as intimation* indicating on the factors that could help to avoid the “illusion of control” - experiences (Seal & Mattimoe, 2014; Dermer & Lucas, 1986). The empirical findings and the discussion in the research domain showed that the managers experiencing “the illusion of control” mindset often do not trigger the changes, as long as they do not experience intimations that something is wrong and should be changed. This means that, in the long run, the situation of “the illusion of control”, which in practice means the loss of control, can lead to a deprived situation, when the organization can fall into “deprivation of control”.

In this respect, the phenomenon of “deprivation of control” as a driving force of the process of changes in “T” during the process of internationalization differ from the previous research and will contribute to the management control and accounting domain and emphasize the new knowledge on the issues of the perceived influence and control, with several implications for the theory and practice.

At the same time, the study contributes to the process theory literature, precisely to the teleological theory with the new knowledge and revealed a more complicated picture of the processes of change in organization. The current research extends the teleological motor of changes (e.g. Van de Ven and Poole, 1995; Poole et al., 2000), by including several important perspectives, such as the mode of perceived influence and control by managers, the factors explained managers deprived of control, and the phenomena of “tuning” and “deprivation of control”.

This study draws up on the process theory (e.g. Van de Ven and Poole, 1995; Poole et al., 2000), aiming to structure and analyze the empirical data related to the process of changes in “T” during its internationalization, and highlights the triggers and driving force of the changes of the mechanisms of influence in the process of internationalization.

The study extend the teleological theory of changes, including several important perspectives, such as the mode of perceived influence and control by managers, the factors explained managers deprived of control/ factors of impact on the realization of the chosen strategy, and the phenomena of “tuning” and “deprivation of control”.

As Model 8.3 shows, this perception of “dissatisfaction” was developed and present over time because managers experienced incongruence between the internationalization process and its ascendancies, the use of the package of control mechanisms and the outcome of the control process itself.

Presented in extended Model 3.1, the changes in the process of internationalization of "T" were called "the wheel of change", when the central processes and modes of changes are constant rotating in order to achieve the desired level of influence over the subsidiaries. The phenomenon of "deprivation of control" is placed in the center of the "the wheel of change", underlying that "deprivation of control" is, 1.) both an individual manager's understanding of a control situation in the internationalization settings, when the managers are not being able to design appropriate control mechanisms and, to achieve the desired level of influence over the subsidiaries; 2.) and the direct link to the process of reconsidering the strategy, which can have important consequences for "T". That is why the study describes "deprivation of control" as a driving force of the processes of change in "T"'s internationalization.

To summarize, the increased international presence has required the development of a new way of thinking about HQ's actual state of influence over subsidiaries and rethinking the use of the configuration of controls. This rethinking process, as interpreted in this study, when analyzing narratives of top managers and employees, resembles a search for/a desire to achieve high level of influence over subsidiaries by experimenting and "tuning" the configuration of controls as a package towards the different contingencies and new antecedences. The study concludes that the driving force a driving force of the changes in the process of internationalization is the "deprivation of control".

Limitations of the study should be acknowledged

Firstly, the study is case-based on the experiences of one Norwegian MNC that succeeded in its internationalization process. The interviews were primarily conducted with the staff in HQ and the employees who worked as expatriates. The results highlight the need to go further in the research in relation to the role of control mechanism packages, both theoretically and empirically. In this connection, it could be beneficial to conduct the research based mostly on empirical evidence from the subsidiaries. That could provide the possibility to look at the mechanisms of influence, not just from the HQ toward the subsidiaries but from the subsidiaries towards HQ.

Secondly, the analysis could pay more attention to the issues of the interplay of different control mechanisms in MNCs as a tool of influence towards subsidiaries abroad. It is an interesting area for continued research; the combination of different forms of external and internal control in MNCs, and what the role of packages of control would be in this setting, could be furthered explored.

Thirdly, the study did not focus on SME companies[86]. That can be interpreted as a gap in knowledge of how to achieve influence in small-sized subsidiaries abroad.

Finally, the present research did not pay enough attention to the issue of state ownership and its impact on the process of internationalization of the MNC, “T”. The current active processes of reconsidering state ownership in Scandinavia call for more attention on this topic. In this respect, it will be interesting to investigate the issue of state ownership from both the empirical and theoretical perspectives.

Research implications and further research

Furthermore, in terms of the further research, it is important to acknowledge that this explorative and longitudinal case study is the first attempt to create the broader research within accounting domain to bring analyses of processes of internationalization in the Norwegian MNC “T”. More research is needed to develop these findings further both in the research domain of the accounting and management control, and the management and strategy literature.

From the findings of this study come several interesting and relevant promising subjects. Thus, the results of the study have an implication for how companies, especially in the earlier days of their internationalization, need to address their internationalization strategies and the design of management systems to control subsidiaries, understanding that the above described phenomenon of “deprivation of control” is possibly invisible but needs to be taken into consideration during the development of the management control systems. The empirical evidence shows that the visibility of “deprivation of control” is often connected to the *feeling of intimation*, meaning the understanding that when managers and employees experience and “store” the first signals of “deprivation of control” or perceived influence or perceived control, the first action of the consideration of the changes should be evaluated.

Furthermore, the current study demonstrated the importance of antecedent conditions and factors that impact the realization of the decided strategy. The empirical findings described that the factors can be latent and, at the same time, an impetus that can seriously affect the business practice and strategy, when it will be not possible any more to “tune” the configuration of the control mechanisms, and when deprivation of control started to be strong. The phenomenon of latency related to the management control has not been investigated in this this study. It will be interesting to carefully examine the

[86] SME - small and medium size enterprises

phenomenon of latency in the further research in order to strengthen the knowledge about the deprivation of control and tuning.

In addition, the present study demonstrated the international context of the studied phenomenon of influence. Further research, based on cross-cultural aspects in the management control domain, could contribute to a better understanding of the interplay of management controls in the cross-cultural framework.

Moreover, the study analyzed the tuning of several control packages and specifically expat control during the internationalization process: from "passionate ambassadors" to "consultants" and then "professionals". It will be important to continue research in the field of expatriate management, as long as the interest in this topic is not sufficiently developed in the framework of the globalization processes.

Finally, the study described the new phenomenon, "deprivation of control". At the same time, the literature in the research domain presented the findings described as the "illusion of control". Further research into the topic of how illusion of control and deprivation of control can link to each other, and differ from each other, could contribute to strengthening knowledge in the management control research domain.

Implications for practitioners

The current study presented interesting managerial implications that are worth noting. The findings described the process of internationalization in a Norwegian MNC "T" as a process of constant change by "tuning", the driving force of which was the deprivation of control. It therefore becomes obvious that companies need more knowledge about internationalization in a challenging time of globalization. This will give companies important information about the development of strategies and control systems for the HQ to use in respect of its subsidiaries, in order to avoid "deprived" situations. This study started to look at the relationship between processes of "tuning", "deprivation" and the phenomenon which will be explored in the future research, as "latency". The collaboration between these processes can be useful for the practitioners in terms of better understanding the process of changes and decision-making in organizations. Thus, the process of "tuning" the configuration of control packages, which describes that managers want to do well by adjusting the system (e.g strategy, control systems, etc.) not always can lead to the desired changes because of the latent factors. Thus, the process can lead to the "deprivation of control", when the managers will not have the inability to obtain what is considered a necessity. Thus, it is important to pay careful attention on the latent factors that can be called as “unknown - know” in order to take the right decisions.

That said, it will also be important for companies to look carefully at the presented findings in relation to the phenomenon of “tuning”; that will bring better knowledge of *how changes can occur* in organizations in order to achieve the best result in careful changing of the control mechanisms and strategy.

The findings of the study illustrate how to increase the understanding of *managerial perceptions of controls.* This is important for the practitioners because those perceptions influence the managerial judgment and beliefs about how the control system affects the relationship between the organizational behavior and its outcomes. The right perceptions can lead managers form the “illusion of control”.

Findings related to the role of *antecedent conditions* and factors that impact the realization of the strategy could be beneficial for managers, in order avoid “*dissatisfaction”* in achieving strategic goals.

The findings of the study, related to the *configuration of the control mechanisms as a package*, can contribute to better understanding in the business community of the importance of paying greater attention to *the interplay between different controls in order to develop sustainable business* and avoid the unnecessary challenges.

The findings of the study show the necessity to include the issues of the *cross-cultural management* in the managerial processes related both to the operations abroad, and to the operations in HQ that will increase knowledge about the context of doing business in the challenging global environment

The findings presented in this research show several important processes that can be called “*doing and learning by practice”.* This means that, during the practice of the management control systems, intimations that management control does not work well and needs “tuning” in order to avoid experiencing “deprivation of control” can be discovered. Companies can benefit from an understanding of such a practice of obtaining and transferring knowledge, related to the choice of *ownership for the subsidiaries, functions and role of BoD, training of expatriates, the process of implementation of corporate rules and the role of the CEO of HQ* as the important mechanism in achieving influence, which will increase robusticity in doing business abroad.

Summing up, the study contributes to practitioners by providing a better understanding of the process of internationalization and to the renewal of knowledge about the activities of the MNC during international expansion, in relation to strategy development, development of the control systems and organizational changes in order to achieve influence from HQ towards subsidiaries.

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Appendix 1.

"T" at a Glance[87], as 2015

"T" was founded in 1855 and builds on 160 years of telecom experience." ("T"'s web site)." T" is one of the world's major mobile operators with 211 million mobile subscriptions. We have mobile operations in 13 markets and in 14 additional markets through our ownership in VCom Ltd." (Ibid). The main revenues of "T" come from its mobile operations that are concentrated in three geographic regions: The Nordic, Central and Eastern Europe and Asia.

"T" Nordics:

Norway, Sweden, Denmark; "T" is a leading provider of mobile and fixed services in Norway, Sweden and Denmark as well as having a strong position in the rapidly growing Scandinavian broadband market 4G services have been launched in Norway and Sweden. "T" Group's core business in the region includes T Broadcast, which is among the leading providers of television and satellite broadcasting services in the region and operates the national terrestrial broadcast network in Norway.

"T" Central and Eastern Europe: Hungary, Serbia, Montenegro and Bulgaria.

"T" Group has a strong position as provider of mobile services in Hungary, Serbia, Montenegro and Bulgaria. "T" has an economic interest of 33 % in VCom Ltd., offering mobile services in an additional 14 markets. (VCom Ltd. offers mobile services in Russia, Ukraine, Kazakhstan, Uzbekistan, Tajikistan, Armenia, Georgia, Kyrgyzstan, Laos, Algeria, Bangladesh, Pakistan, Zimbabwe and Italy).

Across the region "T" Group is focused on growing data traffic and seizing mobile broadband opportunities. 3G services have been launched in Serbia, Hungary, Montenegro and Russia. In Serbia "T" also has a license for fixed line operations.

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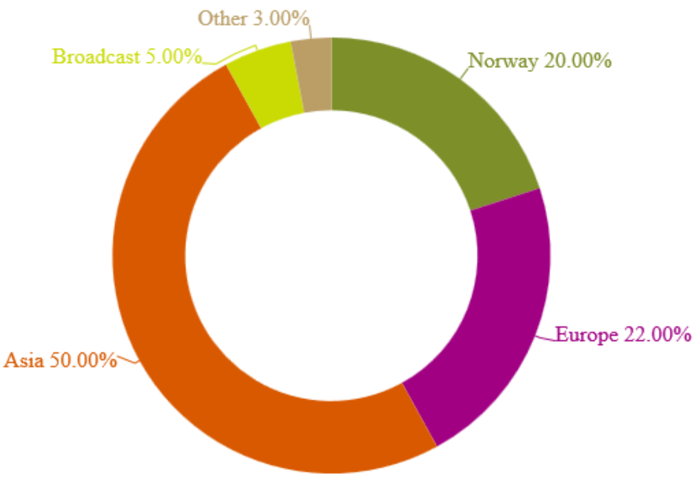
[87] Web site "T", 2015

"T" Asia: Thailand, Malaysia, Bangladesh, Pakistan, India and Myanmar

According to "T"'s website the company explains its fast success in internationalization as following: "Our success is built on combining our global telecoms expertise with regional knowledge transfer and local market insight to create value for different segments. We have achieved significant and rapid subscriber growth in all markets" ("T" website, 2016).

Describing the strategy of the company "T" mentioned that the company position itself as "the most efficient operator" ("T" website, 2016). Thus, "T" writes: "with diminishing growth in telco revenue and increased competition on services from internet players, "T" needs to operate smarter and more efficiently. We will accelerate technology efficiency, pursue process simplification and deploy new operating models, to significantly reduce costs. We have established a global transformation program to drive the implementation of the strategy".

Revenue distribution Q2 2016 shows that Asian markets stands for 55% of the total revenue, European market stands for 22% and the Norwegian markets stands for 20% revenue that improves the international focus for "T" - the possibilities for the further grows of the company will come from the markets abroad (see the diagram)



("T"'s web site, 2015)

“T” Group:

•Strong footprint in Central and Eastern Europe and Asia

•Leading Nordic position in mobile, broadband and TV services

•Substantial activities in subsidiaries and joint venture operations

•One of the top 500 global companies by market value (Financial Times Global 500 2015)

•More than 36,000 employees worldwide

•Revenues 2015: NOK 128 billion (“T”’s web site, 2015)

“T” Group at a Glance, as 2019[88]

"T" Group connects its 174 million customers to what matters most. Connecting the world has been "T"’s domain for more than 160 years and we currently operate across Scandinavia and Asia. We are committed to responsible business conduct and driven by the ambition of empowering societies.

"T" Group:

- Strong footprint in Scandinavia and Asia (Global Impact Report 2016)
- Leading Nordic position in mobile, broadband and TV services
- Substantial activities in subsidiaries and joint venture operations
- More than 20,000 employees worldwide
- Revenues 2018: NOK 110 billion

"T" was founded in 1855 and builds on over a 160 years of telecom experience.

Key figures "T" Group:

[88] Information is from "T"'s website, 2019

NOK (in millions)	**Q4 2018**	**Q4 2017**	**FY 2018**
Revenues	28 171	28 678	110 396
Organic revenue growth (%)	(0.4)	(1.0)	(0.6)
Subscription and traffic revenues	21 263	21 711	85 362
Organic subscription and traffic revenue growth (%)	(0.7)	2.8	0.2
EBITDA before other income and other expenses	10 338	10 813	45 319
Organic EBITDA growth (%)	(2.9)	11.1	3.2
EBITDA before other income and other expenses/Revenues (%)	36.7	37.7	41.1
Net income attributable to equity holders of "T"ASA	1 177	2 226	14 626
Capex excl. licences and spectrum	6 069	5 162	16 776

NOK (in millions)	Q4 2018	Q4 2017	FY 2018
Total Capex	18 619	5 830	31 245
Free cash flow	(141)	3 327	31 989
	0.8	2.2	174

"T" Group's mobile operations

Nordic

"T" Norway (in Norwegian)
"T" Denmark (in Danish)
"T" Sweden (in Swedish)

Asia

"T" Pakistan
"T" Myanmar
GRPh, Bangladesh
DT, Thailand
DG, Malaysia

Other businesses

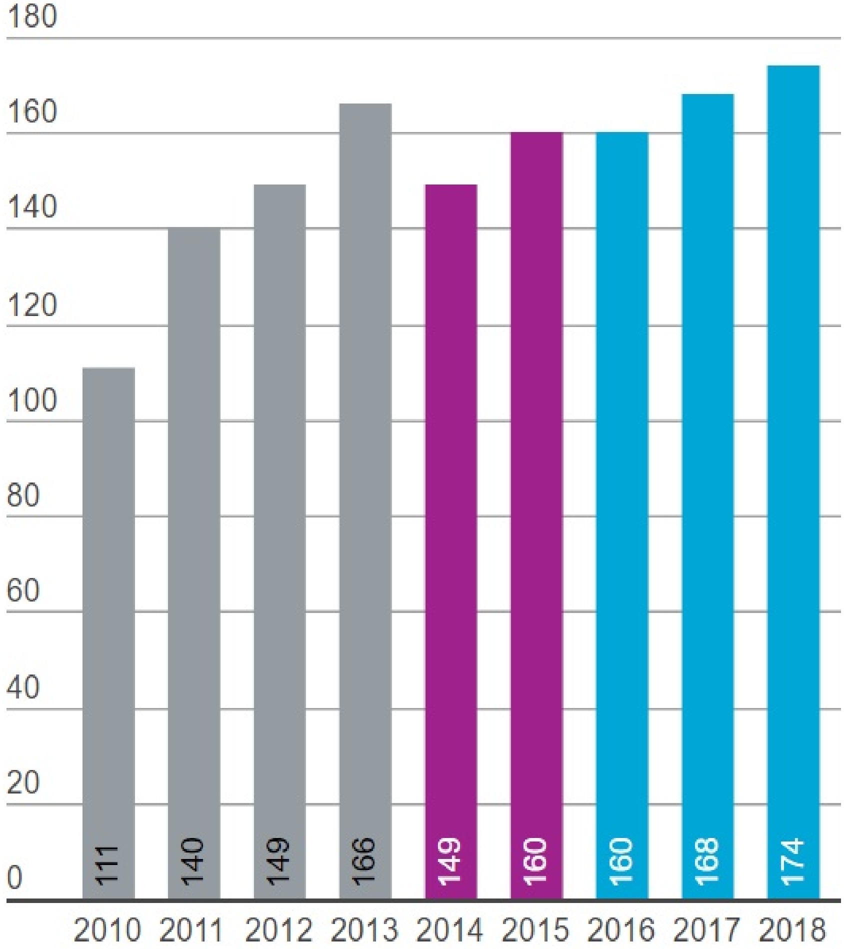
Overview of other "T" Group businesses

VE[89] Ltd.

[89] The new name of VCom from 2017

Revenues, in NOK bn. (end of year,2018)

Mobile subscriptions, in millions (end of year, 2018)

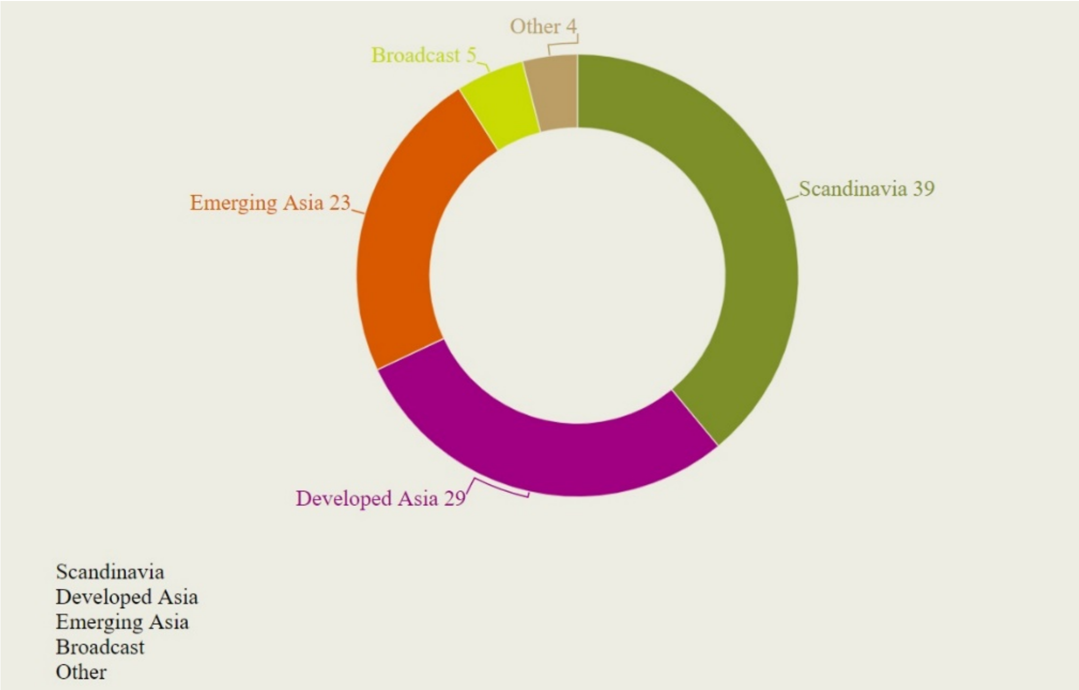


2010-2013 *Incl. India and Central and Eastern Europe

2014-2015 *Re-stated numbers excluding India, Central and Eastern Europe included

2016-2017 *Re-stated numbers excluding India and Central and Eastern Europe

Revenue distribution Q4 2018:



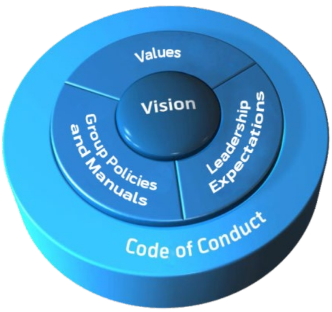
("T""s website, 2019)

Appendix 2.

“T” Way (TW)

Here is how TW is presented on "T" web site up to the beginning of November 2014:

In "T" Group you are encouraged to make your own choices and to find the best approach to your work. You have freedom, but you also have a responsibility to act according to the standards we have set. In other words, you must know what is valued and what is unacceptable.”



Our Vision *(Empower societies)* - we provide the power of digital communication, enabling everyone to improve their lives, build societies and secure a better future for all.; **Our mission** *(We’re here to help our customers)* - we exist to help our customers get the full benefit of being connected. Our success is measured by how passionately they promote us.; **Our values** *(Make it easy; Keep* *promises; Be inspiring; Be respectful)* serve as a guide for our everyday work and describe how we should serve our customers and work together as colleagues.; **Code of Conduct** defines the core principles and ethical standards by which we create value in our company; **Leadership Expectations** *(Passion for business; Change and continuous improvement; Excellent execution; Empower people; Integrity and accountability).* One of the most important elements in TW is **Governing Documents** that establish a minimum set of formal standards for how work is to be conducted within the "T" Group".

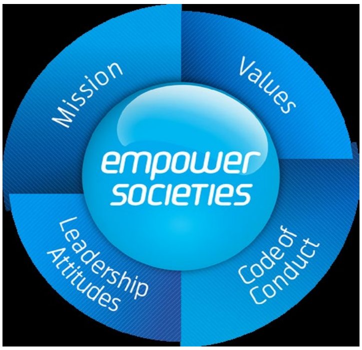
The new refocused "T" - TW is in a changing process.

The new EVP Head of People Development (PD)[90] has presented in June 2014 for Group Executive Management (GEM) the revised concept of TW and a plan of its implementation that was approved by the leadership of "T" The concept has been adopted and published on "T"'s web site in November 2014.

The reason for the refocusing of TW:

"We must continue to build a strong culture across all "T" markets as the basis for our long-term success. That's why we have now refocused the TWay[91]," (President and CEO of the "T" Group. "T"'s intranet 2014).

The new model of TW (T intranet, the new manuals about TW, November 2014)



"T"'s website, November 2014:

"T Way is the foundation for our business", "standards for how we do business.

[90] "T"'s Human Resources – HR
[91] TWay is the same as TW

The core of the T Way is our **vision**, *Empower Societies*. We bring vital infrastructure, new services and products that stimulate progress and change. Every day the opportunities offered by mobile technology grow. With our vision, we emphasize "T"'s role in realizing these opportunities.

With our **mission** *'We're here to help our customers'* we crystallize our customer focus as the cornerstone of everything we do.

Our **values** spell out how we should behave in serving our customers in all our markets: *Make it easy. Keep promises. Be inspiring. Be respectful*. By delivering on our values we will create relevant, tangible customer benefits and a pointed difference in each of the markets where we operate.

"T"´s ambitions and culture are reinforced by our new **Leadership Attitudes**. They define the mindset expected from our leaders in steering the company to reach our goals. "T"'s leaders *explore*; they seek new lessons and ways of listening to customers. "T"'s leaders *engage*; they collaborate to find win-win and reach great results. "T"'s leaders *empower*; they share responsibility, build trust and give constructive feedback. And "T "'s leaders *execute*, they deliver swiftly with precision, whatever it takes."

The new version of TW now includes **Vision**, **Mission**, **updated Code of Conduct, Values and new Leadership Attitudes** (4E - Explore=innovation, Engage=Collaboration, Empower=enable team members to find the best solution and Execute=retain our strong results orientation). **Policies and Manuals** are no longer part of the TWay. According to "T" "this change was made to simplify the T Way ("T"'s intranet, 2014).

Another adjustment in TW concept is the implementation of **'TWay Commitment'.** As it is defined by "T" 'T Way Commitment' "spells out what you sign up for when you join "T" and allows all of us to reflect on this".

The Code of Conduct has been upgraded in order to "reflect the development of "T" business and changes in society that requires an even sharper focus on issues such as anticorruption, conflict of interest, terrorism, cybercrime and fraud" ("T"'s intranet, 2014). Polices, and Manuals are taking away from TW. "T" explains that because of "policies and supporting manuals are relevant in certain internal processes or for certain groups of employees" (like a sourcing policy, accounting policy and a brand management policy) it was decided to take them out of the TWay. At the same time, "T" underlines that “Policies and Manuals still remain an important part of how we do business and they are easily accessible on the WOW (ibid,) as before”. The essential changers in the new version of TW is that "T" admitted that if before the TW was based on the Scandinavian values (“we in 2005 pointed to our Scandinavian heritage in our messages”, (ibid), now "T" is an organization where “ideas, practices and people flow in many more directions” (ibid.) Without to give a definition that TW is a corporate culture TW is placed on the Intranet under the category “Our culture” (together with many other elements, for example with the information about Trade Unions that have nothing to do with the cultural issues: Occupational Health Safety, Employees Engagement Survey, etc.).

"T’s management as well declared that “we are moving from a holding-company approach to a more collaborative united force, where we will build a common culture and stimulate best practice sharing and co-operation between markets while maintaining the local edge and market relevance” (ibid.).

Appendix 3.

Corporate governance of "T"[92]
Vision, Mission and Values

"Our industry plays an increasingly important role in people's everyday lives. Our vision, mission and values express where "T" is headed and the role we will play both in transforming people's lives and empowering societies to grow and progress. Our vision: Empower societies. We provide the power of digital communication, enabling everyone to improve their lives, build societies and secure a better future for all. Our vision to empower societies is a clear call to action. We bring vital infrastructure, new services and products that stimulate progress, change and improvement»

Our mission: We're here to help our customers

We exist to help our customers get the full benefit of being connected. Our success is measure by how passionately they promote us.

Our values: *Our values serve as a guide for our everyday work. They describe how we should serve our customers and work together as colleagues*.

Be respectful - We acknowledge and respect local cultures and want to be a part of local communities wherever we operate.

Keep promises - We're about delivery, not overpromising. We're about actions, not words.

Make it easy - We don't complicate things. Everything we produce should be easy to understand and use.

Be inspiring - Everything we produce should look good, modern and fresh. We find new ways to improve and create value – for people and society alike".

"T" describes as well it governance and the most important principles connected to Governance in «T» (all materials are from "T's website)

[92] Materials are from «T» website, 2016)

“Corporate governance defines a framework of rules and procedures by which the "T "Group governs and controls its business. Good corporate governance is about establishing a sound platform for such a framework and applying our values in order to create value for "T" stakeholders.

We consider good corporate governance to be a prerequisite for value creation and trustworthiness and for access to capital.

Governance principles:

In order to secure strong and sustainable corporate governance, it is important that we ensure good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations across the “T” Group.

The “T” Group has governance documents setting out principles for how business should be conducted. These apply to all “T” units. The “T”' Governance regime is approved by the Board of Directors in “T” ASA[93].

Trust and transparency

We believe good corporate governance involves openness and trustful cooperation between all parties involved in the Group: the owners, the Corporate Assembly, the Board and Group Executive Management, employees, customers, suppliers, creditors, public authorities and society in general. When submitting reports, “T” provides both financial and non-financial information, emphasizing transparency so that interested parties may be able to make informed decisions.

Applying values to create value

Good corporate governance principles are reflected in our values – Make it easy. Keep promises. Be respectful. Be inspiring. By applying our values in what we do as an organization, we create value and maintain a healthy corporate culture.

[93] The official name of “T” HQ as corporation – the owner of all subsidiaries

Rules and regulations

“T” is subject to specific rules and regulations in all the countries where the Group Conduct business. The "T"’ shares are listed on the Oslo Stock Exchange. As an issuer of shares the company must comply with rules regarding Norwegian stock exchange and rules regarding public limited companies.

Compliance with rules and regulations

The “T” Group has developed a set of governing documents, including the Code of Conduct, as well as policies (Group Policies) and accompanying manuals (Group Manuals), to ensure good and efficient governance and control. Internal rules are adapted and implemented in all subsidiaries where the “T” Group has operational control.

“T” Group works continuously to ensure that governing documents, training and control mechanisms are current and adequate. They should meet our own requirements as well as the justified expectations of other interested parties. We work systematically to ensure compliance with rules and regulations.

In 2011, the HSSE committee was extended and renamed Ethics and Sustainability committee. The committee supports the Board in fulfilling its responsibility with respect to ethics and compliance, corporate responsibility, HSSE and sustainability in the supply chain.

Whistleblowing

Employees who become aware of any kind of infringement are encouraged to report this to their leader or the Local- or Group Ethics & Compliance Officer. In fact, failure to do so is itself a breach of T’s Code of Conduct»

“T” has established a Hotline to compliance throughout the Group. The hotline is not staffed around the clock, but incidents may still be reported in official local language by phone, e-mail or postal service 24 hours a day, every day of the year. Incidents may be reported and handled confidentially if desired.

“T” does not allow reprisals of any kind against those, who in good faith, report an infringement or suspicion of an infringement. Misconduct that may result in disciplinary actions includes failure to promptly raise a known or suspected breach.

Socially responsible business conduct

Our efforts to ensure socially responsible business conduct involve more than just good business ethics at all levels. They concern the manner in which we treat our employees, our relationship to nature and our surrounding environment, our efforts to ensure safe products, as well as a number of other factors.” (“T”’s web site)

Appendix 4.

About “T”’s Culture – the further developed concept after TW.

“Our Culture[94]

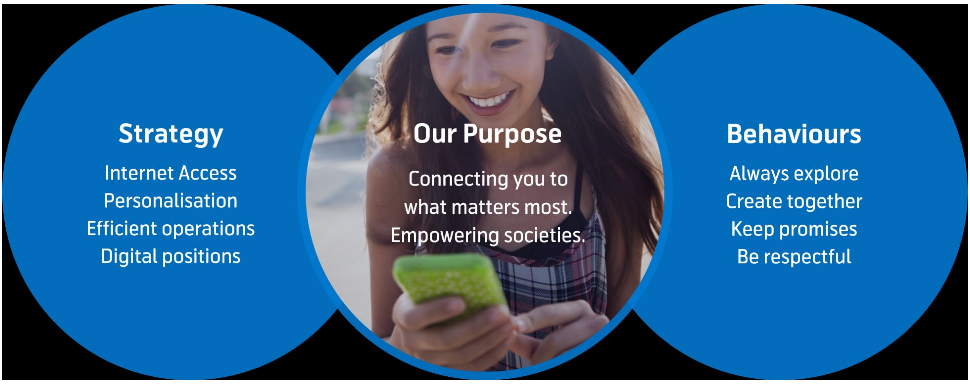
"T"’s culture is what binds us together as one company, across all the societies we serve.

Our strategy spells out what we do; our behaviours explain how we deliver; and our purpose is our reason for existence. Being a part of or a partner to "T" means sharing our commitment and passion for these key elements that shape our culture.

Our purpose

Connecting you to what matters most. Empowering societies.

Connecting customers to what matters most has been the core of our business for more than 160 years. Today internet connectivity impacts nearly every part of our lives, and we believe in making it personalized and relevant for our customers. It’s about more than good business; it’s empowering societies.



Our behaviours

We have four behaviours that guide the way we work:

- **Always Explore.** We believe growth comes from learning every day. We’re curious and we dare to challenge, test, fail fast and pivot.
- **Create together.** We believe diverse teams find better solutions. We seek different perspectives, share, involve and help each other succeed.
- **Keep promises.** We believe that trust is key in all our relationships. We take ownership and pride in delivering with precision and integrity.

[94] From "T"'s website, 2019

- **Be respectful.** We believe in the unique human ability to understand what matters for people. We meet everyone at eye level, listen and show that we care.

In addition to our purpose and behaviours, everyone working with or for "T" are required to commit to, abide by and annually renew their signature on our Code of Conduct.

Our strategy

"T"'s strategic direction is common across our business units and spells out what we do to fulfill our purpose. It is expressed in an operational action plan which is updated annually.

Our strategic direction is based on four key beliefs:

- **Internet access** is the foundation of our business
- **Personalisation** will stimulate customer engagement and capture value
- **Efficient operations** are prerequisites for sustainable growth and competitiveness
- Leading **digital positions** can be taken in our footprint

Our 2018 action plan expresses our priorities for the year: delivering **growth**, pushing for continuous **simplification and efficiency**, enabled by a global **winning team** committed to **responsible business"**.

Appendix 5.

Appendix 6.

Appendix 7.

The list of the most important abbreviations:

Abbreviations	Explanation
BC	Behavior control
BoD	Board of Directors
CEE	Central Eastern Europe
CCR	Corporate Common Rules
CEO	Chief executive officer
CFO	Chief financial officer
COO	Chief operational officer
CoC	Conduct of Conducts
CSR	Corporate Social Responsibility
EVP	Executive vice president
FC	Financial control
IB	International Business
IBS	International Business Studies
ISM	International strategic management
MA	Management agreement
MCA	Management control and accounting
MCS	Management control system
MMB	Mobile management board
MNC	Multinational corporation
M&A	Merging and Acquisitions
OC	Operational control
PS	Political Science
RQ	Research question
SC	Strategic control
SM	Strategic management
SS	Social Science
TMC	Top management support
TW	T Way
VP	Vice president

Appendix 8.

Nr	Respondents from "T"	Year	Time in average	How many times in total	Comments
1	Former legal director of "T", member of the executive board Had experiences from to be an expatriate as well.	2015 2016 2018	1,5 h 1,5 h 30 min	3, 5 h	Interview Interview Conversation
2	Former director, member of the executive group	2015	1 -2 h	1,5 h	Interview
3	Former director in international operations who had as well solid experiences from Norway	2014 2015	1 – 2 h 1 - 2 h	3 h	Interview
4	CEO in 1991 - 2001	2014 2015	1 h 1 h	2 h	Interview Interview
5	Member of the Executive Board responsible for international projects	2015	1 - 2 h	1,5 h	Interview
5	Employee in subsidiary	2015	1 h	1 h	Interview
7	Former member of the Executive Board, responsible for mobile operations worldwide	2015 2016	30 min 1 h	1 h 30 min	Conversation Interview
8	CEO 2001-2016	2015	1 h	1 h	Interview
9	Former senior manager worked both in Norway and abroad, member of several BoDs abroad	2013 2013 2014 2015	1 – 2 h 30 min 30 min 30 min	3 h	Interview Conversation Conversation Conversation
10	Manager in the region Europe	2015	1 h	1 h	Interview
11	Former manager in European operations	2017	1 h	1 h	Interview
12	Former executive worked abroad international mobile operations	2017	1 – 2 h	1,5 h	Interview
13	Employee from subsidiary	2016	1 h	1 h	Interview
14	Former executive from subsidiary	2012	1-2 h	1,5 h	Interview
15	CCR employee	2015	1 h	1 h	Conversation
16	Employee	2016	30 min	30 min	Conversation
17	Former EVP (worked both with international projects and with the Norwegian operations)	2014 2015 2016 2017 2018	1 h 1 h 1 h 30 min 30 min	4 h	Interview Interview Interview Conversation Conversation
21	Former member of the Executive Board, responsible for the international operations	2010	30 min	30 min	Conversation

22	Former Executive manager worked both in Norway and internationally, had almost 30 years career in "T"	2012	30 min	30 min	Conversation
23	Employee	2017	30 min	30 min	Conversation
24	Former senior manager worked both in Norway and abroad, member of several BoDs abroad	2013 2015	30 min 1 h	1 h 30 min	Conversation Interview
25	Manager worked with European operations	2012 2014	30 min 1 h	1 h 30 min	Conversation Interview
26	Manager worked abroad	2014	1 h	1 h	Interview
27	Former HR manager	2014	1 -2 h	1,5 h	Interview
28	Former member of the BoD	2016 2017	1-2 h 1 -2h	3 h	Interview Interview
29	Manager Norwegian operations	2014	1 h	1 h	Interview
30	Experienced financial manager	2014	30 min	30 min	Conversation
31	Experienced manager	2015	1 h	1 h	Interview
32	Experienced manager worked internationally	2014 2015 2016	1 h 1 h 30 min	2 h 30 min	Interview Interview Conversation
33	Former VP in HR	2014	1 h	1 h	Interview
34	Manager in HQ, had a solid experience in international work	2015 2016	1 h 30 min	1 h 30 min	Interview Conversation
35	Former executive manager worked both in Norway and internationally, had almost 30 years career in "T"	2012	30 min	30 min	Conversation
36	Senior manager worked in the international mobile operations	2015 2016	1h 1-2 h	2,5 h	Conversation Interview
37	Employee from the division that had projects with in the Northern part of Russia	2018	1 h	1 h	Interview
38	Former senior manager, responsible for the first international projects in "T" from 1991	2018	1-2 h	1-2 h	Interview
39	Employee in former Consulting division	2016	30 min	30 min	Conversation
40	Employee abroad	2011	30 min	30 min	Conversation
41	Executive manager who worked in several international operation	2017 2018	1-2 h 30 min	2 h	Interview Conversation
Total: 40 respondents, 57 interviews					
	Respondents from other companies				
1	Executive manager in subsidiary of oil company, has solid experience form intranational work	2016 2017	1 h 1 h	2 h	Interview Interview
2	Executive manager in shipping company which has subsidiaries abroad	2016	1 h	1 h	Interview

3	Executive manager working internationally	2014	1 h	1 h	Interview
4	Manager working with international issues in an organization	2015 2015	1 h 30 min	1 h 30 min	Interview Conversation
5	Executive in a consulting company working internationally	2014	30 min	30 min	Conversation
6	Norwegian having business in Russia	2014	1 h	1 h	Interview
7	Lawyer working with international customers and abroad	2014	30 min	30 min	Conversation

Appendix 9.

Appendix to Literature review provides an overview of the analytical framework applied for analyzing when overview of reverences related to the literature review, information about the scientific journals where the articles have been published, the method applied under the research and the concepts investigated in the articles followed by the presenting of conclusions of the studies.

Reference	Scientific Journal	Academic field	Concept investigation	Method
Abernethy, A. M. Stoelwinder, J. U. (1995)	Accounting, Organizations and Society	MCA	The role of professionals/ bureaucratic administrative in the management of complex organizations that can follow to the conflicts	Sample Quantitate
Abernethy, Bouwens, van Lent (2010)	Management Accounting Research	MCA	Leadership and control system design	Sample Quantitate
Abernethy, M. and Brownell (1997)	Accounting, Organizations and Society	MCA	Management control systems in research and development organizations and the role of accounting	Sample Questionnaire Quantitate
Adler, P. S. and Chen, C. X. (2011)	Accounting, Organizations and Society	MCA	Tension between creativity and control.	Survey Quantitate
Adler, P.S and Borys, B. (1996)	Administrative Science Quarterly	MCA	"A conceptualization of workflow formalization that helps reconcile the contrasting assessments of bureaucracy as alienating to employees or as enabling them to perform their tasks better".	Survey Quantitate
Agarwal S. and Ramaswami, S. (1992)	Journal of International Business Studies,	ISM	Choice of foreign market entry mode: impact of ownership, location and internalization factors.	Survey
Agrawal, A. and Knoeber, C. R. (1996)	Journal of Financial and Quantitative Analysis	ISM	Firm performance and mechanisms to control. Agency problems between managers and shareholders.	Survey
Ahrens, T., Mollona, M. (2007)	Accounting, Organizations and Society	MCA	Organizational control as cultural practice	Field research. Observation
Alvesson, M. and Ka¨rreman, D. (2004)	Accounting, Organizations and Society	MCA	A variety of forms of management control in a large management consultancy entities and interface	Case Interviews

			between different forms of control	
Ambos, T. C., Ambos, B. and Schlegelmilch, B. (2006)	International Business Review	IM	The traditional role of HQs in MNCs as sources of knowledge and competencies in change. "HQs act as a receiver of knowledge from their internationally dispersed Subsidiaries".	Quantitative Questionnaires
Arend, R.J. el. at, (2017)	Strategic Management Journal	SM	The role of the strategic planning process and influence on the profitability that links to negative influence on firm innovative knowledge	Survey
Arjaliès, D-L. and Mundy J. (2013)	Management Accounting Research	MCA	The use of MCS to manage CSR, exploring how organizations leverage MCS indifferent ways in order to drive strategic renewal and trigger organizational changes	Questionnaires Secondary data, few interviews
Banai M., and Sama L., (2000)	Journal of Business Ethics	IB	Staffing in multinational corporations' (MNCs') -the ethical impact of policies on diverse stakeholder groups. .	Survey
Barbosa, N., and Lour,i H., (2002)	International Journal of Industrial Organization	ISM	Ownership in MNCs (cases from Greece and Portugal).	Survey
Barsky, N. P. and Hussein, M. E. (1999)	AAAJ	MCA	"Compare stakeholder and shareholder value models of management accountability to gain insights into the broader economic and societal consequences of the current financial reporting model".	Survey
Bartlett, S. A. and Ghoshal, S. (1994)	Strategic Management Journal,	ISM	Linking organizational context and managerial action: "the dimensions of quality of management".	Longitudinal field-study
Bate K.A, and Amundson, S.D. (1995)	Management Science	ISM	"Relationship between manufacturing strategy and organizational culture: a collectivist or group-oriented organizational culture with coordinated decision making, decentralized authority, and a loyal work force".	Survey
Beamish, P.W and Jiang, R. (2002)	Long Range Planning	MCS	Performance of foreign firms investing in China, and the factors influencing profit performance: expatriate	Survey.

			staffing, ownership structure. Challenges for foreign subsidiaries in China because of subsidiary-specific factors	
Bedford, D. (2015)	Management Accounting Research	MCA	MMCs across different modes of innovation that effects the performance. How managers attempt to "simultaneously balance exploration and exploitation, which place contradictory requirements on firms."	Survey
Bedford, D. and Malmi, T. (2014)	Management Accounting Research	MCS	Configurations of controls - how management controls operate together as "a package of interrelated mechanisms".	Survey Sample, Variable measurement
Ben-Amar, W. and Andre,´ P. (2006)	Journal of Business Finance & Accounting,	Finance and MCA	Separation of ownership from control and acquiring firm performance	Survey
Bhimani, A. (1999)	Accounting, Organizations and Society	MCA	Cross-national management control research with a focus on international management control diversity; in the "structuring of organizational arrangements and forms of management practices across different contexts".	Scholars reviewing comparative management studies
Birkinshaw, J. and Fry, N. (1998)	Sloan Management Review	ISM	How managers need "tactical savvy, persistence, and luck to break through corporate barriers" when the local initiatives create the new opportunities in MNC.	Questioner
Bisb,e J. and Otley, D. (2004)	Accounting, Organizations and Society	MCA	"The effects of the interactive use of management control systems on product innovation. relationships among variables embedded in Simons' framework of levers of control" .	Sample, Survey Questionnaire
Bourmistrov, A. and Kaarbøe, K. (2013)	Management Accounting Research	MCS	A field study of two MNCs using "beyond budgeting" ideas - "how change in the design principles of management control systems (MCSs) based on implementing the beyond budgeting (BB) ideas has influenced the transition of decision-makers from "comfort" to "stretch" zones"	Qualitative Interviews

Bourmistrov, A. and Kaarbøe, K. (2017)	Journal of Accounting and organizational Change	MCA	How management accounting systems "create tensions in a crisis showing that top managers respond to their perceptions of the crisis by tightening the budget control over the line managers"	Interviews
Brouthers, K.D and Bamossy, G.J. (2006) .	Journal of Management Studies	ISM	How post-formation processes are interplaying, and how they relate to managers' evaluations of JV success abroad.	Longitudinal study Survey
Brownell, P. (1985)	Accounting and Finance.	Finance and MCS	The role of accounting information, environment and MC in multi-national organizations - "non-accounting, "behavior" controls" have a special role in the foreign subsidiary, challenges because of placement of U.S. nationals in senior management positions in the subsidiary.	Survey
Caglio, A. and Ditillo, A. (2008)	Accounting, Organizations and Society	MCA	Management control in inter-firm relationships with a focus on "the lateral processing of information, transcending legal organizational boundaries".	Literature review
Carlsson-Wall, M., Kraus, K. and Messner, M. (2016)	Management Accounting Research	MCA	"The role of performance measurement systems (PMS) in managing the co-existence of different institutional logics in organizations." Different levels of performance are important "for understanding the differences in compromising behavior in organizations".	Interviews
Carlsson-Wall, M., Kraus, K. and Karlsson, L. (2017)	Management Accounting Research	MCS	Detailed action planning in sport events (different organizations) "served as the backbone in the chain of control in each case, connecting the evaluation based on non-financial measures with the budgeting, and with policies and procedures that were applied during the process".	Interviews
Carney, A., Gedajlovic, E. (2006)	Publication of Concordia Univercity, Monreal,	ISM	The coupling of ownership and control and the allocation of financial resources.	Quantitative

	Quebec, Canada and Erasmus University and The Rotterdam School of Management			
Cartwright, D. (1965)	University of Illinois at Urbana-Champaign's Academy for Entrepreneurial Leadership Historical Research Reference in Entrepreneur-ship	SS	Influence, leadership, control - social influence "emanates from individuals with leadership, and not necessarily because of the position they occupy"	Survey
Chalos, P. and O' Connor, N.G. (2004)	Accounting, Organizations and Society	MCA	"The effects of relative partner knowledge and specific asset investments on the usage of various types of control mechanisms (expatriate staffing, socialization practices, delegated decision-making responsibilities, parent company communications and manager performance Incentivas) ".	Questionnaire and site visits
Chapman, C.S, Kihn, L.A. (2009)	Accounting, organizations and society	MCS	"The level of information system integration fosters the four design characteristics that make up an enabling approach to management control".	Survey data
Chenhall, R.H. (2008)	Accounting, Organizations and Society.	MCA	Management practices that elaborate on HO and implications for a horizontal dimension to accounting are examined. "Complementary developments in management accounting, and how effective practice and research have been in developing a horizontal dimension to management accounting." The innovations in management accounting, (such as activity-based accounting and holistic performance measurement like balanced scorecards) "have not had any significant	Survey data

			affects on those developing ideas related to HO".	
Child, J. and Yan, Y. (1999)	Journal of World Business	MCA	Topic: investment and control in international joint ventures. "Equity share is the major lever for the exercise of has a direct effect on operational control in addition to its indirect effect through appointments to key executive positions".	Interviews
Chow, C. W, Shields M. D. and Wu, A. (1999)	Accounting, Organizations and Society	MCA	The effects of national culture on firms' design of and employees' preference for MCs. The importance of national culture in the design of for management controls for multi-national operations	Interviews
Christmann, P., Day, D. and Yip G. S. (1999)	Journal of International Management	ISM	Country conditions are a very important determinant of firm performance. Thus, subsidiary performance is determined mainly by conditions outside the control of subsidiary management.	Survey
Collings, D. G, Morley, M. J. and Gunnigle, P, (2008)	Journal of World Business	IM	International staffing in MNC. HCN (host country nationals) and third country nationals (TCNs) employees play a key role in managing the subsidiaries investigated; focus on a strong centralized control over subsidiaries. Use of HCNs and TCNs "to staff senior positions in new expansions within the host country is higher where the expansion follows a wave of earlier investment in that location".	Qualitative research. Interviews
Covaleski, M., Dirsmith, M., and Samuels, S., (1996)	Journal of management accounting research	MCA	Issues of social control and coordination in organizations – "managerial accounting as important aspects of the manner in which organizations and society function".	Survey
Dörrenbächer, C. and Gammelgaard, J. (2006)	Journal of International Management	ISM	"The headquarters' intended strategies are decisive to explain role development in peripheral host countries, though micro-political headquarter–subsidiary negotiations being an integral	Interviews

			part of subsidiary role development”	
Farmer, S.M. and Aguinis, H. (2005) .	Journal of Applied Psychology	Psychology	How “subordinates perceive the power of their supervisors and the causal mechanisms by which these perceptions translate into subordinate outcomes”.	Survey
Farooque, O. Al., et.al (2010)	Accounting Research Journal	MCS	“Co-deterministic relationship between ownership concentration and corporate performance”.	Survey, sample observations
Forsgren, M. and Holm, U. (2010)	Scandinavian Journal of Management	IM	MNC’s HQ’ role in subsidiaries’ value-creating activities: -this role is dependent on” how the knowledge situation of HQ is conceptualized”. HQ’s active role and involvement in the value-creating processes can become dysfunctional.	Interviews.
Gatignon, H. and Anderson E. (1988) .	Journal of Law, economics, and organizations	Leadership and organizations	The MNC 's level of control over subsidiaries abroad: to what degree a function should be integrated, “whereby integration is a continuum anchored by the options of market and hierarchy?”	Interviews
Geppert M. (2005)	Personnel Review	IM	A comparative discussion on how different change management approaches in MNCs: how institutional environments may influence subsidiary competences and learning: the country of origin or home country institutions of the MNC itself and the host country embeddedness of the subsidiaries.	Interviews
Geringer, J. M. and He´bert, L. (1989)	Journal of International Business Studies	IBS	Control and performance of international JVs. The paper reviews and synthesizes prior studies addressing the conceptualization and operationalization of control within IJVs, as well as the IJV control-performance relationship.	Survey
Gnyawaḷi, D. R., Singal, M. and Mu, S. S (2009).	Journal of International Management	IM	Issue of knowledge among subsidiaries in MNCs. The ties among subsidiaries—the key players of MNC network—"are a prerequisite	Survey

.			for the formation of the network and the flow of knowledge within the organization".	
Gold, A. H. Malhorta, A. and Segars, A. H. (2001)	Journal of Management Information Systems	IM	"Knowledge management: an organizational capabilities perspective." Focus on effective knowledge management from the perspective of organizational capabilities suggesting that a "knowledge infrastructure consisting of technology, structure, and culture along with a knowledge process architecture of acquisition, conversion, application, and protection are essential organizational capabilities or "preconditions" for effective knowledge management"	Survey
Gomes-Casseres, B., et al. (2006)	Journal of Financial Economics	Finance and Economy	"How firm characteristics affect knowledge flows within alliances and find positive effects due to technological, geographic, and business similarities between partners."	Survey
Gummesson, E. (2002)	Journal of Relationship Marketing.	Marketing Management	Issue of relationship marketing in the context of the New Economy. Relationship marketing is "fundamentally different from traditional marketing management and that successful implementation requires new mindsets"	Survey
Gupta, A. K. and Govindarajan, V. (2000)	Strategic Management Journal.	ISM	Knowledge flows within multinational corporations. "Knowledge outflows from a subsidiary would be positively associated with value of the subsidiary's knowledge stock, capacity to absorb the incoming knowledge."	Survey
Harzing, A.-W. (2001)	Journal of World Business	IM	The role of expatriate managers in MNC / MN companies via three functions: position filling, management development, and organization development. Focus on the organization development, how an informal coordination and control	Survey

			strategy has been used "through socialization and the building of informal communication networks".	
Harzing, A-W. and Feely, A. (2007)	Cross-cultural Management: An International Journal.	Cross-cultural management	The language barrier and its implications for HQ subsidiary relationships. An integrative model is proposed "that consists of two coupled vicious cycles: the communications cycle – composed of the eight aspects of the language barrier – and the management cycle".	Survey
Hennart, J-F. and Larimo, J. (1998)	Journal of International Business Studies	IB	The issue of impact of culture on the strategy in MNC – "the cultural distance between the home base of the investor and the target country (or perhaps political risk) exerts a powerful influence on ownership of subsidiaries, but cultural characteristics of the home base do not".	Survey
Huemer L., Boström, G. O. and Felzensztein C. (2009)	Industrial Marketing Management.	Industrial marketing management	Control–trust interplays and the influence paradox: a comparative study of MNC-subsidiary relationships. Interplay and possible coexistence of control and trust when influencing others and when being influenced.	Survey
Huemer, L., Boström, L.G.O and Felzensztein, C. (2009)	Industrial Marketing Management	MCS	"Control–trust interplays and the influence paradox: A comparative study of MNC-subsidiary relationships". "Intended purpose and perceived legitimacy need to be considered", as well as the type and level of control.	Survey
Karhunen, P. (2008)	Journal of International Management	IM	Managing international business operations in a changing institutional context. Case study shows the impact of the "change in the institutional context from a centrally planned to a market economy centers on the connections of the hotel enterprise with public and private sector actors".	Interviews
Karhunen, P., Löfgren, J. and	Journal of International Management.	ISM	The relationship between ownership and control in international business	Interviews

Kosonen, R. (2008)			operations. The suggested model linking two "interrelated dimensions of foreign business operations in transition economies: resources committed to the entry in terms of ownership, and resources committed to control the operations".	
Kim, W.C. and Hwang, P. (1992)	Journal of International Business Studies.	IB	Global strategy and MNC's entry mode choice. "The importance of global strategic considerations in choosing multinationals' entry mode, as environmental and transaction-specific factors".	Survey
Kraus, K. and Strömsten, T. (2016) .	Management Accounting Research	MCA	Internal control and inter-firm control dynamics and power. "The role of power in shaping internal/inter-firm control dynamics in organizations, how the combination of resource, process and meaning power is key to understanding internal/inter-firm control dynamics".	Interviews
Krivogorsky, V. and Burton, F. G. (2012)	Journal of International Accounting Research	MCA	Focus is om the dominant owners and performance. "The ability to control and actual control and whether a particular distinct shareholder ownership type is associated with company performance".	Survey
Kumar, S. and Seth, A. (1998) .	Strategic management	SM	The role of the strategic interdependence between the JV and each partner and the environmental uncertainty faced by the JV are important for the design of coordination and control mechanisms for managing joint venture–parent relationships	Survey
Kynighou, A. (2014)	The International Journal of Human Resource Management	International HR	Variations of corporate influence and human resource management (HRM) practices between the start-up and maturity stages of a foreign subsidiary. The degree of influence over HRM practices in MNCs depends on the subsidiary's life-cycle stage.	Survey

Lachman R., Need, A. and Hinings, B. (1994)	Management Science	Cross-cultural management	The factors for the adaptation of organizations and practices transferred across cultural boundaries. The focus on the organizational structure, processes, and behavior. The importance of "congruent or, at least, accommodative relationships between the core values dominating the local setting, and those underlying transferred practices for the effectiveness of "imported" organizational practices".	Survey
Legewie, J. (2002) .	The International Journal of Human Resource	International HR	Control and co-ordination of Japanese subsidiaries in China: problems of an expatriate-based management system. The international management control (IMC) system that Japanese MNCs use in order to co-ordinate the activities of their subsidiaries in China. It focuses on the role of Japanese expatriates in this IMC system and assesses their performance	Interviews
Lucas, J. W. and Baxter, A. R. (2012)	The ANNALS of the American Academy of Political and Social Science American Academy of Political and Social Science	Social sciences	This article gives a review of literatures on power, status, and influence in sociology's group processes tradition.	Review
Malmi, T. and Brown, D.A. (2008) .	Management Accounting Research	MCS	A new typology for MCS is provided structure around five groups: planning, cybernetic, reward and compensation, administrative and cultural controls. "The typology is based on the distinction between decision-making and control and addresses those controls managers use to direct employee behavior".	Survey
Martin, G. and Beaumont, Ph. (1999)	The International Journal of Human Resource Management.	MCS	Co-ordination and control of human resource management in multinational firms. It is described different strategies of HRM control used by corporate headquarters of	Interviews

			MNEs. The effectiveness of control strategies is "influenced significantly by the incentive and ability of subsidiary managers to comply with centralized contro"l.	
Meardi, G. and Toth, A., (2006)	Multinationals, Institutions and the Construction of Transnational	International organizations	EU is enlarged and more diverted, that increases the opportunities for "international reorganization of production and, with this, for 'coercive comparisons' and efficiency-oriented transfers of practices".	Interviews
Moilanen, S. (2008)	Management Accounting Research	MCA	"The role of accounting and an intermediate subsidiary in the management control system in MNCs - how the power of accounting can be formed on the local level". "The power of accounting can be blurred, …accounting remains the basis for legitimated behavior and is not decoupled from the local operations".	Interviews
Mutinelli, M. and Piscitello, L. (1998)	Small Business Economics	IB	Condition of experience in influencing the ownership structure of foreign direct investments (FDI). Smaller firms, characterized by financial and "managerial adverse asymmetry in information costs, compared to their competitors". This is a reason why they are forced to act "prudently, minimizing risk and thus preferring a less control arrangement of foreign subsidiaries".	Survey
O'Donnell, S. W. (2000)	Strategic Management.	ISM	Managing foreign subsidiaries: agents of HQs, or an interdependent network? The practical mechanisms used in order to manage foreign subsidiaries of MNCs. "The mechanisms are insufficient for managing subsidiaries characterized by high levels of intra-firm international interdependence, the management of which is critical to many of today's complex global firms".	Survey

Pfeffer, J. and Fong, C.T. (2005)	Organization Science.	SS	The issue of self-enhancement in order to explore phenomena of power and influence. Several psychological processes related to power and social influence ("escalation of commitment, similarity attraction and in-group favoritism, the disinhibiting effects of power, and the persistence of hierarchical structures") can all be "derived from the self-enhancement idea, the desire to see oneself and one's actions in a positive light".	
Scheytt, T. Soin, K. and Metz T. (2010)	European Accounting Review.	MCA	Practice of control across cultures: a narrative approach. Use of management accounting and control knowledge across different European countries. It should be increased awareness about "the existence, meaning and significance of the differences and characteristics of the regional culture".	Samples of narratives
Seal, W. and Mattimoe, R. (2014)	Management Accounting Research.	MCS	Controlling strategy through dialectical management. "Controlling strategy has been portrayed as a matter of managing tensions".	Survey
Tessier, S. and Otley, D. (2012).	Management Accounting Research.	MCA	A conceptual development of Simons' Levers of Control framework. Revised framework that separates "managerial intentions for controls and employee perceptions of controls".	Interviews
Toh, S. M. and DeNisi, A. S. (2005)	Academy of Management Perspectives	HR management	HR practices of expatriating organizations in MNCs. Focus should be more on "providing more equitable compensation for local and expatriate employees, selecting expatriates who are truly worthy of the higher pay, and increasing the transparency of pay practices so that local employees can see the linkage between work inputs and compensation more clearly".	Survey

Wouters, M. and Wilderom, C. (2008)	Accounting, Organizations and Society	MCS	Developing performance-measurement systems (PMS) which "being perceived by employees as enabling of their work, rather than as primarily a control device for use by senior management".	Interviews, meetings.
Yan, Y. and Child, J. (2004)	The academy of management Journal.	MCS	"Investors' resources and management participation in international JVs: a control perspective". "The interactions between partner firms' profiles of resource and capabilities that are employed in an IJV and the deployment of relevant control mechanisms to safeguard those investments".	Interviews
Yang, B. and Cervero, R. M. (2001)	International Journal of Lifelong Education	SS	The relationship between power and influence in organizational political contexts is un focus. "The relationship between adult education practitioners using different styles of power and influence tactics in designing and planning programmers and organizational political contexts."	Survey
Yazdifar, H., Zaman Z., Tsamenyi, M., and Askarany, D. (2008)	Critical Perspectives on Accounting	MCS	Management accounting change in a subsidiary organization. "The role which (local) political, cultural and institutional factors in a subsidiary play in shaping the dynamics and change implementation parent–subsidiary relationships over time, and how the new systems and practices become accepted and take root as values and beliefs and how they supplement earlier norms".	Survey
Yilmaz, C. and Kabadayi, E. T. (2006)	Journal of Business Research	IB	Issue of trust and relative dependence – "which partner firms will display the three critical unilateral cooperation behaviors of flexibility, information sharing, and support"	Survey

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Deprivation of control: A driving force to gain influence during the internationalization process of MNC

Globalization of the world economy brought to attention the issue of the process of internationalization and influence over investments abroad in a multicultural context and forced the need to establish new, adequate systems of influence and control over subsidiaries. The management control systems (MCS) literature has long recognized the importance of the issue of phenomenon of HQ's influence over subsidiaries in the process of internationalization of multinational corporations MNCs. However, there is still not enough knowledge about the kind of mechanisms that enhance headquarters' (HQ) influence over subsidiaries in the process of internationalization; how the interplay of these mechanisms occurs; and the way in which these mechanisms trigger the development of the process of internationalization; and more research is needed in this research field.

Using a qualitative framework, in which a case study has been carried out, the current research aims to examine how HQ of MNC "T" has exercised influence and control over its subsidiaries in the process of internationalization, how the top managers in the HQ have perceived the outcome of the control process, and how those perceptions have influenced changes in the design of HQs control mechanism over subsidiaries.

The study makes three major contributions. Firstly, the study contributes by describing use of controls mechanisms related to ownership, the role of BoD, the role expatriates, the corporate rules and the role of CEO of HQ and reveals that these controls are interplaying with each other as the configuration of control packages. Secondly, the study shows how the configurations of controls as packages have been changed by "tuning" during the process of the internationalization aiming to achieve the high level of influence in subsidiaries. Thirdly, this research contributes to a renewal of the existing management control literature by examining how the development of a control system as the configuration of control packages is a result of top managers' perceptions of the outcome of control activities by discovering and presenting the phenomenon of "deprivation of control" as a driving force in the changes of the organization. The study contributes to practitioners by providing a better understanding of the process of internationalization and to the renewal of knowledge about the activities of the MNC during international expansion.

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